International
Labour
Office

Geneva

Financial report and audited consolidated financial statements for the year ended 31 December 2014

and Report of the External Auditor

International Labour Organization

Financial report
and audited consolidated financial statements
for the year ended 31 December 2014

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International Labour Office, Geneva

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1. Financial report on the 2014 accounts

Introduction

1. The 2014 consolidated financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and consolidate all of the operations under the direct authority of the Director-General including the regular budget, extra-budgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), the International Training Centre of the ILO (ITC), and the portion of the Staff Health Insurance Fund (SHIF) activities related to International Labour Organization (ILO) officials and retirees.

2. The Financial Regulations specify a biennial financial period; however for general purpose financial reporting in accordance with IPSAS, annual financial statements are presented. For the purpose of actual versus budget comparisons, in Statements V-A to V-C the annual budget amounts for 2014 represent one half of the approved biennial programme and budgets.

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 25 to the financial statements.

Financial highlights for 2014

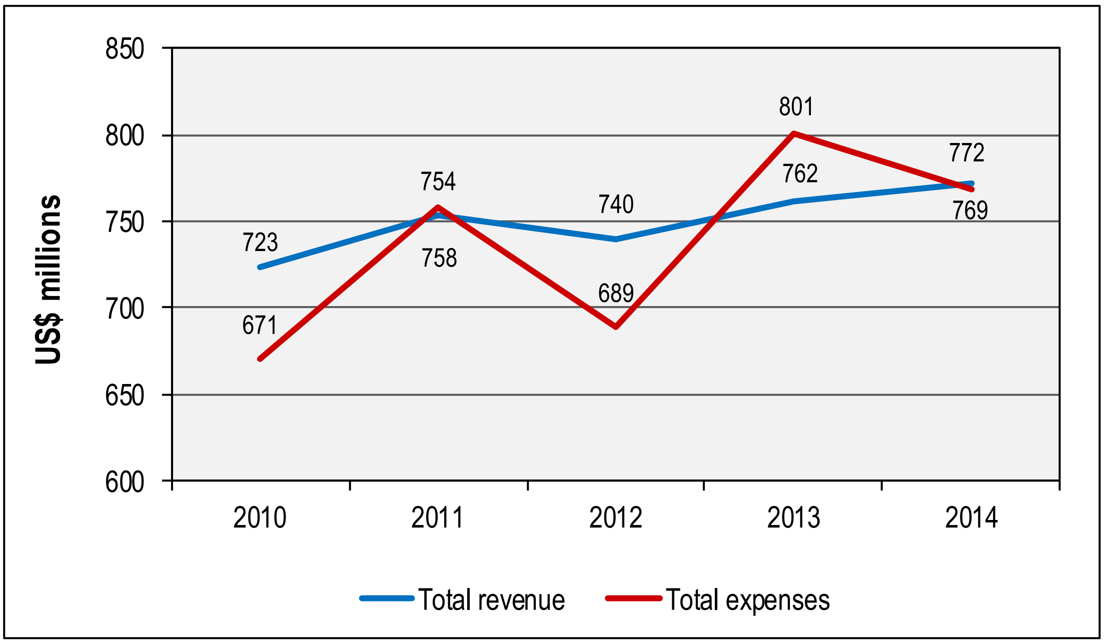
5. The table below summarises the financial situation of the ILO in 2014 as compared to 2013 and 2012 (the first year of the previous biennium):

(US$ millions)	2012 restated [1]	2013 restated [1]	2014
Revenue	740.3	762.1	771.6
Expenses	689.4	801.3	768.7
Surplus (deficit)	**50.9**	**(39.2)**	**2.9**
Assets	1 646.8	1 693.9	1 686.6
Liabilities	1 642.3	1 600.9	1 803.7
Net assets	**4.5**	**93.0**	**(117.1)**

[1] Note 3 to the financial statements provides details on changes in accounting policies and restatements.

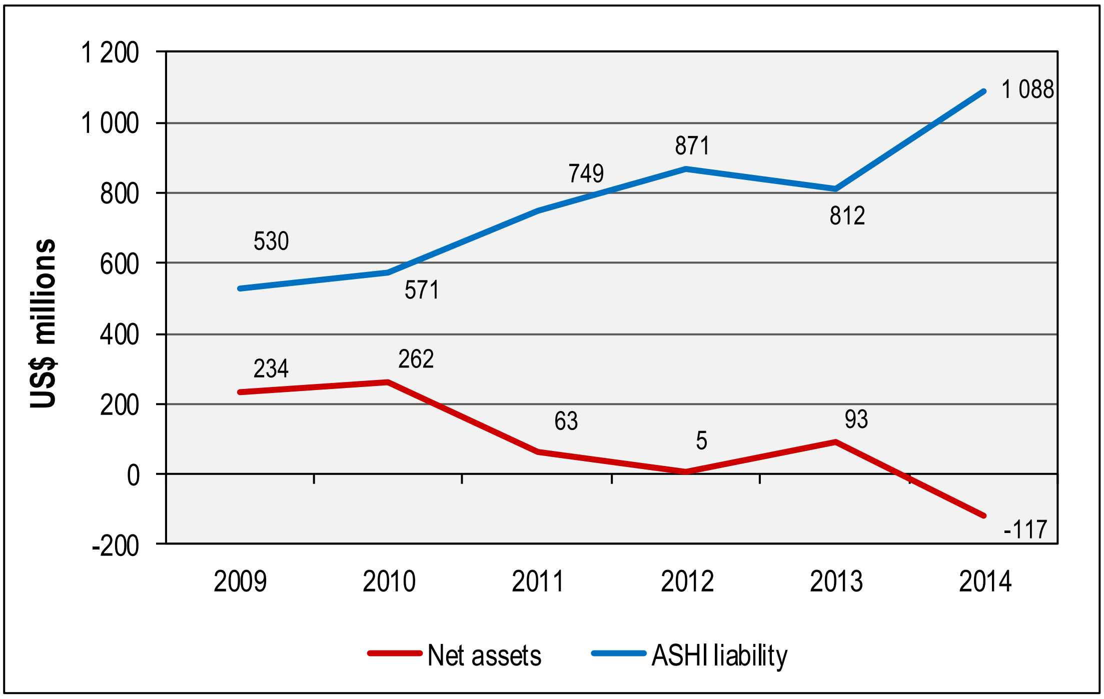
6. The consolidated surplus for 2014 is US$2.9 million as compared to a deficit of US$39.2 in 2013. Historically, regular budget expenditure is significantly higher in the second year of a biennium which has a significant impact on the result of that year. Figure 1 below provides the revenue and expenditure trend during the last five years:

Figure 1. Revenue and expenses trend



7. The decrease in net assets from US$93 million in 2013 to a negative US$117.1 million is mainly attributable to the increase in the ASHI liability. Figure 2 illustrates the correlation between the ASHI liability and net assets. Further information on the most significant movements in assets and liabilities, in particular ASHI, is provided later in this report.

Figure 2. Movement in net assets as compared to ASHI liability

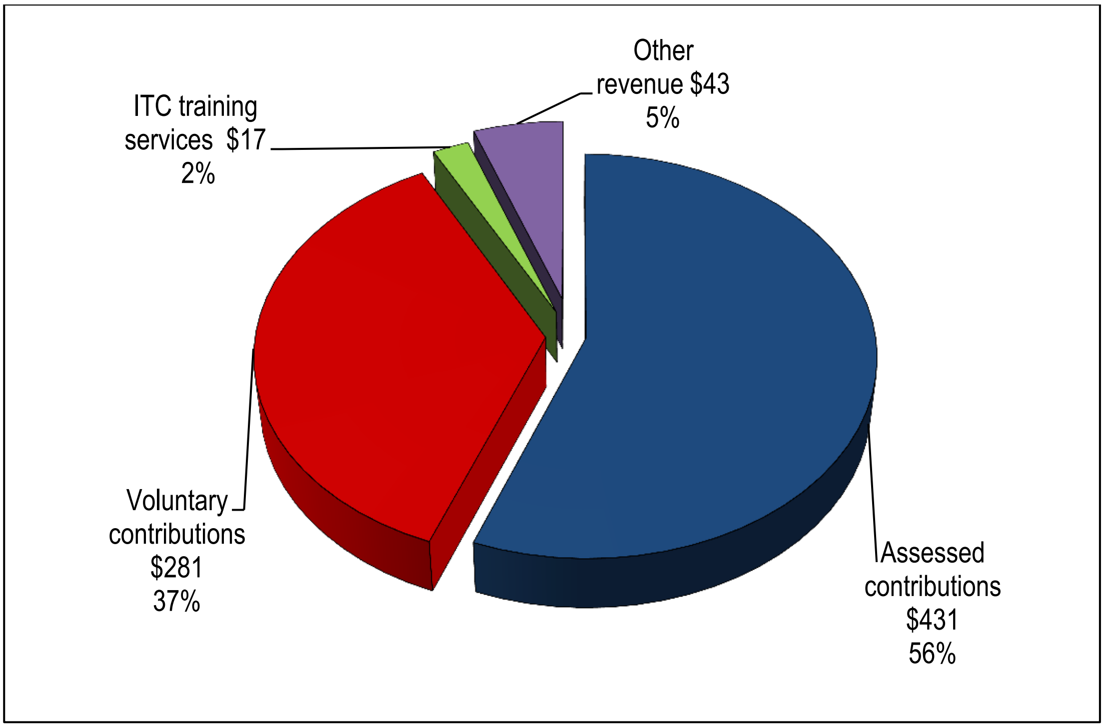


Financial performance

Revenue

8. Revenue in 2014 totalled US$771.6 million (US$762.1 million in 2013) and is composed of as follows:

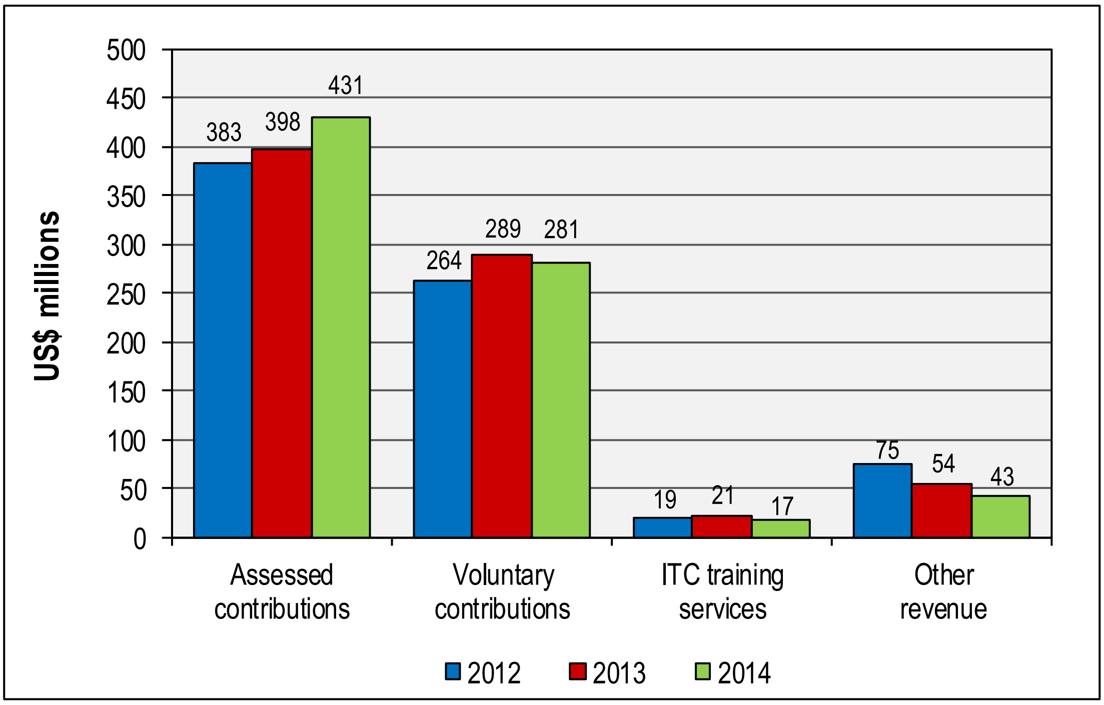
Figure 3. Revenue by source, 2014 (US$ millions)



9. The two principal sources of revenue in 2014 were assessed contributions from member States and voluntary contributions. These represent 93 per cent of ILO sources of revenue.

10. As shown in figure 4, the net increase in total revenue of US$9.5 million, or 1.2 per cent as compared to 2013, results principally from an increase in assessed contributions from member States of US$32.6 million, due to the increase in the US dollar value of the assessed contributions. This has been partially offset by minor decreases in other sources of revenue.

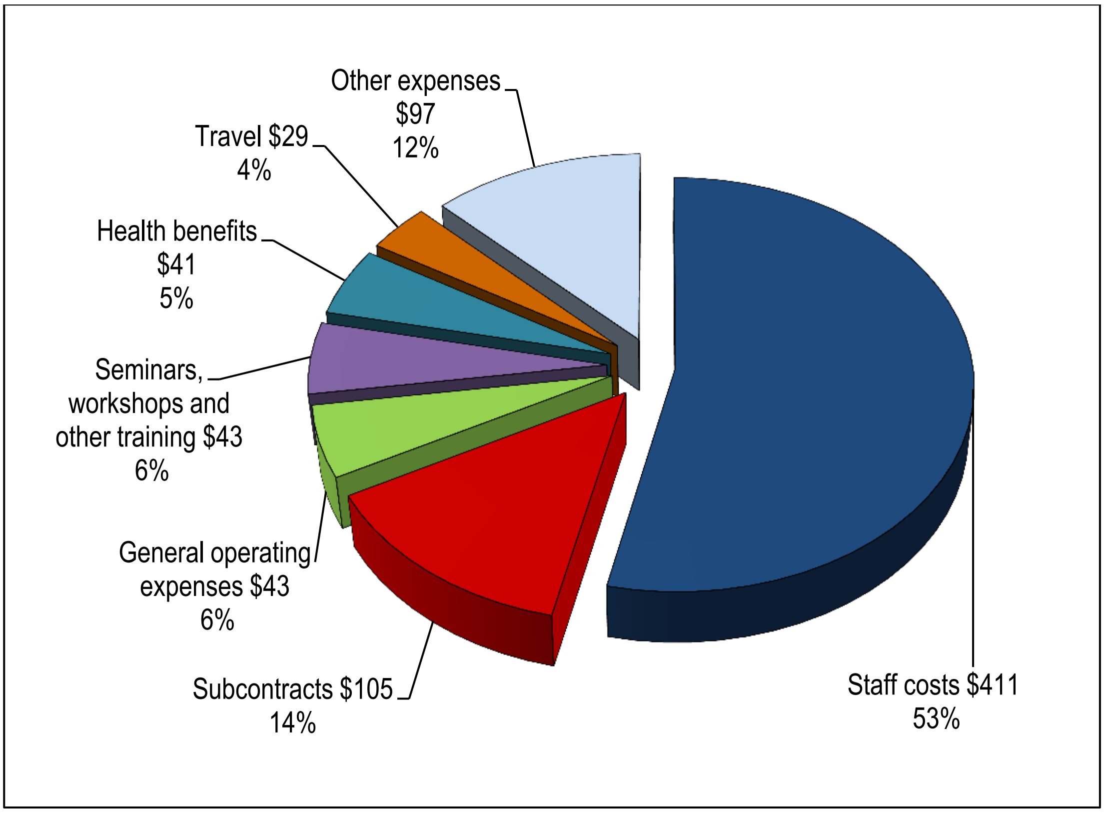
Figure 4. Revenue sources, three-year comparison



Expenses

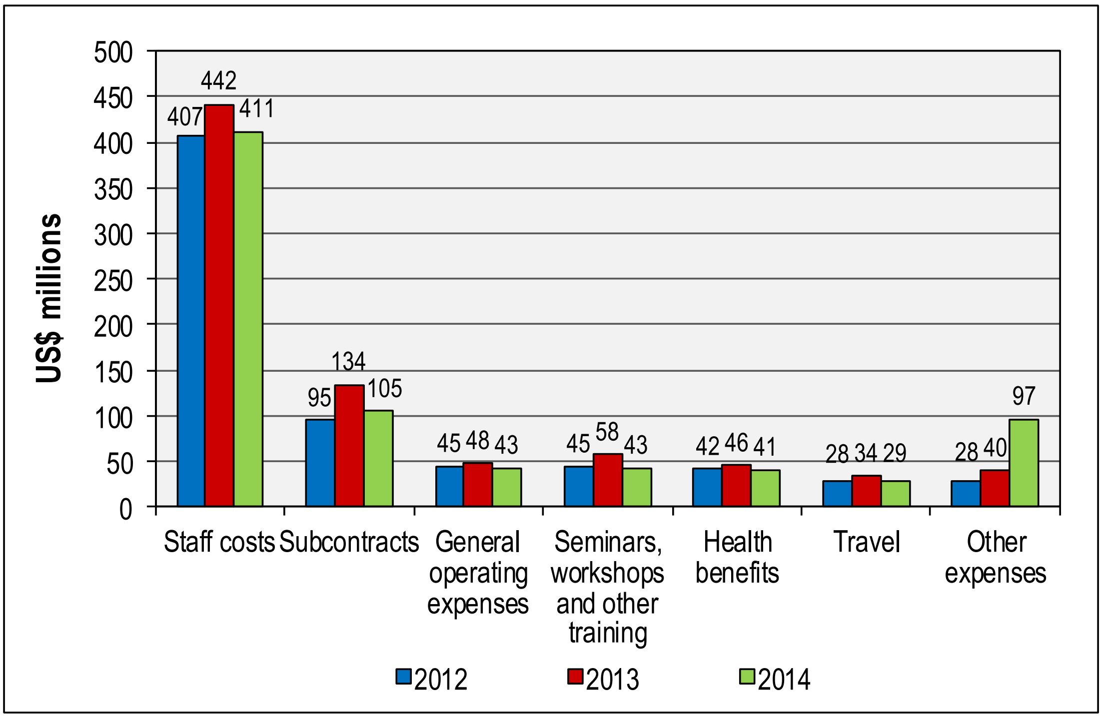
11. Expenses in 2014 totalled US$768.7 million (US$801.3 million in 2013) and were distributed as follows:

Figure 5. Expenses in 2014 (US$ millions)



12. Figure 6 provides a three-year comparison by main expense categories:

Figure 6. Expenses, three-year comparison



13. In 2014, with the exception of other expenses, expenditure decreased by US$89.1 million or by 11.7 per cent as compared to 2013. This was in line with the ILO's historic pattern of comparatively lower expenditure in the first year of the biennium. The IPSAS-based recognition of exchange losses of US$55.7 million is the principal factor in the increase in other expenses.

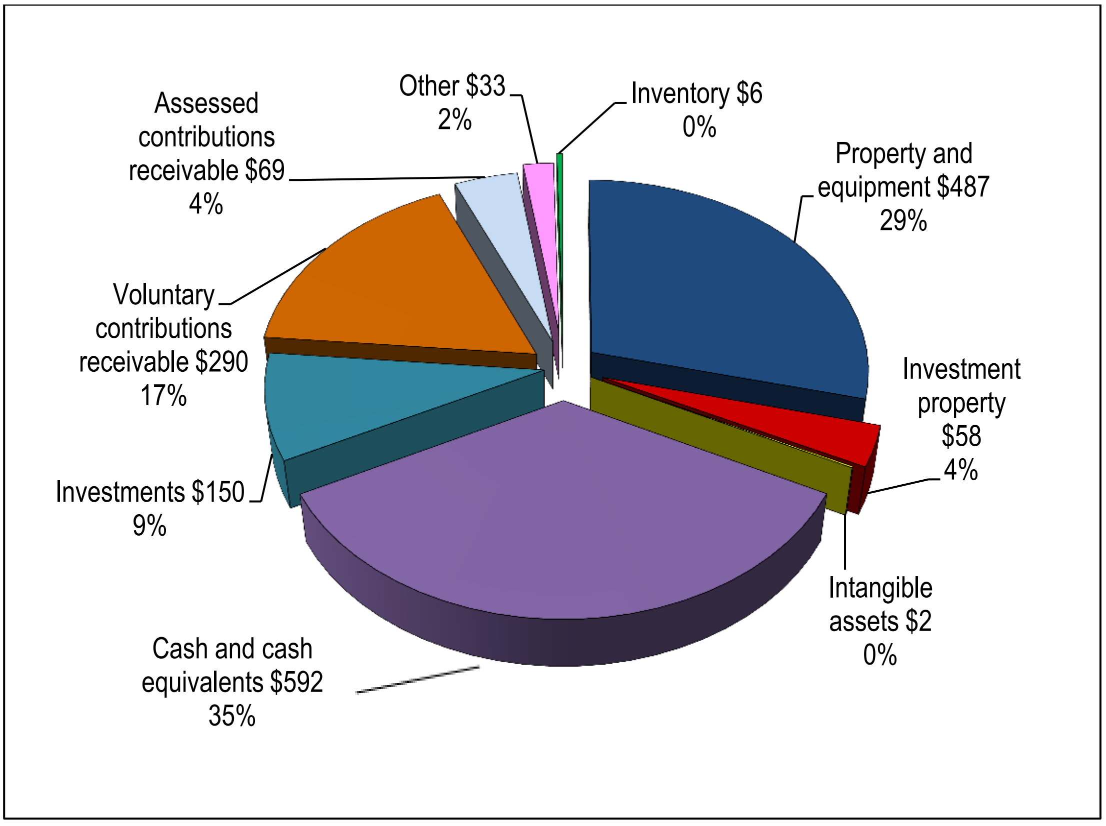
14. In accordance with the Financial Regulations and decisions of the International Labour Conference (ILC), exchange movements relating to the regular budget are managed through the net premium account, netting off gains and losses and providing protection to member States.

Financial position

Assets

15. Assets as at 31 December 2014 totalled US$1,686.6 million (US$1,693.9 million as at 31 December 2013) as follows:

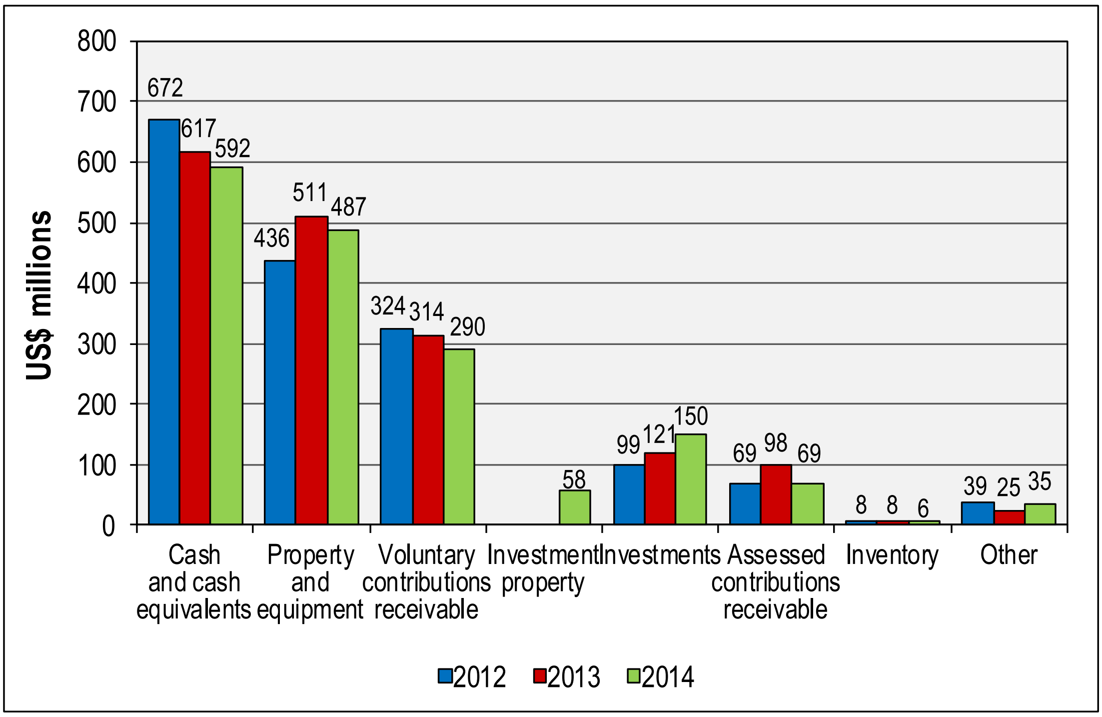
Figure 7. Assets (US$ millions)



16. Cash, cash equivalents and investments totalling US$742.1 million (US$737.2 million as at 31 December 2013) were the largest component of assets as at 31 December 2014 representing 44 per cent of the total assets. Of this amount, US$212.3 million or 28.6 per cent corresponded to funds held on behalf of donors for development cooperation projects. Voluntary contributions receivable and property were the two other significant asset components.

17. Figure 8 provides a three-year comparison by asset category:

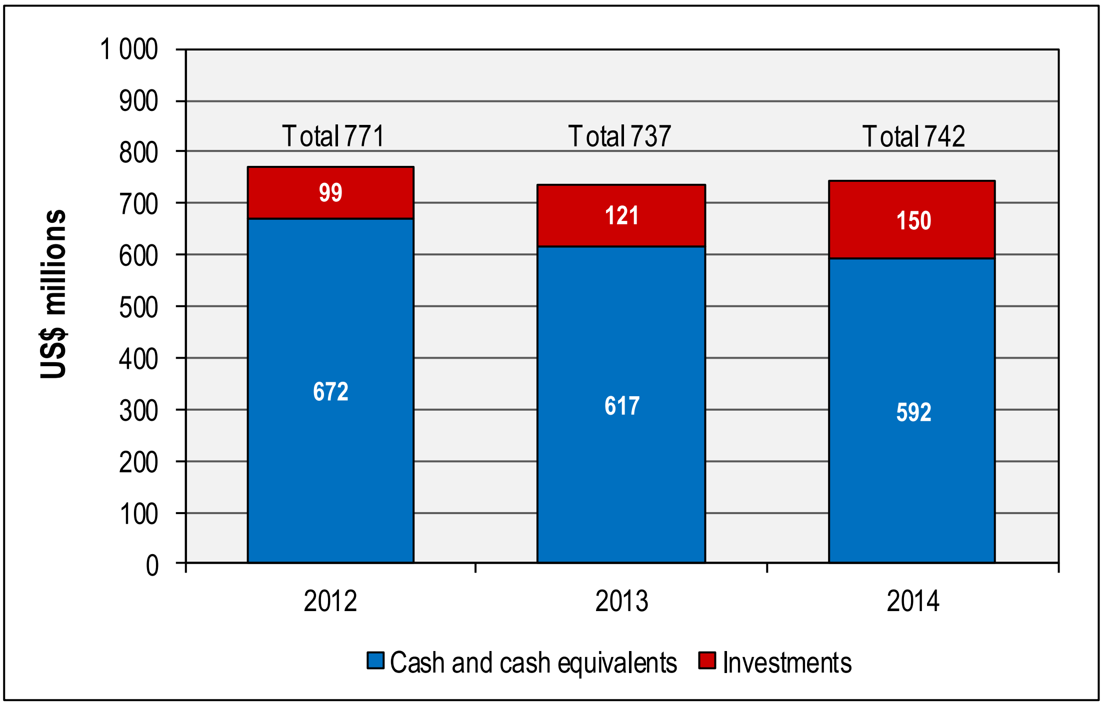
Figure 8. Assets, three-year comparison



Cash, cash equivalents and investments

18. The overall level of cash, cash equivalents and investments has been stable.

Figure 9. Consolidated cash and investments



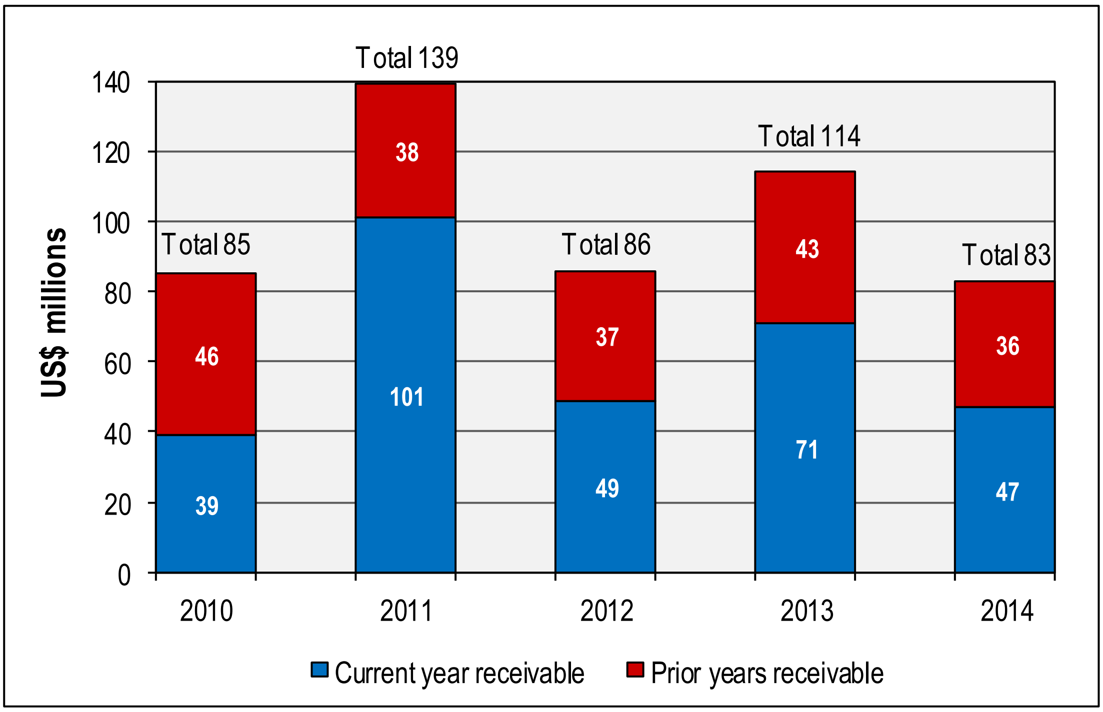
19. In 2014, a sum of US$30 million was invested in a separate managed fund (primarily invested in fixed-income deposits) to meet future payments of terminal benefits due to ILO officials. The new fund is longer term in nature and future growth is expected, with the objective of eventually eliminating further charges to the regular budget.

Assessed contributions receivable

20. Due to a higher collection rate on both current year and arrears of contributions during 2014, the level of assessed contributions receivable decreased by US$30.7 million to US$83.2 million as at 31 December 2014, prior to the required adjustment for member States which had lost the right to vote.

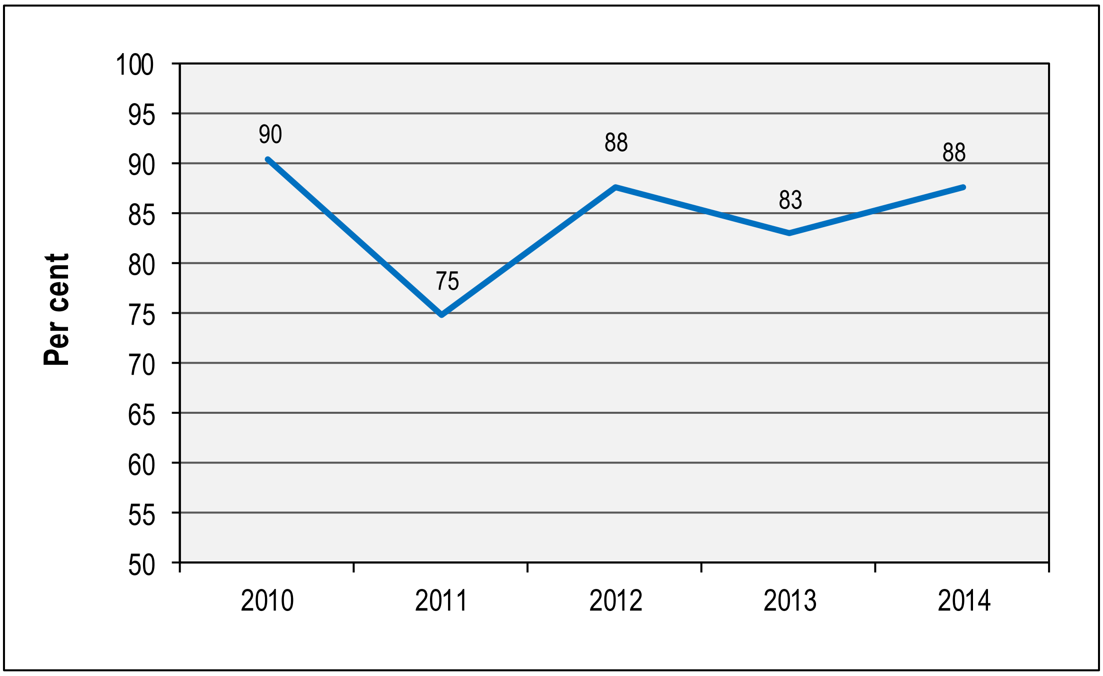
21. Figure 10 summarises the assessed contribution receivable balances and their components at the end of each of the last five years:

Figure 10. Assessed contributions receivable



22. The improved collection rate for assessed contributions is reflected in figure 11 below:

Figure 11. Assessed contributions collection rate (in the year of assessment)



23. A provision of US$11.8 million has been made in respect of the amount due from member States that have lost the right to vote at 31 December 2014, or are considered irrecoverable.

24. As at 31 December 2014, the arrears of contributions of 16 member States – Antigua and Barbuda, Burundi, Djibouti, Dominica, Equatorial Guinea, Gambia, Grenada, Guinea-Bissau, Kyrgyzstan, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, Tajikistan, Uzbekistan and Vanuatu – equalled or exceeded the amount of the contributions due from the past two years (2012–13). Each of these member States had therefore lost the right to vote in accordance with the provisions of paragraph 4 of article 13 of the Constitution of the Organisation.

25. The following member States also had arrears of contributions which equalled or exceeded the amount of the contributions due from them for the past two full years, but were permitted to vote in accordance with paragraph 4 of article 13 of the Constitution of the Organisation under financial arrangements approved by the ILC at various sessions of the Conference: Armenia, Azerbaijan, Belarus, Central African Republic, Comoros, Georgia, Iraq, Kazakhstan, Liberia, Republic of Moldova, Paraguay and Ukraine.

Property, equipment and investment property

26. Property and equipment is mainly composed of land and buildings. Total land and buildings, including the two non-strategic plots of land in Geneva which are classified as investment property (see note 13 of the financial statements) had a market value of US$530.2 million. Figure 12 provides a summary of the ILO’s land and buildings as at 31 December 2014:

Figure 12.

	Fair value	
(US$ thousands)	**31.12.2014**	**31.12.2013**
Land		
Headquarters – Geneva		
Land	305 398	261 974
Plots of land classified as investment property	57 570	64 746
Lima	3 115	2 835
Abidjan	423	454
Santiago	1 230	1 355
Total land	**367 736**	**331 364**
Buildings		
Headquarters – Geneva	142 865	147 694
Lima	9 865	9 102
Brasilia	545	621
Abidjan	2 398	2 575
Dar es Salaam	2 292	2 294
Buenos Aires	648	648
Islamabad	267	270
Santiago	2 869	3 161
Brussels	761	861
Total buildings	**162 510**	**167 226**
Total land and buildings	**530 246**	**498 590**

Land

27. The total value of the land, including investment property, increased principally as a result of the rezoning of ILO land holdings in Geneva, Switzerland. Following the rezoning and other law changes, the constructability potential increased significantly, allowing for considerable further development potential on the ILO's land holdings.

28. The increase in total value of the land by US$36.4 million is composed of an increase in market value of US$69.8 million, offset by a revaluation loss of US$33.4 million due to unfavourable exchange rate movements.

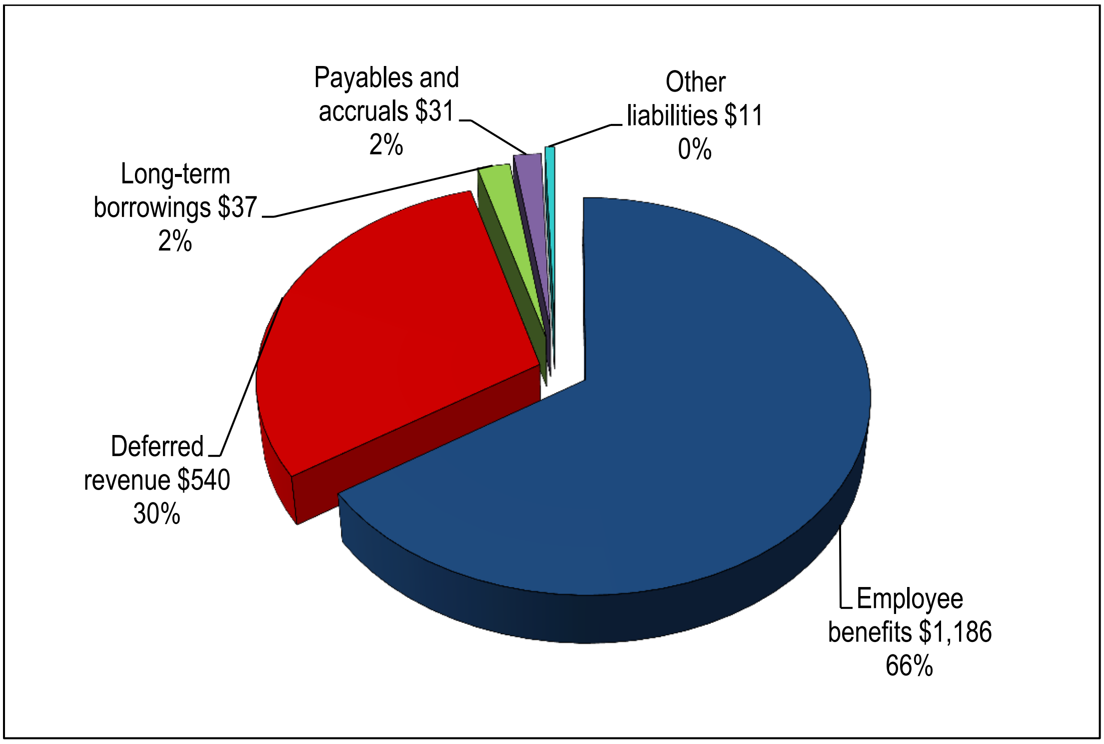
Buildings

29. The net decrease in the total value of buildings of US$4.8 million is mainly attributable to a revaluation loss of US$15.9 million due to exchange rate fluctuation offset by an increase in the market value of US$11.1 million (headquarters building – US$10.1 million).

Liabilities

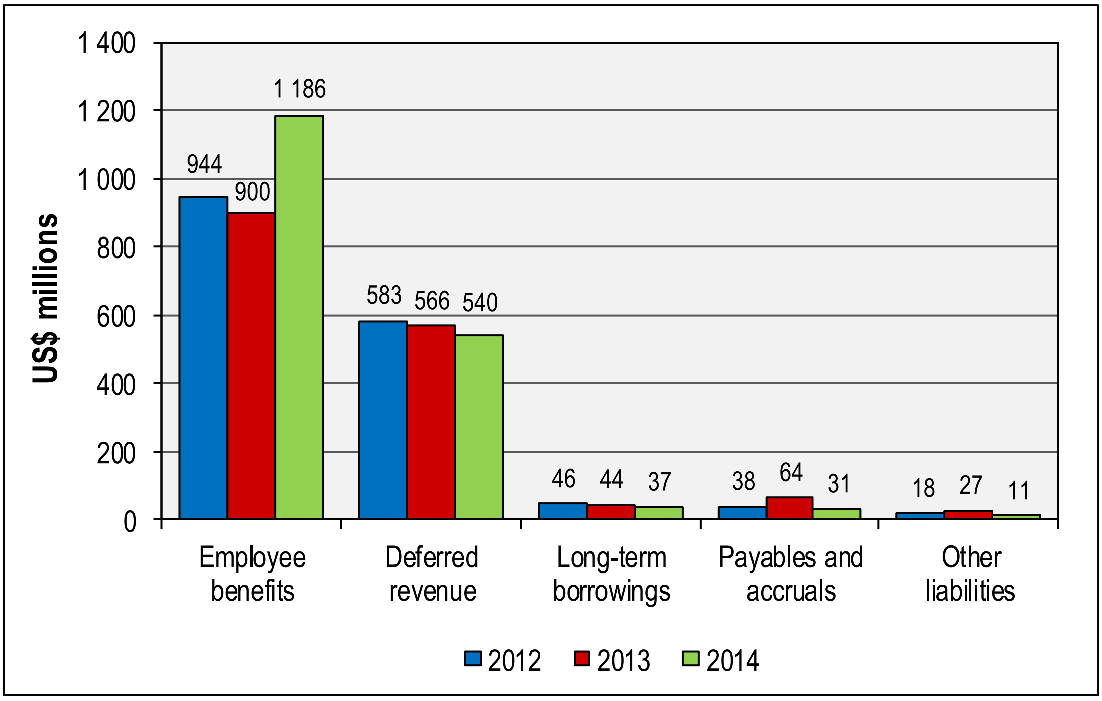
30. Liabilities as at 31 December 2014 totalled US$1,803.7 million (US$1,600.9 million as at 31 December 2013) as follows:

Figure 13. Liabilities (US$ millions)



31. Figure 14 below provides a three-year comparison by liability category:

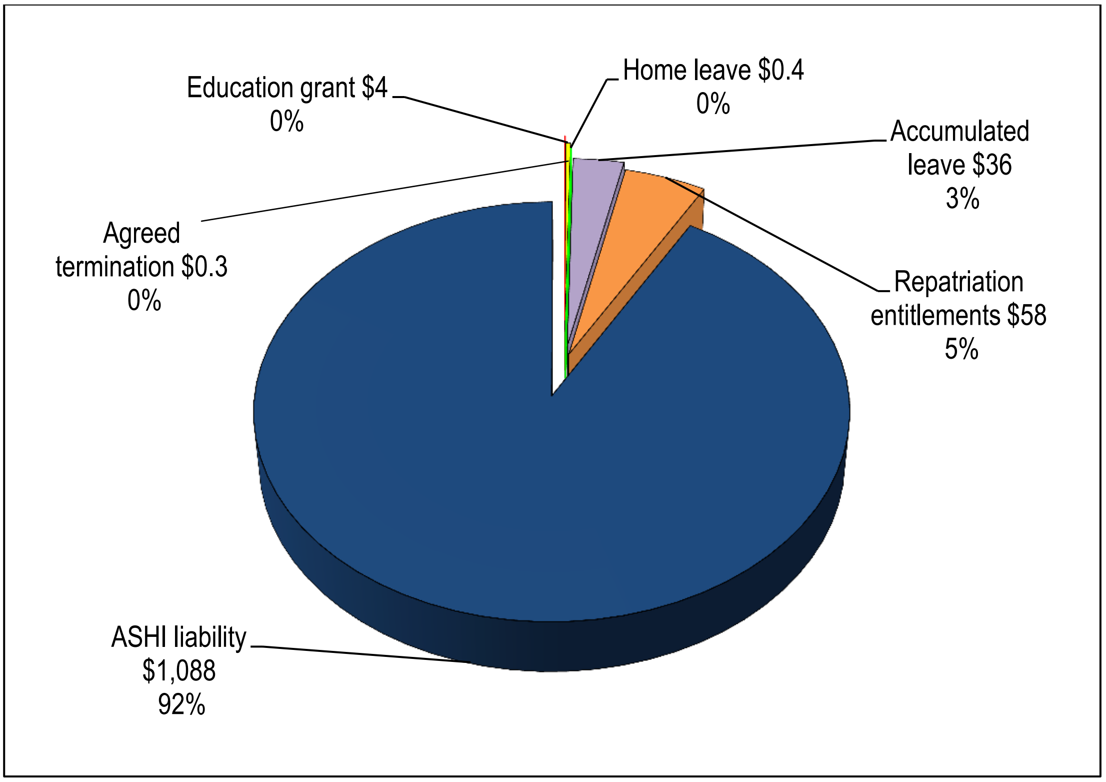
Figure 14. Liabilities, three-year comparison



Employee benefits

32. The most significant liabilities were the future employee benefits accrued by staff members and retirees. These represented 66 per cent of the ILO's total liabilities as at 31 December 2014. Figure 15 provides a breakdown of these liabilities:

Figure 15. Employee benefits (US$ millions)

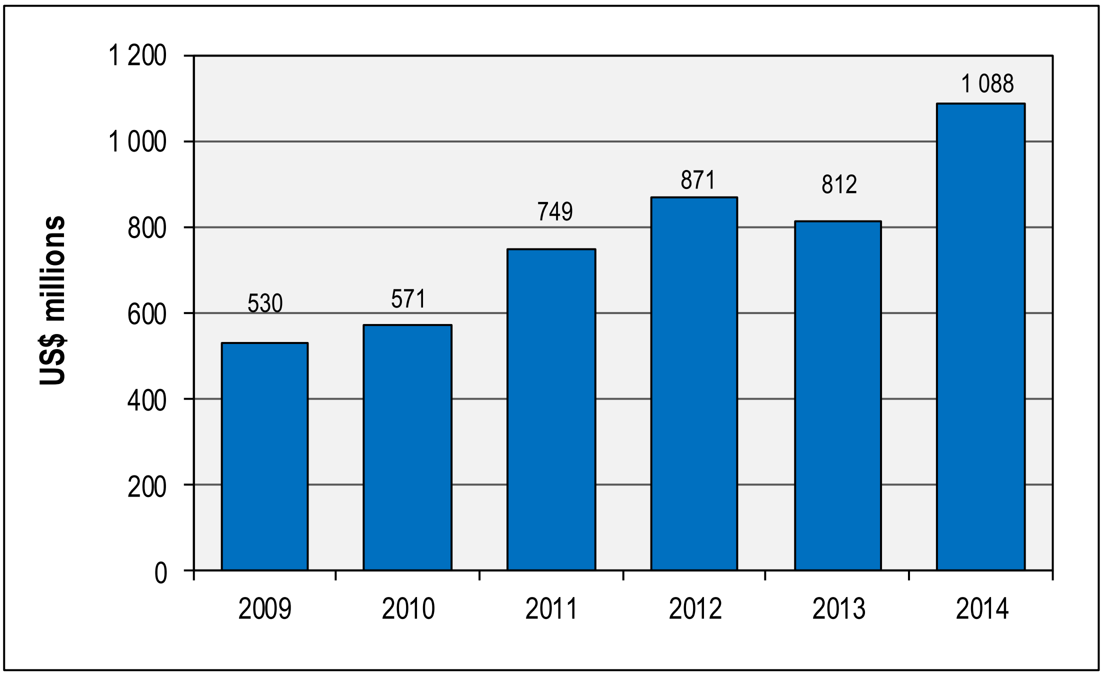


ASHI liability

33. ASHI liability represents 92 per cent of the employee benefits and refers to total estimated cost of the employer's share of future health-care premia in respect of all current retirees and all active staff members with projected eligibility for ASHI. It is an estimate calculated by an independent actuary taking into consideration the current discount rates, trends in health-care costs, mortality rates, the demographic make-up of the insured population, inflation and other assumptions. It is based on an approach developed by the actuarial profession and endorsed by accounting standard setters as being the most accurate method for projecting the amount of the Organization's future obligation.

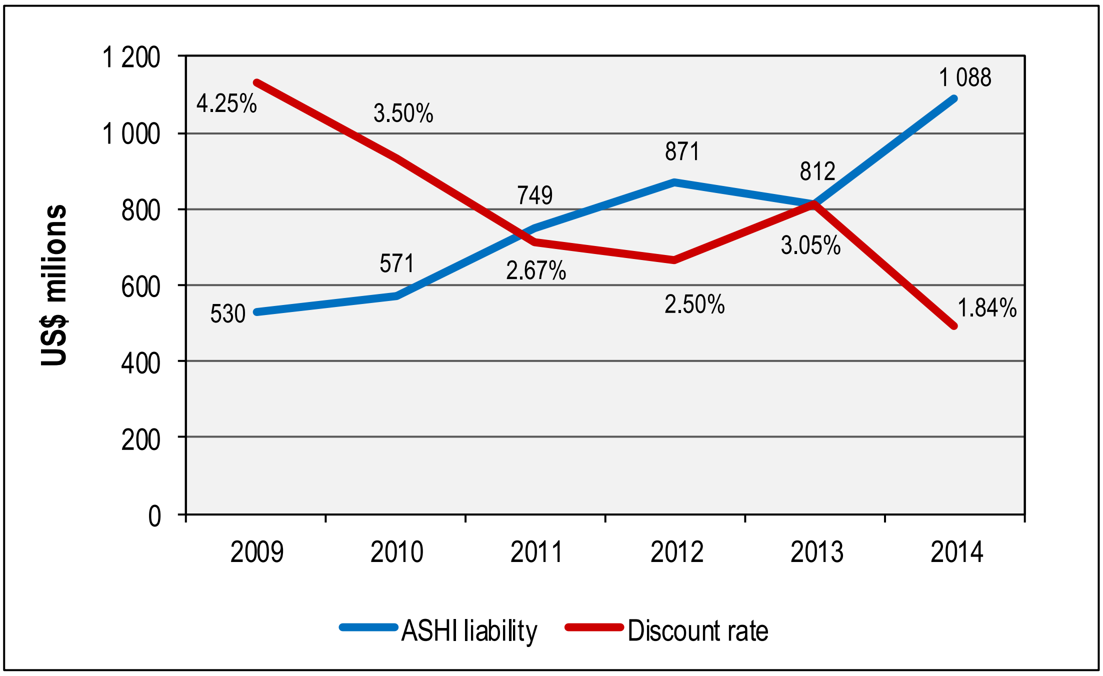
34. Figure 16 presents the movement in the ASHI liability since 2009:

Figure 16. ASHI liability



35. A key assumption utilized by the actuary to calculate the ASHI liability is the discount rate. The decline in the global interest rates from 2009 to 2014 has had a significant effect on the discount rate and consequently the ASHI liability valuation. The other main factors for the increase in the liability are the increase in the number of persons insured, the increase in life expectancy and the rise in medical costs. Figure 17 below provides an illustration of the correlation between discount rates and the ASHI liability:

Figure 17. Discount rate impact analysis on ASHI



36. The ASHI liability increased by US$276 million in 2014 to US$1,088 million. The increase was primarily the result of actuarial losses as detailed below:

Actuarial (gains)/losses	**US$ millions**
Loss due to change in discount rate	215.9
Loss due to change in mortality rate	42.3
Gain due to change in inflation rate	(15.6)
Other actuarial assumptions	8.0
Total actuarial losses recognized in net assets	**250.6**
Net ASHI expense recognized in the statement of financial performance	25.8
Total increase in ASHI liability	**276.4**

37. The ASHI liability is currently considered as unfunded. However, an amount of US$58.4 million is available in a SHIF Guarantee Fund to cover future liabilities of SHIF together with an amount of US$2.4 million accumulated in respect of the staff of development cooperation projects. The ILO fulfils its immediate obligations in respect of the financing of health insurance for former officials from the regular budget, on a pay-as-you-go basis.

38. A number of proposals for the future funding of the ASHI liability were presented to the Governing Body for consideration [1] at its 322nd Session in November 2014 and a further document will be presented in March 2016 reporting on proposals and decisions emerging from the United Nations General Assembly's consideration of this issue.

Regular budget
(in thousands US$/CHF)

39. The ILC, at its 102nd Session (June 2013), approved an expenditure budget for the 2014–15 financial period amounting to US$801.3 million and an income budget for the period for the same amount, which at the budget rate of exchange for the period of 0.95 Swiss francs (CHF) to the US dollar, resulted in total assessed contributions of CHF761.2 million.

40. The overall budgetary results for the first 12 months of the 2014–15 financial period are summarized in Statement V-A with the details of contributions paid by member States shown in note 32 to the financial statements.

[1] GB.322/PFA/2 provided a summary of the scope of the existing ASHI arrangements and outlined mechanisms for the funding of future ASHI liabilities.

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

Variance analysis by strategic outcome for 2012–2014 (US$ thousands)

	2012			2013			2014		
	Budget [1]	actual	delivery	Budget [1]	actual	delivery	Budget [1]	actual	delivery
Part I – Ordinary budget									
A. Policy-making organs	46 646	43 675	93.63%	46 646	46 697	100.11%	41 235	37 485	90.91%
B. Strategic objectives	324 044	285 139	87.99%	324 045	360 204	111.16%	306 146	272 694	89.07%
C. Management services	37 869	34 257	90.46%	37 869	39 806	105.12%	30 997	29 941	96.59%
D. Other budgetary provisions	23 567	22 111	93.82%	23 567	23 914	101.47%	23 401	21 821	93.25%
Adjustment for staff turnover	(3 651)	–	0.00%	(3 652)	–	0.00%	(3 300)	–	0.00%
Total Part I	**428 475**	**385 182**	**89.90%**	**428 475**	**470 621**	**109.84%**	**398 479**	**361 941**	**90.83%**
Part II – Unforeseen expenditure	438	–	0.00%	437	–	0.00%	438	–	0.00%
Part IV – Institutional investments and extraordinary items	1 897	3 795	200.05%	1 898	–	0.00%	1 713	3 426	200.00%
Total Parts I, II and IV	**430 810**	**388 977**	**90.29%**	**430 810**	**470 621**	**109.24%**	**400 630**	**365 367**	**91.20%**

[1] Budget represents one half of the biennial budget adopted by the ILC.

42. The results of the first year of the 2014–15 biennium should be compared with the those for 2012, the first year of the previous biennium. The ILO's budgetary delivery rate at 91.20 per cent in 2014 compared to 90.29 per cent in 2012, shows a delivery that is in line with historical patterns. In the first year of the biennium the ILO normally utilizes less than one half of the biennial budget, as activities are planned and programmed in the first year for delivery across the whole biennium. It is expected that the delivery rate in 2015 will accelerate to attain full delivery of the approved biennial budget for 2014–15. Results-based delivery information is reported biennially to the Governing Body and Conference through the ILO Programme Implementation Report at the conclusion of each biennium.

43. As reported in Statement V-A, the excess of income over expenditure for the period at the budgetary rate of exchange was US$35.3 million. Following revaluations, adjustments in respect of arrears of contributions received and reimbursement of the Working Capital Fund, the net surplus at the end of the first year of the biennium was US$36.3 million. Since the ILO operates on a biennial financial period the results for 2014 do not represent a surplus as defined in article 18 of the Financial Regulations. The final determination of surpluses to be returned to member States will be made at the end of the financial period, that is, 31 December 2015.

44. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the Financial Regulations are summarised in the following table and explained in more detail in note 25.

(US$ thousands)	Regular budget	CINTERFOR	ITC	Subsidiary funds	Total
Net result per budgetary basis (Statement V)	36 266	245	513		37 024
IPSAS adjustments	(8 406)	(99)	(1 182)	–	(9 687)
Subsidiary funds			964	(25 399)	(24 435)
Net result per IPSAS basis	**27 860**	**146**	**295**	**(25 399)**	**2 902**

Other funds

45. Prior to 2014, other funds managed by the ILO included funds belonging to units forming an integral part of the ILO, including the International Institute for Labour Studies (IILS), the International Occupational Safety and Health Information Centre (CIS), CINTERFOR, the ITC and the Administrative Tribunal.

46. At its 319th and 320th Sessions (October 2013 and March 2014) the Governing Body decided to dissolve the IILS and to merge its staff into the new Research Department. The IILS reserves were transferred to a new Research Fund managed together with other ILO resources.

47. At its October 2014 session, the Governing Body also decided to integrate the former activities of the CIS into the reformed structure of the ILO and to use any remaining and future funds to promote and enhance occupational safety and health activities of the ILO.

48. As at 31 December 2014 the net assets of other funds, managed by the ILO amounted to US$22.4 million and included the ITC, CINTERFOR and the Administrative Tribunal.

49. The overall results of those funds with budgets approved by the Governing Body or the Board of the ITC for 2014 are summarized in Statements V-B and V-C and information on the net assets of each fund is included in the appendix.

50. Expenditure recognised during 2014 on extra-budgetary development cooperation activities totalled US$246.6 million (US$253.8 million in 2013). Under IPSAS, revenue is recognized and matched by the Office when earned though project delivery; hence the extra-budgetary development cooperation delivery rate is consistently 100 per cent in financial terms. The results show that the delivery measured by expenditure was slightly lower in 2014.

Ex gratia payments

51. During 2014, ex gratia payments of US$25,347 (US$18,737 in 2013) were made.

2. Approval of the consolidated financial statements for the year ended 31 December 2014

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.

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

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

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

Approved by :	Approved by :
Greg Johnson	Guy Ryder
Treasurer and Financial Comptroller	Director-General
30 April 2015	30 April 2015

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

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of the International Labour Office

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the International Labour Organization and its controlled entity, the International Training Centre, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of financial performance, consolidated statement of changes in net assets, consolidated statement of cash flow and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the International Labour Organization and its controlled entity, the International Training Centre, as at 31 December 2014, and their financial performance, their cash flows and the comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Regulations* of the International Labour Organization, I report that, in my opinion, the accounting principles in International Public Sector Accounting Standards have been applied on a basis consistent with that of the preceding year.

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

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

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

30 April 2015
Ottawa, Canada

4. Consolidated financial statements for the year ended 31 December 2014

International Labour Organization

Statement I

Consolidated statement of financial position as at 31 December 2014 (US$ millions)

	Note	**2014**	**2013 restated** (note 3)
Assets			
Current assets			
Cash and cash equivalents	4, 23	591.7	616.7
Assessed contributions receivable	5	54.9	81.2
Voluntary contributions receivable	6	234.9	239.1
Derivative assets	7	10.3	1.1
Other receivables	8	7.7	11.0
Inventories	9	6.1	7.8
Other current assets	10	15.1	11.7
		920.7	968.6
Non-current assets			
Assessed contributions receivable	5	13.7	17.1
Voluntary contributions receivable	6	54.7	75.3
Investments	11, 23	150.4	120.5
Property and equipment	12	487.4	511.3
Investment property	13	57.6	–
Intangible assets	14	2.1	1.1
		765.9	725.3
Total assets		**1 686.6**	**1 693.9**
Liabilities			
Current liabilities			
Payables and accruals		31.1	63.9
Deferred revenue	15, 33	485.0	490.9
Employee benefits	16	51.3	52.0
Current portion of long-term borrowings	17	3.8	4.2
Due to member States	18	0.3	2.0
Derivative liabilities	7	0.7	8.2
Funds held on behalf of ITU	19	1.1	–
Other current liabilities	20	8.1	3.7
		581.4	624.9
Non-current liabilities			
Deferred revenue	15	54.7	75.3
Employee benefits	16	1 134.4	848.4
Long-term borrowings	17	32.7	39.6
Due to member States	18	0.5	0.9
Derivative liabilities	7	–	8.4
Funds held on behalf of ITU	19	–	3.4
		1 222.3	976.0
Total liabilities		**1 803.7**	**1 600.9**
Net assets			
Reserves	21	200.0	182.8
Accumulated balances	21	(317.1)	(89.8)
Total net assets		**(117.1)**	**93.0**

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 2014 (US$ millions)

	Note	2014	2013 restated (note 3)
Revenue			
Assessed contributions from member States	27, 33	430.9	398.3
Voluntary contributions	27	281.1	288.9
ITC training services	27	17.1	21.3
Staff/retiree benefit contributions		21.3	21.0
Sales and royalties		9.5	8.9
Investment income		7.6	2.7
Exchange gain and revaluation, net		–	18.1
Other income		4.1	2.9
Total revenue		**771.6**	**762.1**
Expenses			
Staff costs	22	411.2	441.5
Travel	22	29.0	34.1
Subcontracts	22	105.0	134.4
General operating expenses	22	43.0	48.1
Supplies, materials and small equipment	22	10.1	14.8
Depreciation and amortization	22	3.5	2.4
Seminars, workshops and other training	22	43.0	57.5
Staff development	22	4.1	5.1
Health benefits	22	40.9	45.6
Contributions and grants in aid	22	10.3	8.9
Exchange loss and revaluation, net		55.7	–
Change in fair value of investment property	13	7.2	–
Finance costs	22	2.9	1.7
Other expenses	22	2.8	7.2
Total expenses		**768.7**	**801.3**
Net surplus (deficit)		**2.9**	**(39.2)**

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 2014 (US$ millions)

	Note	Reserves	Accumulated balances	Total net assets
Balance as at 31 December 2012		**196.3**	**(178.5)**	**17.8**
Recognition of ISSA's ASHI liability	3	–	(13.3)	**(13.3)**
Restated balance as at 31 December 2012		**196.3**	**(191.8)**	**4.5**
Restated surplus (deficit) for the year 2013	3	5.3	(44.5)	**(39.2)**
Internal borrowing for financing of regular budget deficit		(18.8)	18.8	**–**
Change of derivatives		–	(30.4)	**(30.4)**
Change of revaluation surplus of land and buildings		–	62.8	**62.8**
Actuarial gain (loss) of employee benefit liabilities	3	–	94.0	**94.0**
Transfer to liabilities due to member States of period 2013		–	(0.3)	**(0.3)**
Translation difference from consolidation of ITC		–	1.6	**1.6**
Total 2013 movement		**(13.5)**	**102.0**	**88.5**
Restated balance as at 31 December 2013	21	**182.8**	**(89.8)**	**93.0**
Surplus (Deficit) for the year 2014		(2.7)	5.6	**2.9**
Repayment of internal borrowing for financing of regular budget deficit in 2012–13		18.7	(18.7)	**–**
Change of derivatives		–	25.4	**25.4**
Change of revaluation surplus of land and buildings		–	28.3	**28.3**
Actuarial gain (loss) of employee benefit liabilities		–	(264.0)	**(264.0)**
Reserve for ASHI funding		1.2	(1.2)	**–**
Translation difference from consolidation of ITC		–	(2.7)	**(2.7)**
Total 2014 movement		**17.2**	**(227.3)**	**(210.1)**
Balance as at 31 December 2014	21	**200.0**	**(317.1)**	**(117.1)**

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 2014 (US$ millions)

	2014	2013 restated
Cash flows from operating activities		
Surplus (deficit) for the year	2.9	(39.2)
Non-cash movements:		
Depreciation and amortization	3.5	2.4
Change in fair value of investment property	7.2	–
(Increase) decrease in assessed contributions receivable	29.7	(29.2)
(Increase) decrease in voluntary contributions receivable	24.8	9.8
(Increase) decrease in derivative instruments	0.2	0.5
(Increase) decrease in other receivables	3.3	(2.1)
(Increase) decrease in inventories	1.7	0.3
(Increase) decrease in other assets	(3.4)	2.5
Increase (decrease) in payables and accruals	(32.8)	25.7
Increase (decrease) in deferred revenue	(26.6)	(16.3)
Increase (decrease) in employee benefits	21.3	36.6
Increase (decrease) in due to member States	(2.1)	(8.1)
Increase (decrease) in other liabilities	2.1	0.2
Increase (decrease) in investment portfolios	0.1	(3.7)
Increase (decrease) in borrowings	(3.5)	2.1
Transfer to liabilities due to member States	–	(0.3)
Effect of exchange rates on cash and cash equivalents	32.0	(5.0)
Net cash flows from operating activities	**60.4**	**(23.8)**
Cash flows from investing activities		
Sale of investments	–	14.2
Purchase of investments	(30.0)	(32.0)
Additions of property and equipment	(17.2)	(14.7)
Additions of intangible assets	(1.2)	(0.8)
Net cash flows from investing activities	**(48.4)**	**(33.3)**
Cash flows from financing activities		
Repayment of borrowings	(3.8)	(4.1)
Net cash flows from financing activities	**(3.8)**	**(4.1)**
Effect of exchange rates on cash and cash equivalents	(33.2)	6.3
Net increase (decrease) in cash and cash equivalents	**(25.0)**	**(54.9)**
Cash and cash equivalents, beginning of period	**616.7**	**671.6**
Cash and cash equivalents, end of period	**591.7**	**616.7**

US$1.1 million of interest received is included in the net cash flows from operating activities (2013 = US$1.4 million).

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

International Labour Organization

Statement V-A

Statement of comparison of budget and actual amounts [1]
Regular budget for the year ended 31 December 2014 (US$ thousands)

	Original [2] and final budget	Actual	Difference [3]
Revenue			
Assessed contributions	400 630	400 630	–
Total revenue	**400 630**	**400 630**	**–**
Expenses			
Part I – Ordinary budget			
A. Policy-making organs	41 235	37 485	(3 750)
B. Strategic objectives	306 146	272 694	(33 452)
C. Management services	30 997	29 941	(1 056)
D. Other budgetary provisions	23 401	21 821	(1 580)
Adjustment for staff turnover [4]	(3 300)	–	3 300
Total Part I	398 479	361 941	(36 538)
Part II – Unforeseen expenditure	438	–	(438)
Part IV – Institutional investments and extraordinary items	1 713	3 426	1 713
Total expenses (Parts I, II and IV)	**400 630**	**365 367**	**(35 263)**
Surplus at budgetary rate of exchange		**35 263**	
Revaluation of the budgetary surplus		(1 322)	
Surplus at UN operational rate of exchange [5]		**33 941**	
Surplus resulting from the receipt of contributions in an amount higher than approved regular budget		19 199	
Reimbursement of 2012–13 deficit financing [6]		(16 874)	
Net surplus [7]		**36 266**	

[1] Budget and actual information calculated at budgetary rate of exchange of US$1 = CHF0.95.

[2] Original budget represents one half of the biennial budget adopted by the ILC.

[3] Significant differences between budget and actual are explained in the accompanying financial report on the 2014 accounts.

[4] 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.

[5] Any surplus remaining at the end of the biennium is credited to Member contributions in the second year of the next biennium as per article 18(2) of the Financial Regulations.

[6] As at 31 December 2013, in accordance with article 21.1(a) of the Financial Regulations, the deficit of CHF16.655 million was covered by the Working Capital Fund. In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2014 were used to reimburse the Working Capital Fund.

[7] The ILO financial period for budgetary purposes consists of two consecutive calendar years. At the mid-point in a biennium, the surplus/deficit reflected in this statement is notional and no transfers as described in footnote 5 above are processed.

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 2014 (US$ thousands)

	Original [1] and final budget	Actual	Difference [2]
Accumulated balance, beginning	**598**	**587**	**(11)**
Revenue			
Contribution from ILO regular budget	1 143	1 143	–
Contribution from host country and other countries in the region	350	588	238
Sales of publications and services	25	2	(23)
Miscellaneous income	5	(3)	(8)
Total revenue	**1 523**	**1 730**	**207**
Expenses			
Expenditure	1 596	1 485	(111)
Total expenses	**1 596**	**1 485**	**(111)**
Net surplus (deficit)	**(73)**	**245**	**318**
Accumulated balance, ending	**525**	**832**	**307**

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

[2] Differences between budget and actual are explained in the accompanying financial report on the 2014 accounts.

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

International Labour Organization

Statement V-C

Statement of comparison of budget and actual amounts
International Training Centre of the ILO (ITC) for the year ended 31 December 2014

	2014 budget	2014 actual	Budget variance [2]	2014 budget	2014 actual	Budget variance [2]
	(in € thousands)			(in US$ thousands) [3]		
Revenue						
Voluntary contributions	11 204	11 489	285	14 899	15 278	379
Earned revenue	23 800	23 694	(106)	31 649	31 508	(141)
Use of surplus	1 134	655	(479)	1 508	871	(637)
Total budget revenue	**36 138**	**35 838**	**(300)**	**48 056**	**47 657**	**(399)**
Expenditure						
Staff costs	17 662	17 232	(430)	23 487	22 915	(572)
Fixed expenses	6 176	6 478	302	8 213	8 614	401
Variable expenditures	12 300	11 959	(341)	16 356	15 903	(453)
Total operating expenditures	**36 138**	**35 669**	**(469)**	**48 056**	**47 432**	**(624)**
Budget surplus [1]	**–**	**169**	**169**	**–**	**225**	**225**
Other items						
Decrease in provision for doubtful accounts	–	8	8	–	11	11
Exchange gain (loss) and revaluation, net	–	209	209	–	278	278
Total other items	**–**	**217**	**217**	**–**	**289**	**289**
Net budget surplus [1]	**–**	**386**	**386**	**–**	**514**	**514**

[1] As referred to in Financial Regulations 7(4) of the ITC.

[2] Budget variances are explained in the accompanying financial report on the 2014 accounts of the ITC.

[3] The revenue and expenditure of the ITC are consolidated using an average rate of US$1 = €0.752 for the reporting period (US$1 = €0.756 for 2013).

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

Note 1 – Objectives and activities

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

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

3. The ILO was established pursuant to its Constitution originally adopted in 1919 and is governed by the International Labour Conference (ILC) which consists of representatives of all the member States, and by the Governing Body elected by the ILC. The ILC of representatives of the Members is convened annually. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs.

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

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

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

Note 2 – Accounting policies

Basis of preparation and presentation

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

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

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

Financial period

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

Financial statement presentation

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

Measurement uncertainty

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

Significant accounting policies

Borrowings

13. Borrowings are classified as financial liabilities initially measured at fair value and subsequently measured at amortized cost. Interest and other expenses incurred in connection with the borrowing of funds to directly finance the acquisition or construction of assets are capitalized as part of the cost of the asset.

Cash and cash equivalents

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

Consolidation

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

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

from the consolidation of ITC euro-based accounts into the ILO's US dollar-based consolidated financial statements are recognized in net assets.

Contingent asset

17. Probable assets that arise from past events, and 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 are disclosed in the notes to the consolidated financial statements.

Derivatives

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

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

- The effective portion of the gain or loss on the hedging instrument (forward purchase agreement) is recognized in net assets, while any ineffective portion is recognized immediately in the 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 (US$) 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 statement of financial performance when a forecast transaction 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 discontinued when no longer required.

Due to member States

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

- At the end of the first year of each biennium a calculation is made of the amount that would have been due to member States, and this amount is reflected as a component of accumulated fund balance.
- At the end of the second year of each biennium the amount is recognized as a liability to member States in accordance with the provisions of the Financial Regulations.

Employee benefits

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

Post-employment benefits

22. Post-employment benefits are employee benefits that are payable after the completion of employment. The ILO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations (UN) and the specialized agencies.

23. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The ILO, in line with the other participating organizations in the Fund, is not in a position to identify its share of the defined benefit obligation, plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the ILO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS-25. The ILO’s contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

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

Short-term employee benefits

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

Other long-term employee benefits

27. Other long-term employee benefits are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees render the related services. Such benefits include the portion of the accumulated leave balances

that is not expected to be settled within 12 months of the reporting date. They are recognized as non-current liabilities.

Foreign currency transactions

28. Transactions carried out during the financial period in currencies other than the US dollar are converted to US dollars using the UN operational rate of exchange in effect on the date of each transaction. These rates approximate market rates.

29. Balances of monetary assets and liabilities maintained in currencies other than the US dollar are converted to US dollars at the UN operational rate of exchange applicable at the reporting date, which approximates the market rate. Exchange differences arising on the settlement of monetary items and unrealized gains or losses from revaluation of monetary assets and liabilities are recognized on the consolidated statement of financial performance except for gains and losses on exchange arising on effective cash flow hedges at the reporting date which are recognized in net assets.

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

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

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

Impairment

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

Inventory

34. Publications held for free distribution are valued at the lower of cost and current replacement cost. Publications held for sale are valued at the lower of cost and net realizable value. If net realizable value is lower than cost, the difference is recognized as an expense on the consolidated statement of financial performance. The value of publications is written off when they are considered damaged or after two years when they are considered obsolete and this is an expense on the consolidated statement of financial performance. The cost of publications is calculated using the weighted average cost. The cost of paper and other supplies used in the production process is calculated using the first-in, first-out method formula.

Intangible assets

35. Intangible assets are recognized at historical cost and amortized over their useful life of three to five years using the straight line method. Intangible assets are capitalized and recognized as assets if their cost per user equalled or was greater than US$5,000 for

externally acquired software and US$200,000 for internally developed software for the ILO and €40,000 for the ITC.

Investments

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

Investment property

37. Investment properties are initially recognized at cost and subsequently measured at fair value based upon an external and independent valuation which reflects market conditions at the reporting date.

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

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

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

Leases

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

Payables and accruals

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

Property and equipment

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

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

historical cost and fair value for land and buildings is accounted for in a revaluation surplus which forms a separate component of net assets. Any gain or loss resulting from the disposal of property valued at fair value will be recorded as revenue or expense in the consolidated statement of financial performance.

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

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

45. 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	84
Field offices	20–85
Equipment	5–10
Leasehold improvements	Lower of estimated useful life (15–30) and term of lease

Provisions and contingent liability

46. 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.

47. 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

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

- *Assessed contributions*

– Prior to the beginning of each financial period the ILO assesses each member State in accordance with article 13 of the ILO Constitution for its share of the regular budget. Contributions are calculated and payable in Swiss francs equal to the total amount of the Organization’s regular budget for the biennial financial period, payable one half at the beginning of each year of the biennium. Revenue from assessed contributions is recognized as one half of the total on 1 January of each year of the biennium.

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

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

– Receivables from member States that have negotiated long-term financial arrangements with the ILO's Governing Body are measured initially at fair value after deducting any provision for impairment and collectability, and subsequently valued at amortized cost using the effective interest rate methodology.

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

❑ *Voluntary contributions*

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

– Voluntary contributions to development cooperation projects are normally subject to conditions related to performance. Upon signature of the agreement, a receivable and a liability (deferred revenue) are initially recognized at fair value and subsequently measured at amortized cost which is obtained through discounting as appropriate.

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

– Contributions received from donors for projects that form part of the Regular Budget Supplementary Account (RBSA) are normally unconditional, and are recognized as revenue and a receivable when the agreements are signed between the ILO and the donor. However, if conditions requiring specific performance are imposed by a donor to the RBSA, recognition of revenue is deferred until the performance requirement has been satisfied.

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

❑ *Gifts and grants*

– The ILO receives non-conditional contributions in cash from member States and non-governmental organizations. These gifts and grants are recognized as voluntary contribution revenue when an agreement is signed between the ILO and a donor or on the receipt of cash if no agreement is signed by both parties.

❑ *Training services*

– The ITC provides training services under contracts to governments and organizations including the ILO. The services are subsidized by non-conditional voluntary contributions which provide support to the ITC's operations. The services are considered conditional non-exchange transactions. Training activities that include restrictions on their use are recognized as revenue upon signing of a binding agreement. Agreements for which the Centre has full control and that include conditions, including the implicit or explicit obligation to return funds if such conditions are not met, are recognized as assets and liabilities (deferred revenue) upon signature of a binding agreement. The liability is reduced and revenue is recognized based on the proportion that expenses incurred bear to the estimated total expenses of the training activity.

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

- *Contributions in-kind*

– Goods in-kind are recognized at fair value at the date of receipt. In-kind contributions of services are not recognized.

– Right to use of land, office space and other facilities received from member States are disclosed in the notes to the consolidated financial statements.

- *Programme support income*

– Voluntary contributions accepted by the ILO include a charge for services provided by the ILO covering costs of administrative and operational support services, generally calculated as a percentage of total direct project costs. Revenue from programme support services is considered a non-exchange transaction and is recognized when earned through performance.

Revenue from exchange transactions

49. Revenue from exchange transactions is recognized as follows:

- *Sales and royalties:* Revenue is recognized on the date earned. Revenue related to the provision of services is valued based upon the stage of completion measured based upon the total costs incurred by the Organization in delivering the services at the reporting date. Sales of publications are recognized when the publication has been shipped to the purchaser. A provision for doubtful debts is established equal to 50 per cent of the amount outstanding from one year to two years and 100 per cent of the amount outstanding for more than two years unless the Organization receives from the debtor a written confirmation of the amount due with a planned date of payment.

- *Investment income:* Interest income, earned based on a time-proportionate basis as it accrues taking into account the effective yield on the asset, gains and losses from sales of investments and changes of investment market value are recognized in the consolidated statement of financial performance in the period that they arise.

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

Note 3 – Changes in accounting policies and restatement of 2013 financial statements

Changes in accounting policies

50. Since the adoption of IPSAS-25 in 2009, the ILO has been treating its repatriation entitlements and end-of-service benefits as other long-term employee benefits.

51. In 2014, in order to harmonize the ILO accounting policies with the majority of the other UN agencies, the ILO has changed its accounting policy and classified these benefits as post-employment liabilities. Previously the actuarial gains and losses on these liabilities were processed through the statement of financial performance. Following the change, any such movements are reflected as changes to net assets. The impact of this change in 2014 financial statements is the recognition of actuarial losses of US$13 million in the net assets instead of staff costs. The accounting policy on recognition of these benefits is provided in note 2.

52. It is impractical to provide retrospective application for the change in accounting policy prior to the comparative year ended 31 December 2013, as it would require significant retrospective actuarial assumptions and valuations.

Restatement of ASHI liability

53. In February 2015, it was determined that the ASHI liability in respect of the International Social Security Association (ISSA) was ultimately a legal liability of the ILO, notwithstanding that the ISSA is not a controlled entity. Therefore the ASHI liability in respect of ISSA staff and retirees under ILO contracts is recorded in the ILO Financial statements as at 31 December 2014, on a retrospective basis.

54. Following the change in accounting policy and the restatement of ASHI liability the 2013 financial statements have been restated as follows:

	Statement I	Statement II		Statement III	
(US$ millions)	Liabilities – Employee benefits	Expenses – Staff costs	Net surplus (deficit)	Net assets – beginning of period	Net assets – end of period
Balances per 2013 financial statements	**887.6**	**437.9**	**(35.6)**	**17.8**	**105.8**
Change in accounting policy	–	3.1	(3.1)	–	–
Restatement of ASHI liability	12.8	0.5	(0.5)	(13.3)	(12.8)
Restated balances	**900.4**	**441.5**	**(39.2)**	**4.5**	**93.0**

Note 4 – Cash and cash equivalents

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

(US$ millions)	US$	CHF	€	Other	2014 total	2013 total
Current accounts and cash on hand	81.5	230.3	13.2	13.7	338.7	321.0
Short-term deposits	195.1	50.7	7.2	–	253.0	295.7
Total cash and deposits	**276.6**	**281.0**	**20.4**	**13.7**	**591.7**	**616.7**

Note 5 – Assessed contributions receivable

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

(US$ millions)	2014	2013
Assessed contributions receivable (notes 31, 32)	83.2	113.9
Less: Advance payments received from member States with financial arrangements (note 31)	(1.0)	(0.3)
Less: Amortization of long-term financial arrangements	(1.8)	(2.3)
Less: Provision for doubtful collection of contributions	(11.8)	(13.0)
Total net receivable	**68.6**	**98.3**
■ Assessed contributions receivable – Current	54.9	81.2
■ Assessed contributions receivable – Non-current	13.7	17.1

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

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

(US$ millions)	2014	2013
Less than 1 year	47.2	70.4
1–2 years	6.8	9.4
Over 2 years	28.2	33.8
Less provision for doubtful debts and amortization	(13.6)	(15.3)
Total	**68.6**	**98.3**

Note 6 – Voluntary contributions receivable

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

(US$ millions)	2014	2013
Voluntary contributions receivable – Current		
Development cooperation projects (all with conditions)	228.8	231.1
ITC training services	5.5	7.1
Unrestricted grants to ITC	0.6	0.9
Subtotal voluntary contributions receivable – Current	**234.9**	**239.1**
Voluntary contributions receivable – Non-current		
Development cooperation projects (all with conditions)	54.1	74.3
ITC training services	0.6	1.0
Subtotal voluntary contributions receivable – Non-current	**54.7**	**75.3**
Total voluntary contributions receivable	**289.6**	**314.4**

Note 7 – Derivative assets and liabilities

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

(US$ millions)	2014	2013
Derivative assets		
SHIF forward purchase agreement – Current	–	1.1
ILO regular budget forward purchase agreement – Current	10.3	–
Total derivative assets	**10.3**	**1.1**
Derivative liabilities		
ILO regular budget forward purchase agreement – Current	–	8.2
SHIF forward purchase agreement – Current	0.7	–
ILO regular budget forward purchase agreement – Non-current	–	8.4
Total derivative liabilities	**0.7**	**16.6**

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

Derivative instrument	**Maturity**	**Contractual amount** (US$ millions)
SHIF forward purchase agreement	Within the next three months	72.0
ILO regular budget forward purchase agreement	Within the next 12 months	168.5

SHIF forward purchase agreement

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

ILO regular budget forward purchase agreement

63. 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.

64. The ILO regular budget forward purchase agreements are designated as cash flow hedges.

Movement of derivatives (US$ millions)	2014	2013
Fair value as at 1 January	**(16.6)**	**14.1**
Derivatives exercised during the period	8.2	(14.1)
Fair value of the spot element as at 31 December (recognized in net assets)	17.6	(16.4)
Fair value of the forward element as at 31 December (recognized in surplus (deficit))	1.1	(0.2)
Total fair value as at 31 December	**10.3**	**(16.6)**

65. The cash flow hedges were highly effective in 2014. The amount reclassified from net assets and included in the statement of financial performance as exchange gain (loss) and the amounts retained in net assets at the end of the year are as follows:

Net assets: Value of outstanding derivatives (US$ millions)	**2014**	**2013**
Opening balance as at 1 January (note 21)	**(16.4)**	**14.0**
Reclassification during the year to exchange gain (loss) and revaluation, net	7.8	(14.0)
Net gain (loss) during the year recognized in net assets	17.6	(16.4)
Closing balance as at 31 December (note 21)	**9.0**	**(16.4)**

66. The amounts retained in net assets as at 31 December 2014 are expected to mature and affect the statement of financial performance in 2015 at the recognition of the 2015 assessed contributions from member States.

Note 8 – Other receivables

67. Other receivables are as follows:

(US$ millions)	**2014**	**2013**
US income taxes	3.6	3.9
Receivable from UNDP	1.0	2.8
Other receivables	3.1	4.3
Total other receivables	**7.7**	**11.0**

68. An ageing of other receivables is as follows:

(US$ millions)	**2014**	**2013**
Less than 1 year	5.8	9.0
1–2 years	0.3	1.1
Over 2 years	1.6	0.9
Total	**7.7**	**11.0**

Note 9 – Inventories

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

(US$ millions)	**Production supplies**	**Publications**	**2014 total**	**2013 total**
Balance as at 1 January	0.5	7.3	7.8	8.1
Produced and purchased	0.7	7.4	8.1	11.0
Inventory available	1.2	14.7	15.9	19.1
Less: Expensed	(0.9)	(5.2)	(6.1)	(6.8)
Less: Write-down	–	(0.8)	(0.8)	(1.1)
Less: Write-off	–	(2.9)	(2.9)	(3.4)
Balance as at 31 December	0.3	5.8	6.1	7.8

Note 10 – Other current assets

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

(US$ millions)	2014	2013
Staff advances	8.9	7.6
Advances to implementing partners	0.8	0.7
Other	5.4	3.4
Total other current assets	**15.1**	**11.7**

Note 11 – Investments

71. The Organization maintains three investment portfolios of identified financial instruments managed by external investment managers consisting principally of bonds and some equities for which there is a pattern of recent short-term profit taking.

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

73. The fair value based upon quoted prices and historic cost as at the reporting date is as follows:

	2014		2013	
(US$ millions)	Fair value	Cost	Fair value	Cost
Cash	1.9	1.9	1.6	1.6
Fixed income				
Bonds	70.3	67.3	72.6	73.1
Floating rate notes	25.8	25.9	16.1	16.2
Money market	22.0	22.0	30.2	30.2
Total fixed income instruments	118.1	115.2	118.9	119.5
Unit funds	30.4	29.9	–	–
Total investment	**150.4**	**147.0**	**120.5**	**121.1**

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

(US$ millions)	2014	2013
Fair value as at 1 January	**120.5**	**99.0**
Interest and net gain (loss) on investments	(0.1)	3.7
New investment during the period	30.0	32.0
Sales of Fiduciary Trust Investment	–	(14.2)
Fair value as at 31 December	**150.4**	**120.5**

75. In 2014, a sum of US$30 million representing funds intended for future payments of terminal benefits of ILO officials was invested separately in unit funds.

Note 12 – Property and equipment

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

(US$ thousands)	Land	Buildings	Leasehold improvements	Equipment	Total
Net carrying amount as at 31 December 2012	**213 158**	**213 226**	**7 712**	**1 774**	**435 870**
Additions	–	10 790	530	3 356	14 676
Disposals	–	–	–	(2)	(2)
Depreciation	–	(1 319)	(496)	(485)	(2 300)
Exchange adjustment – Cost	–	–	391	42	433
Exchange adjustment – Depreciation	–	–	(106)	(10)	(116)
Net revaluation recognized in net assets	118 206	(55 471)	–	–	62 735
Subtotal 2013 movement	**118 206**	**(46 000)**	**319**	**2 902**	**75 427**
Closing balance as at 31 December 2013	**331 364**	**167 226**	**8 031**	**4 676**	**511 297**
Gross carrying amount as at 31 December 2013	331 364	167 226	11 253	5 290	515 133
Accumulated depreciation	–	–	(3 222)	(614)	(3 836)
Net carrying amount as at 31 December 2013	**331 364**	**167 226**	**8 031**	**4 676**	**511 297**
Additions	–	12 278	3 265	1 692	17 235
Disposals	–	–	–	–	–
Transfers to investment property	(64 746)	–	–	–	(64 746)
Depreciation	–	(1 733)	(547)	(1 007)	(3 287)
Exchange adjustment – Cost	–	–	(1 474)	(258)	(1 732)
Exchange adjustment – Depreciation	–	–	322	38	360
Net revaluation recognized in net assets	43 547	(15 261)	–	–	28 286
Subtotal 2014 movement	**(21 199)**	**(4 716)**	**1 566**	**465**	**(23 884)**
Closing balance as at 31 December 2014	**310 165**	**162 510**	**9 597**	**5 141**	**487 413**
Gross carrying amount as at 31 December 2014	310 165	162 510	13 044	6 724	492 443
Accumulated depreciation	–	–	(3 447)	(1 583)	(5 030)
Net carrying amount as at 31 December 2014	**310 165**	**162 510**	**9 597**	**5 141**	**487 413**

Land and buildings

77. The Organization owns its headquarters building in Geneva, Switzerland, and the land upon which it was built along with two adjoining parcels of land. It also holds a long-term lease from the Canton of Geneva, Switzerland, on a further parcel. In 2014, one of the ILO-owned plots of land and the one held under long-term lease were reclassified as investment properties following their change in use (note 13).

78. In addition, the Organization owns land and buildings in Abidjan, Côte d’Ivoire, Lima, Peru, and Santiago, Chile. In Buenos Aires, Argentina, and Brussels, Belgium, the Organization owns apartments located in buildings for which no separate land ownership exists. In Brasilia, Brazil, Dar es Salaam, United Republic of Tanzania, and Islamabad, Pakistan, it further owns buildings located on land to which the ILO has surface rights or leaseholds at a nominal cost (refer to note 29).

79. In order to more accurately reflect the value of its land and buildings, an independent appraiser reviewed and updated the fair value of all of its properties as at

31 December 2014 based on international valuation standards as promulgated by the International Valuation Standards Committee, including assumptions relating to current market conditions. The change in fair value of the land and buildings in 2014 includes US$42.7 million revaluation losses due to currency rate fluctuation. The net difference between historical cost and land and buildings valued at fair value is recognized as a separate component of the net assets as shown in note 21.

Leasehold improvements

80. The Organization has also constructed improvements on leasehold property in New Delhi, India, and the Piedmont Pavilion and renovations to other buildings at the ITC.

Note 13 – Investment property

81. Following the completion of rezoning formalities by the local authority, at its 320th Session in March 2014, the Governing Body confirmed its decision to sell two plots of land in Geneva, one of them owned and the other one held as long-term leasehold by the ILO, to partially fund the building renovation project. Following the change in use, starting from April 2014, these two plots of land are considered as investment properties (note 12).

82. The fair values of the properties as at 31 December 2014 and at the date of transfer as at 1 April 2014 were reviewed by an accredited independent valuer based on the international valuation standards as promulgated by the International Valuation Standards Committee, including assumptions relating to current market conditions.

(US$ thousands)	**2014**
Opening balance as at 1 January	**–**
Transfer from land and buildings	64 746
Additions	–
Disposals	–
Gains (losses) from fair value adjustments	(616)
Fair value adjustment resulting from net exchange differences	(6 560)
Closing balance as at 31 December	**57 570**

83. The land plot held as long-term leasehold is owned by the State of Geneva. The ILO has a 99-year leasehold agreement on the land, which will become due in June 2074. Leasehold annual rent was set to a symbolic CHF100 per year, which has never been claimed by the lessor. The agreement is renewable.

Note 14 – Intangible assets

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

(US$ thousands)	Software acquired externally	Software internally developed	Total
Net carrying amount as at 31 December 2012	**66**	**308**	**374**
Additions	59	763	822
Disposals	–	–	–
Amortization	(15)	(53)	(68)
Exchange adjustment – Cost	3	–	3
Exchange adjustment – Amortization	(1)	–	(1)
Subtotal 2013 movement	**46**	**710**	**756**
Closing balance as at 31 December 2013	**112**	**1 018**	**1 130**
Gross carrying amount as at 31 December 2013	128	1 071	1 199
Accumulated amortization	(16)	(53)	(69)
Net carrying amount as at 31 December 2013	**112**	**1 018**	**1 130**
Additions	340	854	1 194
Disposals	–	–	–
Amortization	(53)	(179)	(232)
Exchange adjustment – Cost	(15)	–	(15)
Exchange adjustment – Amortization	4	–	4
Subtotal 2014 movement	**276**	**675**	**951**
Closing balance as at 31 December 2014	**388**	**1 693**	**2 081**
Gross carrying amount as at 31 December 2014	453	1 925	2 378
Accumulated amortization	(65)	(232)	(297)
Net carrying amount as at 31 December 2014	**388**	**1 693**	**2 081**

Note 15 – Deferred revenue

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

(US$ millions)	2014	2013
Deferred revenue – Current		
Assessed contributions received in advance	39.5	38.8
Voluntary contributions receivable relating to signed agreements	229.6	234.7
Due to donors (including ITC) (note 33)	212.3	211.1
Receivables relating to signed agreements on ITC training services	2.7	5.1
SHIF contributions received in advance	0.6	0.6
Other deferred revenue	0.3	0.6
Subtotal current deferred revenue	**485.0**	**490.9**
Deferred revenue – Non-current		
Voluntary contributions receivable relating to signed agreements	54.1	74.3
Receivables relating to signed agreements on ITC training services	0.6	1.0
Subtotal non-current deferred revenue	**54.7**	**75.3**
Total deferred revenue	**539.7**	**566.2**

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

Note 16 – Employee benefit liabilities

87. The employee benefit liabilities at the reporting date are as follows:

(US$ millions)	2014	2013 restated
Current liabilities		
Education grant	3.5	1.2
Accumulated leave	21.9	22.1
Home leave	0.4	0.5
Agreed termination	0.3	1.4
Repatriation entitlements	4.3	4.2
ASHI liability	20.9	22.6
Subtotal current liabilities	**51.3**	**52.0**
Non-current liabilities		
Accumulated leave	13.7	14.8
Repatriation entitlements	53.4	44.3
ASHI liability	1 067.3	789.2
Subtotal non-current liabilities	**1 134.4**	**848.4**
Total employee benefit liabilities	**1 185.7**	**900.4**

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

Post-employment benefits

United Nations Joint Staff Pension Fund

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

90. The ILO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

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

92. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of this report, the General Assembly had not invoked the provision of article 26.

93. During 2014, expenses related to the UNJSPF amounted to US$52 million (US$53 million in 2013). Expected expenses for 2015 total US$50.6 million.

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

After-service health insurance plan (ASHI)

95. An actuarial valuation carried out in 2014 calculated the ILO's estimated liability for after-service medical benefits at the reporting date as described in the following paragraphs.

96. Each year, the ILO reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements

for the ILO's after-service medical care plans. For the 2014 valuation, the assumptions and methods used are as described below.

Key financial assumptions	**2014** (%)	**2013** (%)
Discount rate	ILO: 1.84 ITC: 2.21 ISSA: 1.36	ILO: 3.05 ITC: 3.84 ISSA: 2.57
Rate of future compensation increases	UNJSPF rate (3.5% + static salary scale)	ILO and ISSA: P staff 3.78 G staff 3.52 ITC: P staff 3.86 G staff 3.98
Rate of pension increases	3.00	2.00
Medical inflation	4.20 from 2014 decreasing by 0.20 per year to 3.00	4.50 from 2013 decreasing by 0.225 per year to 3.00

97. The discount rate is determined by reference to market yields at the reporting date on high-quality corporate bonds. Based on the plan duration, the discount rate has been determined for each major currency in which the SHIF incurs liabilities (CHF, £, US$,€). The final rate was then determined by averaging the different discount rates, weighted by the benefit payments in the different currencies.

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

Sensitivity information for health-care plans (US$ millions)	**2014**	**2013 restated**
1 per cent increase in health-care trend rate – Effect on service and interest costs	21.3	15.1
1 per cent decrease in health-care trend rate – Effect on service and interest costs	(15.8)	(11.5)
1 per cent increase in health-care trend rate – Effect on defined benefit obligation (DBO)	235.7	157.0
1 per cent decrease in health-care trend rate – Effect on DBO	(184.1)	(124.9)

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

(US$ millions)	**2014**	**2013 restated**
Defined benefit obligation, beginning of year	**811.8**	**870.8**
Current service cost	21.9	32.5
Interest cost	24.8	22.0
Net benefits paid	(20.9)	(22.6)
Actuarial (gain) loss due to experience	11.4	1.3
Actuarial (gain) loss due to assumption changes	239.2	(92.2)
Defined benefit obligation, end of year	**1 088.2**	**811.8**
Statement of financial position asset (liability), beginning of year	**(811.8)**	**(870.8)**
Total (charge) credit for interest cost and current service cost	(46.7)	(54.5)
Net benefits paid	20.9	22.6
Total (charge) credit recognized in statement of financial performance	(25.8)	(31.9)
Total (charge) credit recognized in net assets	(250.6)	90.9
Statement of financial position liability, end of year	**(1 088.2)**	**(811.8)**

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

(US$ millions)	2014	2013 restated	2012 restated	2011 restated	2010 restated
Defined benefit obligation	1 088.2	811.8	870.8	748.8	571.2
Plan assets at fair value	–	–	–	–	–
Surplus (deficit)	(25.8)	(31.9)	(20.6)	(16.0)	(15.5)
Actuarial (gain) loss due to experience	11.4	1.3	4.8	(26.3)	3.4

101. Expenses related to interest cost and current services costs for 2014 have been recognized in the statement of financial performance as staff costs. Cumulative net actuarial losses of US$490.4 million (cumulative net actuarial loss of US$239.8 million as at 31 December 2013) have been recognized in net assets. Under IPSAS-25, the ASHI liability is considered unfunded and, therefore, no fair value of plan assets has been offset against the liability. However, an amount of US$58.4 million is available in a SHIF Guarantee Fund (US$54.5 million as at 31 December 2013) to cover future liabilities of SHIF. In addition, an amount of US$2.4 million has been reserved to partially fund the ASHI liability. The total contribution paid to the ASHI Liability Reserve in 2014 was US$1.2 million (US$1.2 million in 2013).

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

103. Following the determination of ASHI liability in respect of the ISSA as a legal liability of the ILO, the ISSA's liability is recorded in the ILO financial statements retrospectively (note 3). The total ASHI liability recognized in respect of ISSA staff was US$18.3 million as at 31 December 2014 (US$12.8 million as at 31 December 2013).

Repatriation entitlements

104. An actuarial valuation carried out in 2014 calculated the ILO's estimated liability for repatriation entitlement at the reporting date as described in the following paragraphs.

105. 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 2014 valuation, the assumptions and methods used are as described below.

Key financial assumptions	**2014** (%)	**2013** (%)
Discount rate	Repatriation entitlement: 3.62 End of service payment: 1.58	Repatriation entitlement: 5.16 End of service payment: 3.74
Rate of future compensation increases	UNJSPF rate (3.5% + static salary scale)	ILO: P staff 2.50, G staff 3.23 ITC: P staff 2.58, G staff 2.41

106. 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 2014.

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

(US$ millions)	2014	2013
Defined benefit obligation, beginning of year	**48.5**	**50.2**
Current service cost	1.4	2.6
Past service costs	(2.8)	–
Interest cost	2.1	1.6
Net benefits paid	(4.5)	(2.8)
Actuarial (gain) loss due to experience	(1.5)	0.5
Actuarial (gain) loss due to assumption changes	14.5	(3.6)
Defined benefit obligation, end of year	**57.7**	**48.5**
Statement of financial position asset (liability), beginning of year	**(48.5)**	**(50.2)**
Total (charge) credit for interest cost and current service cost	(0.7)	(4.2)
Net benefits paid	4.5	2.8
Total (charge) credit recognized in statement of financial performance	3.8	(1.4)
Total (charge) credit recognized in net assets	(13.0)	3.1
Statement of financial position liability, end of year	**(57.7)**	**(48.5)**

108. The trend over the past year of the defined benefit obligations and the experience adjustments is as follows:

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

109. Expenses related to interest cost and current services costs for 2014 have been recognized in the statement of financial performance as staff costs. Cumulative net actuarial losses of US$13 million (restated cumulative actuarial gain of US$3.1 million as at 31 December 2013) have been recognized in net assets. Under IPSAS-25, the repatriation entitlement liability is considered unfunded and, therefore, no fair value of plan assets has been offset against the liability. However, an amount of US$36.7 million has been reserved by the ILO in the Terminal Benefits Fund (US$33.6 million as at 31 December 2013) to partially cover the repatriation grant. The total contribution paid to the Terminal Benefits Fund in 2014 was US$4.8 million (US$4.9 million in 2013).

110. In March 2014, a revised end-of-service plan became applicable at the ITC in compliance with the International Civil Service Commission (ICSC) recommendation. This has resulted in a decrease of US$2.8 million on the defined benefit obligation due to a reduction of past service costs.

Note 17 – Borrowings

111. Borrowings consist of a loan in Swiss francs made to the ILO from the Foundation for Buildings for International Organisations (FIPOI) for the construction of the ILO’s headquarters building with an original interest rate based on market rates. The interest was subsequently waived by the Swiss Confederation in 1996. The loan is unsecured.

(US$ millions)	2014	2013
Nominal value at beginning of period	**50.1**	**52.8**
Repaid in current period	(3.8)	(4.1)
Exchange rate effect	(5.0)	1.4
Nominal value at end of period	**41.3**	**50.1**
Fair value adjustment beginning of period	(6.3)	(7.1)
Exchange rate effect	0.6	(0.2)
Amortization using effective interest rate	0.9	1.0
Fair value adjustment end of period	**(4.8)**	**(6.3)**
Total borrowings	**36.5**	**43.8**

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

(US$ millions)	2014	2013
Payments due next year	3.8	4.2
Payments due from second to fifth year (CHF3.7 million per year)	15.0	16.7
Payments due after five years	22.5	29.2
Nominal value at end of period	**41.3**	**50.1**

Note 18 – Due to member States

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

(US$)	2014	2013
Undistributed surpluses of prior periods	138 524	188 149
Undistributed net premia of prior periods	268 269	2 116 697
Undistributed 50 per cent of net premia	149 203	166 025
Subtotal	**555 996**	**2 470 871**
Incentive Fund	321 170	436 600
Total payable to member States	**877 166**	**2 907 471**

114. In accordance with article 11 of the ILO Financial Regulations, the net premium due to member States is determined on a biennial basis at the end of the second year of the biennium. The 2014 amount was included as a separate element of accumulated fund balance pending the biennial results.

Calculation of net premium and Incentive Fund

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

116. 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. For information

purposes, a calculation representing the balances as at 31 December 2014 is provided in the financial report.

117. Incentive Fund – Article 11(4)–(6) provides for an Incentive Fund financed by 60 per cent of the interest earned on temporarily surplus regular budget funds and one half of any net premium earned on the forward purchasing transactions. The Incentive Fund is distributed to member States that have paid their assessed contributions in full at the end of either the first or second year of the biennium financial period during which the net premium was earned.

Composition of Incentive Fund (US$)	**2014**	**2013**
Interest earned in current year	82 559	99 488
Interest earned in prior year	89 408	171 087
Total interest earned	**171 967**	**270 575**
50 per cent of net premium	149 203	166 025
Total available in Incentive Fund	**321 170**	**436 600**

Note 19 – Funds held on behalf of the ITU

118. Funds held on behalf of the ITU include the value of the investments and other assets of the ILO–ITU SHIF held on behalf of the ITU as follows:

(US$ millions)	**2014**	**2013**
Investments	11.7	11.7
Derivative assets	–	0.1
Other receivables	0.2	0.1
Less: Payables and accruals	(10.8)	(8.5)
Net funds held on behalf of the ITU	**1.1**	**3.4**

Note 20 – Other current liabilities

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

(US$ millions)	**2014**	**2013**
Pass-through funds held as administrative agent	0.7	1.0
Provisions for contingencies	0.8	1.8
Other	6.6	0.9
Total other current liabilities	**8.1**	**3.7**

120. 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.

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

(US$ millions)	2014	2013
Balance as at 1 January	**1.8**	**0.3**
Additional provisions raised during the period	0.3	1.6
Provisions used during the period	(0.6)	(0.1)
Unused provisions reversed during the period	(0.7)	–
Balance as at 31 December	**0.8**	**1.8**

Note 21 – Reserves and accumulated balances

122. Net assets represent the value of the Organization’s assets less its outstanding liabilities at the reporting date. Net assets consist of the following elements:

- *Reserves:* represent the balances of special funds established by the Governing Body, the ILC or the Financial Regulations and include:
  - *Working Capital Fund* to finance budgetary expenditure pending receipt of assessed contributions and, with Governing Body approval, provide advances to meet emergencies;
  - *Income Adjustment Account* to provide temporary funding when the Working Capital Fund proves insufficient to cover regular budget deficits;
  - *Terminal Benefits Fund* to finance payments of repatriation grant and end-of-service benefits. The ILO makes a defined contribution to the Fund as a percentage of compensation paid to eligible employees during the financial period;
  - *Fidelity Guarantee Fund* to finance losses due to theft or misappropriation;
  - *Extra-budgetary reserve* to finance costs incurred in connection with development cooperation projects not reimbursed by donors;
  - ILO portion of the SHIF *Guarantee Fund*;
  - *ASHI Liability Reserve* established to partially fund the ASHI liability;
  - The ITC’s *Working Capital Fund* established in accordance with the Financial Regulations of the Centre.
- *Accumulated balances* include:
  - *Employee liabilities:* 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.

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

(US$ thousands)	**2014**	**2013 restated**
Reserves		
Working Capital Fund	35 461	20 683
Income Adjustment Account	62 831	68 817
Terminal Benefit Fund	36 723	33 617
Fidelity Guarantee Fund	1 341	1 339
Extra-budgetary Fund	25	25
SHIF Guarantee Fund (ILO portion)	58 401	55 454
ASHI Liability Reserve	2 419	–
ITC's Working Capital Fund	2 810	2 802
Total reserves	**200 011**	**182 737**
Accumulated balances		
Employee benefits	(1 065 157)	(801 121)
Revaluation surplus of land and buildings	451 079	422 795
Value of outstanding derivatives	9 016	(16 376)
Translation difference	(3 476)	(831)
Accumulated surplus	291 412	305 781
Total accumulated balances	**(317 126)**	**(89 752)**
Total net assets	**(117 115)**	**92 985**

Note 22 – Expenses

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

- *Staff costs:* cover all entitlements for active officials of all grades as authorized by the Staff Regulations. Also include the current period interest cost and current service cost related to the ASHI liability.
- *Travel:* includes expenses related to official travel for staff and delegates to meetings.
- *Subcontracts:* expenses related to externally provided services for the delivery of outputs.
- *General operating expenses:* include all charges for the operation, maintenance and security of ILO premises (owned, leased and donated); communication costs including postage, telephone and internet services; freight expense; and insurance.
- *Supplies, materials and small equipment:* covers the costs of consumables used in ILO day-to-day operations including office supplies, paper, books and other publications, computer and printer supplies, equipment and intangible assets which do not meet the capitalization policy, and vehicle fuel.

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

Note 23 – Financial instruments

125. Financial instruments are categorized and measured as follows:

Financial instrument	Classification	Measurement
Cash and cash equivalents	Cash and cash equivalents	Fair value through surplus or deficit (level 1)
Assessed contributions receivable	Loans and receivables	Amortized cost
Voluntary contributions receivable	Loans and receivables	Amortized cost
Derivative assets and liabilities excluding effective hedging instruments	Held for trading	Fair value through surplus or deficit (level 2)
Derivative assets and liabilities arising from effective hedging instruments	Held for trading	Fair value through net assets (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

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

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

Financial risk management

128. 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

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

Currency risk

130. 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.

131. The ILO is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies, predominately Swiss francs along with minor exposure to other currencies, in particular the euro. The ILO's primary objectives in managing currency risk are to preserve cash flows and reduce variations in performance from the negative impact of exchange rate fluctuation.

132. 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.

133. The ILO also enters into forward purchase agreements to hedge the non-Swiss franc investments held on behalf of its SHIF against currency gains or losses, since the SHIF's liabilities are predominately Swiss franc-based.

134. 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.

135. The table below shows the impact on surplus/deficit and net assets as of 31 December 2014, if the major currencies to which the Organization was exposed, weakened or strengthened by 5 per cent against the US dollar:

	Impact on surplus/deficit		Impact on net assets	
(US$ millions)	**CHF** [1]	**€** [2]	**CHF** [1]	**€** [2]
5% depreciation of the foreign currency against US$:				
Financial assets and liabilities other than derivative instruments	(18.0)	(0.8)	–	–
Derivative instruments	–	–	7.5	–
Total impact	**(18.0)**	**(0.8)**	**7.5**	**–**
5% appreciation of the foreign currency against US$:				
Financial assets and liabilities other than derivative instruments	20.1	0.9	–	–
Derivative instruments	–	–	(8.3)	–
Total impact	**20.1**	**0.9**	**(8.3)**	**–**

[1] The UN operational rate of exchange was US$1 = CHF0.987 as at 31 December 2014.

[2] The UN operational rate of exchange was US$1 = €0.82 as at 31 December 2014.

136. 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.

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

Interest rate risk

138. 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.

139. The ILO is exposed to interest rate risk through its interest-bearing financial assets on fixed-income instruments. The ILO mitigates its interest rate risk by adjusting the maturities of investments in accordance with expected changes in global economic environment.

Credit risk

140. 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.

141. 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.

142. 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.

143. 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.

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

Credit rating [1]	**Cash and cash equivalents**		**Investments**	
	Carrying amount (US$ millions)	**%**	**Carrying amount** (US$ millions)	**%**
AAA	5.1	0.8	28.5	19.0
AA	75.0	12.6	30.7	20.4
A	494.1	83.6	49.9	33.2
BBB	9.8	1.7	10.3	6.8
<BBB	4.1	0.7	–	–
Not rated [2]	3.6	0.6	31.0	20.6
Total	**591.7**	**100**	**150.4**	**100**

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

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

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

Liquidity risk

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

147. The ILO manages liquidity risk by continuously monitoring actual and estimated cash flows. The ILO’s total current assets of US$920.7 million are sufficient to settle its current financial liabilities of US$581.4 million. On an on-going basis, it is anticipated that the ILO will continue to have sufficient liquidity to meet its financial obligations.

Capital management

148. 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.

149. 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 24 – Operating leases

150. 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.

151. The total amount paid by the ILO to other UN agencies under cost-sharing agreements based on the reimbursement of actual cost incurred was US$1.8million in 2014 (US$1.6 million in 2013). The total amount of lease and sublease expense recognized in 2014 was US$10.2 million (US$10 million in 2013).

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

(US$ millions)	**2014**	**2013**
Within one year	0.8	0.6
Later than one year and not later than five years	2.4	2.2
Later than five years	1.9	2.5
Total operating lease commitments	**5.1**	**5.3**

153. The total amount of rent earned under contingent lease agreements in 2014 was US$0.5 million (US$0.6 million in 2013), 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 25 – Statement of comparison of budget and actual amounts

154. 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.

155. 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

156. The statement of financial position, statement of financial performance, statement of changes in net assets and 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

157. 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

158. 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.

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

(US$ thousands)	Regular budget	CINTERFOR	ITC	Subsidiary funds	Total
Net result per budgetary basis (Statement V)	36 266	245	513	–	37 024
Reconciling items from budgetary basis to IPSAS basis:					
Reimbursement of 2012–13 deficit financing	18 713	–	–	–	18 713
Treatment of exchange differences	(1 972)	–	–	–	(1 972)
Provision for assessed contributions receivable	(29 506)	–	–	–	(29 506)
Amortization of receivable from member States with financial arrangement	577	–	–	–	577
Recognition of inventory	(1 623)	–	–	–	(1 623)
Recognition of property and equipment	135	(9)	(311)	–	(185)
Recognition of intangible assets	(59)	–	–	–	(59)
Accrual of employee benefits	2 927	(90)	–	–	2 837
Provision for contingencies	968	–	–	–	968
Unrealized loss from forward purchase agreements	1 434	–	–	–	1 434
Use of prior year surplus (ITC)	–	–	(871)	–	(871)
Subsidiary funds	–	–	964	(25 399)	(24 435)
Total differences	**(8 406)**	**(99)**	**(218)**	**(25 399)**	**(34 122)**
Net result per IPSAS basis	**27 860**	**146**	**295**	**(25 399)**	**2 902**

160. The following table provides a reconciliation between Statement V and Statement IV for the year ended 31 December 2014:

(US$ thousands)	Operating	Investing	Financing	Total
Regular budget net result (Statement V-A)	36 266	–	–	36 266
CINTERFOR net result (Statement V-B)	245	–	–	245
ITC net result (Statement V-C)	513	–	–	513
Total surplus on budgetary basis	**37 024**	–	–	**37 024**
Total net result on basis comparable to the adopted budgets:				
Basis difference	(5 606)	(244)	(3 837)	(9 678)
Entity difference	29 056	(48 181)	–	(19 125)
Net cash flows	**60 474**	**(48 425)**	**(3 837)**	**8 212**
Effect of exchange rates on cash and cash equivalents				(33 235)
Actual amount in the Statement of cash flow (Statement IV)				**(25 023)**

Note 26 – Related party disclosures

161. Key management personnel during the period were the Director-General, Deputy Directors-General, Assistant Director-General, Regional Directors, the Treasurer and Financial Comptroller and the Legal Adviser. The Governing Body consists of representatives of member States and constituents elected by the ILC who serve without compensation from the ILO and are not considered key management personnel.

162. The aggregate remuneration paid to key management personnel includes salaries and all allowances established in accordance with the ILO Staff Regulations and approved by the Governing Body. Key management personnel are members of the UNJSPF to which the personnel and the ILO contribute and are also eligible for participation in the SHIF including the after-service medical insurance if they meet the eligibility requirements in the SHIF Regulations and Administrative Rules.

Category	2014		2013	
	Individuals [1]	**Remuneration** (US$)	**Individuals** [1]	**Remuneration** (US$)
Key management	11.6	4 111 516	11.6	4 004 388

[1] Full-time equivalent.

163. There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with the ILO Staff Regulations.

164. There were related party transactions involving key management personnel in 2014 totalling US$139,896 (US$159,830 in 2013). All such transactions are under terms and conditions that would apply in the normal course of operations.

Note 27 – Revenue from non-exchange transactions

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

(US$ millions)	**2014**	**2013**
Assessed contributions from member States	430.9	398.3
Voluntary contributions to development cooperation projects, RBSA, and gifts and grants	281.1	288.9
ITC training services	17.1	21.3
Total revenue from non-exchange transactions	**729.1**	**708.5**
Receivables from assessed contributions (note 5)	68.6	98.3
Receivables from voluntary contributions (note 6)	289.6	314.4
Total receivables from non-exchange transactions	**358.2**	**412.7**
Liabilities recognized for conditional voluntary contributions	**283.7**	**309.0**
Liabilities recognized for ITC training services	**3.3**	**6.1**
Advance receipts from assessed contributions	**39.5**	**38.8**

Note 28 – Contingent assets and liabilities and commitments

Contingent assets

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

(US$ millions)	**2014**
Member State contribution assessed for year 2015 [1]	400.6
Revenue from voluntary ITC training services covering future periods	9.6
Contributions to the RBSA covering future periods	17.8
Total contingent assets	**428.0**

[1] CHF380.6 million at the budget rate of exchange of US$1 = CHF0.95 approved by the ILC for the 2014–15 biennium.

Contingent liabilities

167. In 2014, the ILO has no contingent liabilities for claims or legal actions related to the ILO Administrative Tribunal (US$0.1 million as at 31 December 2013).

Commitments

168. Outstanding contracts for renovation of the headquarters building totalled US$13.5 million as at 31 December 2014 (US$6.2 million as at 31 December 2013).

169. Future minimum lease rental payments for non-cancellable leases are presented in note 24.

Note 29 – Contributions in-kind

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

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

Note 30 – Segment reporting

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

- Policy-making organs – the ILC, Governing Body, major Regional Meetings, Legal Services, and the Official Meetings, Documentation and Relations Department.
- Strategic objectives – the development programmes, regional and country offices, cross-cutting programmes and ITC and CINTERFOR and support services such as Information Technology and internal services.

- Management Services – Director-General’s Office, Human Resources Development, Financial Management, Strategic Programming and Management and Oversight.
- Other – such as retiree health-care costs, contributions to UN system entities and extraordinary items.
- Unallocated (not distributed) – Compensation Fund, Terminal Benefits Fund, SHIF, change in provision for ASHI, investment revenue and expense, depreciation of property and equipment, amortization of intangible assets and the ILO contribution to the Administrative Tribunal.
- Eliminations – inter-segment transfers are eliminated including contributions made by each segment to the ILO, SHIF in accordance with the regulations of the Fund; ASHI charge for staff of development cooperation projects; contributions to the Terminal Benefits Fund (at 3.5 per cent of basis salary for the regular budget expatriate staff, 6.0 per cent for expatriate staff of the ITC and extra-budgetary-funded activities, and 7.5 per cent for ITC General Service staff); and contributions to the Compensation Fund covering premiums for accident insurance and short-term staff insurance.

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

International Labour Organization

Consolidated statement of financial performance by segment for the year ended 31 December 2014 (US$ millions)

	Policy-making organs		Strategic objectives		Management services		Other		Unallocated		Eliminations		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013 restated**	**2014**	**2013**	**2014**	**2013 restated**
Assessed contributions from member States	44.0	42.7	326.6	297.1	33.1	34.7	27.2	23.8	–	–	–	–	430.9	398.3
Voluntary contributions	0.2	–	278.3	286.8	2.6	2.1	–	–	–	–	–	–	281.1	288.9
ITC training services	–	–	26.1	34.4	–	–	–	–	–	–	(9.0)	(13.1)	17.1	21.3
Programme support income	0.6	0.5	16.6	21.6	6.9	2.3	–	–	–	–	(24.1)	(24.4)	–	–
Staff/retiree employee benefit contributions	–	–	–	–	–	–	–	–	21.3	21.0	–	–	21.3	21.0
Sales and royalties	1.5	1.4	5.1	4.2	1.1	1.5	–	–	3.0	2.7	(1.2)	(0.9)	9.5	8.9
Investment income	–	–	–	–	–	–	–	–	7.6	2.7	–	–	7.6	2.7
Contribution inter-segment	–	–	6.5	7.3	–	–	4.1	–	46.8	47.1	(57.4)	(54.4)	–	–
Exchange gain (loss) and revaluation, net	–	–	–	–	–	–	–	–	–	18.1	–	–	–	18.1
Other income	–	–	2.1	3.6	–	–	–	–	2.2	0.8	(0.2)	(1.5)	4.1	2.9
Total revenue	**46.3**	**44.6**	**661.3**	**655.0**	**43.7**	**40.6**	**31.3**	**23.8**	**80.9**	**92.4**	**(91.9)**	**(94.3)**	**771.6**	**762.1**

	Policy-making organs		Strategic objectives		Management services		Other		Unallocated		Eliminations		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013 restated**	**2014**	**2013**	**2014**	**2013 restated**
Staff costs	35.1	37.7	335.4	347.0	33.8	36.7	3.2	3.2	22.2	36.0	(18.5)	(19.1)	411.2	441.5
Travel	1.4	1.7	26.1	30.2	0.9	1.1	–	0.6	0.8	0.7	(0.2)	(0.2)	29.0	34.1
Subcontracts	1.3	2.1	103.1	134.2	1.6	2.4	1.1	0.8	(0.6)	(2.1)	(1.5)	(3.0)	105.0	134.4
General operating expenses	2.4	2.2	40.6	45.6	0.5	0.8	–	0.3	0.4	0.4	(0.9)	(1.2)	43.0	48.1
Supplies, materials and small equipment	0.1	0.2	9.7	14.5	0.1	0.2	–	0.1	0.2	(0.2)	–	–	10.1	14.8
Depreciation and amortization	–	–	–	–	–	–	–	–	3.5	2.4	–	–	3.5	2.4
Seminars, workshops and other training	–	–	49.1	65.1	0.4	0.4	–	–	–	–	(6.5)	(8.0)	43.0	57.5
Staff development	0.1	0.5	2.4	5.3	2.0	(0.2)	–	–	–	–	(0.4)	(0.5)	4.1	5.1
Health benefits	–	–	–	–	–	–	–	–	40.9	45.6	–	–	40.9	45.6
Contributions and grants in aid	–	–	11.7	16.3	0.1	0.2	37.4	29.5	0.4	0.5	(39.3)	(37.6)	10.3	8.9
Programme support cost	–	–	24.4	24.5	0.1	0.1	–	–	0.1	0.1	(24.6)	(24.7)	–	–
Exchange loss (gain) and revaluation, net	–	–	–	–	–	–	–	–	55.7	–	–	–	55.7	–
Change in fair value of investment property	–	–	–	–	–	–	–	–	7.2	–	–	–	7.2	–
Finance costs	–	–	–	–	–	–	–	–	2.9	1.7	–	–	2.9	1.7
Other expenses	–	–	–	1.1	–	–	–	–	2.8	6.1	–	–	2.8	7.2
Total expenses	**40.4**	**44.4**	**602.5**	**683.8**	**39.5**	**41.7**	**41.7**	**34.5**	**136.5**	**91.2**	**(91.9)**	**(94.3)**	**768.7**	**801.3**
Net result	**5.9**	**0.2**	**58.8**	**(28.8)**	**4.2**	**(1.1)**	**(10.4)**	**(10.7)**	**(55.6)**	**1.2**	**–**	**–**	**2.9**	**(39.2)**

Note 31 – 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 2014 (in CHF)

Details	Balance due as at 01.01.2014 [1]	Assessed Contributions 2014	Total amounts due	Amount received or credited [2] 31.12.2014	Balance due as at 31.12.2014
A. Assessed contributions for 2014:					
2014 – Assessed with the budget		380 598 500	380 598 500	334 031 812	46 566 688
Total assessed contributions for 2014		**380 598 500**	**380 598 500**	**334 031 812**	**46 566 688**
B. Assessed contributions for previous financial periods due from member States	94 428 880	–	94 428 880	65 516 019	28 912 861
C. Amounts due by States for prior periods of membership in the ILO	6 615 689	–	6 615 689	–	6 615 689
Total assessed contributions and other amounts due for previous financial periods	101 044 569	–	101 044 569	65 516 019	35 528 550
Total 2014	**101 044 569**	**380 598 500**	**481 643 069**	**399 547 831**	**82 095 238**
Total 2012–13	132 434 904	723 781 154	856 216 058	755 171 489	101 044 569
Balance in US$ at the UN rate of exchange for 31 December 2014 (CHF0.987 to the US$)					83 176 533
Less: Prepayments of financial arrangements					(977 100)
Assessed contributions receivable in US$					82 199 433

[1] Excludes assessed contributions for 2014.

[2] Includes credits to member States in respect of:

	in CHF
The Incentive Scheme for 2012	151 754
50 per cent net premium for prior years	1 612 729
Surplus for prior years	52 156
Total credits	**1 816 639**

Note 32 – Assessed contributions – Detailed information

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO
Details for the year ended 31 December 2014 (in CHF)

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Afghanistan	0.005	19 030	–	19 030	14 475	14 475	–		19 030
Albania	0.010	38 060	–	38 060	59 810	40 000	19 810	2013	57 870
Algeria	0.137	521 420	521 420	–	–	–	–		–
Angola	0.010	38 060	36 898	1 162	18 190	18 190	–		1 162
Antigua and Barbuda [2]	0.002	7 612	1 254	6 358	112 741	–	112 741	2000–13	119 099
Argentina	0.432	1 644 185	1 176 252	467 933	1 477 739	1 477 739	–		467 933
Armenia [1]	0.007	26 642	26 642	–	1 359 666	96 000	1 263 666	1994–2004	1 263 666
Australia	2.075	7 897 419	7 897 419	–	–	–	–		–
Austria	0.798	3 037 176	3 037 176	–	–	–	–		–
Azerbaijan [1]	0.040	152 239	152 239	–	3 008 308	176 959	2 831 349	1994–2005	2 831 349
Bahamas	0.017	64 702	64 702	–	–	–	–		–
Bahrain	0.039	148 433	148 433	–	–	–	–		–
Bangladesh	0.010	38 060	38 060	–	–	–	–		–
Barbados	0.008	30 448	30 448	–	–	–	–		–
Belarus [1]	0.056	213 135	213 135	–	630 987	157 746	473 241	1997	473 241
Belgium	0.999	3 802 179	3 802 179	–	–	–	–		–
Belize	0.001	3 806	60	3 746	–	–	–		3 746
Benin	0.003	11 418	–	11 418	22 310	20 131	2 179	2013	13 597
Bolivia, Plurinational State of	0.009	34 254	34 254	–	–	–	–		–

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Bosnia and Herzegovina	0.017	64 702	64 702	–	–	–	–		–
Botswana	0.017	64 702	64 702	–	–	–	–		–
Brazil	2.936	11 174 372	11 338	11 163 034	11 598 631	5 833 512	5 765 119	2013	16 928 153
Brunei Darussalam	0.026	98 956	98 956	–	–	–	–		–
Bulgaria	0.047	178 881	178 871	10	–	–	–		10
Burkina Faso	0.003	11 418	2 556	8 862	–	–	–		8 862
Burundi [2]	0.001	3 806	–	3 806	13 092	–	13 092	2010–13	16 898
Cabo Verde	0.001	3 806	404	3 402	3 619	–	3 619	2013	7 021
Cambodia	0.004	15 224	15 224	–	27 056	27 056	–		–
Cameroon	0.012	45 672	45 672	–	–	–	–		–
Canada	2.986	11 364 671	11 364 671	–	–	–	–		–
Central African Republic [1]	0.001	3 806	3 806	–	81 920	8 192	73 728	1997–2000 + 2004–07	73 728
Chad	0.002	7 612	13	7 599	21 976	19 101	2 875	2013	10 474
Chile	0.334	1 271 199	1 271 199	–	3 697	3 697	–		–
China	5.151	19 604 629	19 604 629	–	–	–	–		–
Colombia	0.259	985 750	526 798	458 952	–	–	–		458 952
Comoros [1]	0.001	3 806	551	3 255	452 997	–	452 997	1985–2013	456 252
Congo	0.005	19 030	19 030	–	13 501	13 501	–		–
Costa Rica	0.038	144 627	144 627	–	123 549	123 549	–		–
Côte d'Ivoire	0.011	41 866	41 866	–	72 776	72 776	–		–
Croatia	0.126	479 554	479 554	–	–	–	–		–
Cuba	0.069	262 613	175 963	86 650	135 238	135 238	–		86 650
Cyprus	0.047	178 881	178 881	–	–	–	–		–
Czech Republic	0.386	1 469 110	1 469 110	–	–	–	–		–
Democratic Republic of the Congo	0.003	11 418	39	11 379	23 939	23 939	–		11 379

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Denmark	0.675	2 569 040	2 569 040	–	–	–	–		–
Djibouti [2]	0.001	3 806	–	3 806	102 019	3 873	98 146	1996 + 1998–2013	101 952
Dominica [2]	0.001	3 806	–	3 806	29 883	–	29 883	2006–13	33 689
Dominican Republic	0.045	171 269	310	170 959	406 028	280 235	125 793	2013	296 752
Ecuador	0.044	167 463	1 421	166 042	261 283	–	261 283	2012–13	427 325
Egypt	0.134	510 002	510 002	–	–	–	–		–
El Salvador	0.016	60 896	–	60 896	145 610	17 697	127 913	2012–13	188 809
Equatorial Guinea [2]	0.010	38 060	233	37 827	57 900	–	57 900	2012–13	95 727
Eritrea	0.001	3 806	3 806	–	–	–	–		–
Estonia	0.040	152 239	152 239	–	–	–	–		–
Ethiopia	0.010	38 060	38 060	–	–	–	–		–
Fiji	0.003	11 418	11 418	–	–	–	–		–
Finland	0.519	1 975 306	1 975 306	–	–	–	–		–
France	5.596	21 298 292	21 298 292	–	–	–	–		–
Gabon	0.020	76 120	–	76 120	50 727	–	50 727	2012–13	126 847
Gambia [2]	0.001	3 806	–	3 806	52 579	–	52 579	1999–2013	56 385
Georgia [1]	0.007	26 642	26 642	–	2 350 005	307 190	2 042 815	1994–2004	2 042 815
Germany	7.145	27 193 763	27 193 763	–	–	–	–		–
Ghana	0.014	53 284	–	53 284	42 769	–	42 769	2012–13	96 053
Greece	0.638	2 428 218	2 397 510	30 708	1 292 516	1 292 516	–		30 708
Grenada [2]	0.001	3 806	–	3 806	14 864	–	14 864	2010–13	18 670
Guatemala	0.027	102 762	102 762	–	–	–	–		–
Guinea	0.001	3 806	70	3 736	295	–	295	2013	4 031
Guinea-Bissau [2]	0.001	3 806	–	3 806	264 203	–	264 203	1992–2013	268 009
Guyana	0.001	3 806	3 806	–	–	–	–		–

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Haiti	0.003	11 418	124	11 294	–	–	–		11 294
Honduras	0.008	30 448	29 296	1 152	21	21	–		1 152
Hungary	0.266	1 012 392	1 012 392	–	–	–	–		–
Iceland	0.027	102 762	102 762	–	–	–	–		–
India	0.666	2 534 786	2 534 786	–	–	–	–		–
Indonesia	0.346	1 316 871	1 316 871	–	–	–	–		–
Iran, Islamic Republic of	0.356	1 354 931	2 327	1 352 604	999 206	952 800	46 406	2013	1 399 010
Iraq [1]	0.068	258 807	258 807	–	4 266 779	304 770	3 962 009	1994–2007	3 962 009
Ireland	0.418	1 590 902	1 590 902	–	–	–	–		–
Israel	0.396	1 507 170	1 173 956	333 214	236 934	236 934	–		333 214
Italy	4.450	16 936 633	16 936 633	–	–	–	–		–
Jamaica	0.011	41 866	564	41 302	–	–	–		41 302
Japan	10.839	41 253 071	41 253 071	–	–	–	–		–
Jordan	0.022	83 732	83 711	21	–	–	–		21
Kazakhstan [1]	0.121	460 524	460 524	–	1 801 352	257 335	1 544 017	1996–99	1 544 017
Kenya	0.013	49 478	49 478	–	–	–	–		–
Kiribati	0.001	3 806	–	3 806	7 416	7 311	105	2013	3 911
Korea, Republic of	1.995	7 592 940	7 592 940	–	487 652	487 652	–		–
Kuwait	0.273	1 039 034	787	1 038 247	–	–	–		1 038 247
Kyrgyzstan [2]	0.002	7 612	–	7 612	1 151 217	–	1 151 217	1992–2013	1 158 829
Lao People’s Democratic Republic	0.002	7 612	4 027	3 585	3 573	3 573	–		3 585
Latvia	0.047	178 881	178 881	–	–	–	–		–
Lebanon	0.042	159 851	–	159 851	165 139	95 297	69 842	2013	229 693
Lesotho	0.001	3 806	3 332	474	–	–	–		474
Liberia [1]	0.001	3 806	3	3 803	83 430	–	83 430	1996–99	87 233

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Libya	0.142	540 450	194 732	345 718	–	–	–		345 718
Lithuania	0.073	277 837	277 837	–	–	–	–		–
Luxembourg	0.081	308 285	264	308 021	–	–	–		308 021
Madagascar	0.003	11 418	–	11 418	21 726	10 470	11 256	2012–13	22 674
Malawi	0.002	7 612	394	7 218	–	–	–		7 218
Malaysia	0.281	1 069 482	1 069 482	–	–	–	–		–
Maldives, Republic of	0.001	3 806	–	3 806	7 190	–	7 190	2012–13	10 996
Mali	0.004	15 224	15 224	–	3 587	3 587	–		–
Malta	0.016	60 896	60 896	–	–	–	–		–
Marshall Islands	0.001	3 806	3 806	–	–	–	–		–
Mauritania	0.002	7 612	50	7 562	1 881	–	1 881	2013	9 443
Mauritius	0.013	49 478	49 478	–	–	–	–		–
Mexico	1.843	7 014 430	7 014 430	–	8 420 525	8 420 525	–		–
Moldova, Republic of [1]	0.003	11 418	11 418	–	1 637 604	136 467	1 501 137	1994–2004	1 501 137
Mongolia	0.003	11 418	11 418	–	7 371	7 371	–		–
Montenegro	0.005	19 030	19 030	–	–	–	–		–
Morocco	0.062	235 971	233 378	2 593	–	–	–		2 593
Mozambique	0.003	11 418	11 418	–	–	–	–		–
Myanmar	0.010	38 060	36 799	1 261	414	414	–		1 261
Namibia	0.010	38 060	38 060	–	–	–	–		–
Nepal	0.006	22 836	22 643	193	–	–	–		193
Netherlands	1.655	6 298 905	6 298 905	–	–	–	–		–
New Zealand	0.253	962 914	962 914	–	–	–	–		–
Nicaragua	0.003	11 418	10 645	773	–	–	–		773
Niger	0.002	7 612	70	7 542	14 394	–	14 394	2012–13	21 936

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Nigeria	0.090	342 539	342 539	–	34 671	34 671	–		–
Norway	0.852	3 242 699	3 242 699	–	–	–	–		–
Oman	0.102	388 210	388 182	28	14	14	–		28
Pakistan	0.085	323 509	282 875	40 634	15 003	15 003	–		40 634
Palau	0.001	3 806	–	3 806	5 770	–	5 770	2012–13	9 576
Panama	0.026	98 956	98 956	–	–	–	–		–
Papua New Guinea	0.004	15 224	15 224	–	–	–	–		–
Paraguay [1]	0.010	38 060	–	38 060	555 132	18 697	536 435	1937 + 1988–90 + 1998–2003 + 2011–13	574 495
Peru	0.117	445 300	445 300	–	20 108	20 108	–		–
Philippines	0.154	586 122	586 122	–	–	–	–		–
Poland	0.922	3 509 118	3 509 118	–	–	–	–		–
Portugal	0.474	1 804 037	24 172	1 779 865	1 826 375	1 826 375	–		1 779 865
Qatar	0.209	795 451	795 451	–	–	–	–		–
Romania	0.226	860 153	860 153	–	–	–	–		–
Russian Federation	2.439	9 282 797	9 235 611	47 186	–	–	–		47 186
Rwanda	0.002	7 612	49	7 563	3 576	–	3 576	2013	11 139
Saint Kitts and Nevis	0.001	3 806	108	3 698	–	–	–		3 698
Saint Lucia	0.001	3 806	3	3 803	1 597	–	1 597	2013	5 400
Saint Vincent and the Grenadines	0.001	3 806	–	3 806	7 215	–	7 215	2011–13	11 021
Samoa	0.001	3 806	3 792	14	–	–	–		14
San Marino	0.003	11 418	11 418	–	–	–	–		–
Sao Tome and Principe [2]	0.001	3 806	–	3 806	204 729	15 215	189 514	1995–2013	193 320
Saudi Arabia	0.865	3 292 177	3 292 177	–	–	–	–		–
Senegal	0.006	22 836	21 634	1 202	50 042	50 042	–		1 202
Serbia	0.040	152 239	152 239	–	–	–	–		–

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Seychelles	0.001	3 806	3 806	–	–	–	–		–
Sierra Leone [2]	0.001	3 806	–	3 806	417 465	–	417 465	1986–2013	421 271
Singapore	0.384	1 461 498	1 461 498	–	–	–	–		–
Slovakia	0.171	650 823	650 823	–	–	–	–		–
Slovenia	0.100	380 598	380 598	–	–	–	–		–
Solomon Islands [2]	0.001	3 806	168	3 638	26 459	–	26 459	2004–07 + 2010–13	30 097
Somalia [2]	0.001	3 806	–	3 806	396 752	–	396 752	1988–2013	400 558
South Africa	0.372	1 415 826	1 415 826	–	–	–	–		–
South Sudan	0.004	15 224	–	15 224	18 203	–	18 203	2012–13	33 427
Spain	2.975	11 322 805	11 322 805	–	–	–	–		–
Sri Lanka	0.025	95 150	94 514	636	–	–	–		636
Sudan	0.010	38 060	–	38 060	87 987	60 228	27 759	2013	65 819
Suriname	0.004	15 224	102	15 122	15	–	15	2013	15 137
Swaziland	0.003	11 418	11 418	–	–	–	–		–
Sweden	0.961	3 657 552	3 657 552	–	–	–	–		–
Switzerland	1.048	3 988 672	3 988 672	–	–	–	–		–
Syrian Arab Republic	0.036	137 015	137 015	–	194 961	194 961	–		–
Tajikistan [2]	0.003	11 418	–	11 418	575 451	35 900	539 551	1994—2013	550 969
Tanzania, United Republic of	0.009	34 254	326	33 928	29 177	10 887	18 290	2013	52 218
Thailand	0.239	909 630	909 630	–	–	–	–		–
The former Yugoslav Republic of Macedonia	0.008	30 448	279	30 169	25 332	25 332	–		30 169
Timor-Leste	0.002	7 612	7 612	–	–	–	–		–
Togo	0.001	3 806	3 806	–	–	–	–		–
Trinidad and Tobago	0.044	167 463	167 463	–	–	–	–		–
Tunisia	0.036	137 015	137 015	–	–	–	–		–

States	2014 assessed contributions				Amounts due for previous financial periods			Calendar years of assessment	Total due as at 31.12.2014
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2014	Balance due as at 01.01.2014	Amount received in 2014	Balance due as at 31.12.2014		
	%	Amount							
Turkey	1.329	5 058 154	5 058 154	–	–	–	–		–
Turkmenistan	0.019	72 314	72 314	–	–	–	–		–
Tuvalu	0.001	3 806	3	3 803	14	–	14	2013	3 817
Uganda	0.006	22 836	228	22 608	17 874	–	17 874	2013	40 482
Ukraine [1]	0.099	376 792	102	376 690	2 531 775	–	2 531 775	1998–99 + 2009	2 908 465
United Arab Emirates	0.595	2 264 561	2 264 561	–	–	–	–		–
United Kingdom	5.182	19 722 614	19 722 614	–	–	–	–		–
United States	22.000	83 731 670	58 919 556	24 812 114	39 806 688	39 806 688	–		24 812 114
Uruguay	0.052	197 911	–	197 911	96 135	96 135	–		197 911
Uzbekistan [2]	0.015	57 090	–	57 090	1 527 210	85 500	1 441 710	1997–2013	1 498 800
Vanuatu [2]	0.001	3 806	13	3 793	11 950	–	11 950	2010–13	15 743
Venezuela, Bolivarian Republic of	0.627	2 386 353	11 969	2 374 384	2 250 763	2 120 980	129 783	2013	2 504 167
Viet Nam	0.042	159 851	159 851	–	–	–	–		–
Yemen	0.010	38 060	396	37 664	14 674	–	14 674	2013	52 338
Zambia	0.006	22 836	5 415	17 421	11 444	11 444	–		17 421
Zimbabwe	0.002	7 612	8	7 604	10	–	10	2013	7 614
Total member States	**100.000**	**380 598 500**	**334 031 812**	**46 566 688**	**94 428 880**	**65 516 019**	**28 912 861**		**75 479 549**
Amounts due by States for prior periods of membership in the ILO									
Paraguay [3]	–	–	–	–	245 066	–	245 066	1937	245 066
Former Socialist Fed. Rep. of Yugoslavia [4]	–	–	–	–	6 370 623	–	6 370 623	1989–2001	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**	**380 598 500**	**334 031 812**	**46 566 688**	**101 044 569**	**65 516 019**	**35 528 550**		**82 095 238**

[1] **Financial arrangements**

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

Member State	Session of Conference at which arrangement was approved	
Armenia	93rd	(2005)
Azerbaijan	95th	(2006)
Belarus	86th	(1998)
Central African Republic	97th	(2008)
Comoros	102nd	(2013)
Georgia	93rd	(2005)
Iraq	97th	(2008)
Kazakhstan	88th	(2000)
Liberia	88th	(2000)
Moldova, Republic of	93rd	(2005)
Paraguay	102nd	(2013)
Ukraine	99th	(2010)

[2] **Member States which are two years or more in arrears and which have lost the right to vote under the provisions of paragraph 4 of article 13 of the Constitution.** The arrears of contributions of these member States equal or exceed the amount of the contributions due from them for the past two full years (2012–13). Each of these member States had therefore lost the right to vote in accordance with the provisions of paragraph 4 of article 13 of the Constitution of the Organisation.

[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 Session (1961) of the ILC decided that these arrears should be cancelled, effective on the date that payment is made of all Paraguay's arrears of contributions due since the date when it re-joined the Organization.

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

Note 33 – Comparative figures

173. The ILO has reclassified comparative figures in Statement I and Statement II to conform to the current presentation as follows:

- Statement I: Due to donors previously presented as a separate line (US$211.1 million as current liabilities) is grouped under deferred revenue. The regrouped balance of deferred revenue is US$490.9 million (US$279.8 million as previously reported in 2013).
- Statement II: The change in provision for assessed contributions receivable (US$1.0 million) previously presented in a separate line is now included in assessed contributions from member States. The regrouped balance of assessed contributions from member States is US$398.3 million (US$397.3 million as previously reported in 2013).

5. Report of the External Auditor to the Governing Body

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

for the year ended 31 December 2014

Auditor General of Canada
Vérificateur général du Canada

To the Governing Body of the International Labour Office:

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

This is the seventh audit conducted by the Auditor General of Canada on the International Labour Organization's (ILO) financial statements. The following report contains all of the information that our audit plan indicated we would communicate to you at the conclusion of our audit, and, where appropriate, other communications required under International Auditing Standards. We have addressed all of the matters that came to our attention during the course of the audit that we believe the Governing Body should be aware of in reviewing the ILO's consolidated financial statements. The report also contains observations and recommendations in two areas subject to performance audit work in 2014: regional implementation of the ILO's financial accounting system, the Integrated Resource Information System (IRIS), and implementation of Governing Body approved amendments to staff travel regulations. We would be pleased to elaborate on any of these points during the Governing Body meeting on 1 June 2015.

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

Yours sincerely,

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

Ottawa, Canada
30 April 2015

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Executive summary

We have performed our audit in a manner consistent with the Report to the Director-General—Annual Audit Plan, which was presented to him in September 2014.

We have expressed an unmodified audit opinion on the International Labour Organization's consolidated financial statements for the year ended 31 December 2014 in accordance with International Public Sector Accounting Standards (IPSAS).

We concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the International Labour Organization and its controlled entity, the International Training Centre, as at 31 December 2014, and their financial performance, their cash flows, and the comparison of budget and actual amounts for the year then ended in accordance with IPSAS. We concluded that these accounting policies were applied on a basis consistent with that of the preceding year. We also concluded that the transactions of the International Labour Organization and its controlled entity, the International Training Centre, that have come to our notice have, in all significant respects, been in accordance with the Financial Regulations and their relevant legislative authority.

We note in the current year that management has included a revised and expanded approval statement, at the beginning of the financial statements. We support management's progress in this endeavour.

This is the third year the ILO has been fully compliant with IPSAS. Management has simplified the financial statements, and these should provide the Governing Body with a better understanding of the ILO's operations for 2014. We commend ILO management for the improvements it has made to the presentation and clarity of these financial statements. Going forward, management could use IPSAS-compliant financial statements to explain the results of activities it has undertaken in the year, the sources of its funding, and how it used this funding during the year to achieve the ILO's objectives.

The After Service Health Insurance (ASHI) unfunded liability has grown in the current year, for the most part due to circumstances beyond the control of the ILO. The ILO engages an actuary to assist with the ASHI's actuarial calculations. Recognizing the importance of this obligation to the ILO, the Office of the Auditor General of Canada (OAG) hired a second independent expert to review the work of the actuary. We are pleased to report that there were no disagreements with the assumptions, methodologies, or results of the ILO actuary's work. With the current economic reality, the ILO is under pressure to maintain or decrease costs. A "pay as you go" strategy for health care benefits results in unavoidable cost escalation within the regular budget. Management has presented the Governing Body with an overview of the ILO ASHI status at the 322nd Session in Geneva, 30 October–13 November 2014. We understand that the United Nations (UN) is taking a consolidated approach to finding an acceptable solution for all organizations and member states that will address the growing concerns around the ASHI's unfunded liability and cost containment. We encourage these discussions to move forward so that an acceptable solution can be found for all concerned.

Real property fair value estimation is a highly specialized area. This year, the OAG engaged the services of a real estate valuation expert to review the fair value estimates of the ILO's real estate appraiser. We are satisfied that the fair values included in the ILO's financial statements reflect current economic conditions and are not materially misstated.

In addition to the financial audit work, we examined how certain Regional Offices and Country Offices implemented the ILO's financial accounting system, an Oracle Enterprise Business Suite called the Integrated Resource Information System. Overall, we concluded that the system implementation and related control objectives were appropriate and operating as intended in all significant respects. In 2014 we also reviewed ILO's progress in achieving improvements in travel management by reducing travel costs and harmonizing travel arrangements with other UN organizations. We concluded that, overall, the amendments made to staff regulations to accomplish these objectives were implemented as approved, and on time, and resulted in cost savings as well as better harmonization with other UN organizations.

In 2013, we examined the internal control framework at the ILO. There are five components of internal control, and we were pleased to see that the Control Environment, Risk Assessment, Information and Communication, and Monitoring Activities are in place and operating as intended. We were still concerned about Control Activities. Although appropriate and valid controls were executed, we observed that there was no evidence of control execution. In 2014, we followed up by reviewing these internal controls. Some minor weaknesses remain, but overall progress is satisfactory. Given the progress made by the ILO in the area of internal control, it is our view that the next step for the ILO is to start working towards preparing and issuing a Statement of Internal Control. We are aware that this will take several years to realize in an organization that has complex and global operations such as those of the ILO. We continue to believe that this is an important endeavour, and that management should continue to move forward on its initiatives.

As part of our current audit, we followed up on our 2013 and previous years' recommendations in the areas of

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

We are generally satisfied with the progress made by management in this regard, and we encourage it to continue its efforts.

2014 Annual Audit overview

Our mandate

1. The Office of the Auditor General of Canada (OAG) is an independent audit office and a world leader in legislative and environmental auditing. As a Supreme Audit Institution, the OAG promotes good financial and environmental management and sustainable development.

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

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

Scope and objectives of the audit

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

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

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

   - the consolidated financial statements have been fairly presented, in all material respects, in accordance with the International Public Sector Accounting Standards (IPSAS);

   - the accounting policies set out in Note 2 to the consolidated financial statements have been applied on a basis consistent with that of the preceding period; and

- the transactions coming to our notice as part of the audit were, in all significant respects, in accordance with the Financial Regulations and legislative authority.

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

Financial statement highlights

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

Audit approach and auditor's responsibilities

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

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

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

11. A detailed report summarizing the business risks identified and other audit risks and our planned procedures to address each of these risks was prepared and discussed with ILO management and the Independent Oversight Advisory Committee (IOAC). We identified the key risks that could have an impact on the achievement of the fair presentation of the results of the ILO's consolidated operations and obtained an understanding of those risks that had implications for the consolidated financial statements. In identifying our audit risk, we considered the ILO risk register as presented in the Programme and Budget proposals for 2014–15 as well as the internal auditor's risk register. We focused on areas

with a higher risk of a material error or non-compliance with significant authority instruments, based on our understanding of the ILO and its controlled entity, the ITC, and their activities.

12. The audit plan was presented to ILO management and the IOAC at a meeting in September 2014 in order to ensure that we had identified those areas of significance and that our evaluation of the ILO's current consolidated operating environment was complete. The audit plan also identified areas where we would conduct performance audit work:

- regional implementation of the ILO's financial accounting system, the Integrated Resource Information System (IRIS); and
- implementation of improvements in travel management, reducing travel costs and harmonizing travel arrangements with other UN organizations.

Audit results

13. We have issued an unqualified audit opinion on the ILO's 2014 consolidated financial statements. We concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the ILO and its controlled entity, the ITC, as at 31 December 2014, and their consolidated financial performance, consolidated cash flows, and comparison of budget and actual amounts for the year then ended in accordance with IPSAS.

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

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

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

17. We are required to report on fraud and illegal acts involving senior management, as well as fraud and illegal acts (whether by senior management or other employees) that cause a more-than-trivial misstatement of the consolidated financial statements. We emphasize that it is management's responsibility to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the ILO's business. We are satisfied with the policies, processes, and practices in place to identify and deal with fraud within the organization.

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

19. The ILO is now in its third year of being fully IPSAS compliant. In last year's report we had recommended that the ILO take an integrated review of the financial statements with a view to simplifying the information contained therein. The ILO staff started well before year-end on this project. They worked in concert to provide revised statements and incorporated our recommendations, and the end result is what has been presented to the Governing Body this year. Redundant information was removed and the required disclosure was made easier to follow. We are satisfied with the progress made in this regard and are aware that this review and update of the information contained in the financial statement should be maintained.

20. The ASHI defined benefit obligation sits at just over a $1 000 million. The increase over the previous year is due, for the most part, to circumstances beyond the ILO's control. As worldwide interest rates decline, the discounting impact on the obligation increases the value. This and other factors were presented to the Governing Body in the 322nd Session in Geneva, 30 October–13 November 2014. Various financing scenarios were presented as well as the financial and legal implications of changing the scope and coverage of the ASHI arrangements and contribution levels. We understand that the ILO is participating in a UN-wide review to identify options to address concerns with both the funding and costs of the ASHI plans in the UN system. ILO management will report back to the Governing Body in March 2016 on the results of the UN General Assembly's consideration of this matter.

21. Real estate fair value valuations have had an impact on the carrying value of the real property disclosed in the financial statements since the ILO has adopted IPSAS. The ILO has engaged an independent external expert to conduct an annual valuation for land and buildings. The changes in the fair value flow to the revaluation surplus, a separate component of net assets. The changes in fair value of the investment properties, also carried at fair value, flow through the statement of financial performance in the year they arise. Given the significance of these valuations, we engaged our own independent real estate appraiser to review the valuations prepared for the ILO. There was no conclusion on material differences. We are satisfied on the valuation methodology and determination as provided by the ILO expert. It should be noted here that these assets should not be considered as available to satisfy the ASHI obligation.

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

Audit completion

23. In 2014, we updated our description of the ILO financial reporting framework and its overall control environment. We acknowledge the investment of time afforded to us by the ILO and wish to express our appreciation to the Director-General, the Deputy Directors-General, the Treasurer and Financial Comptroller, and their staff for the excellent cooperation we received throughout the audit.

Detailed report on audit results

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

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

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

Developments in International Public Sector Accounting Standards and in International Auditing Standards (ISA)

Accounting standards

27. There are various projects and exposure drafts that have been issued by the International Public Sector Accounting Standards (IPSAS) Board, which could be significant to the ILO. In the Appendix, we provide you with a summary of IPSAS projects under way in order to help you assess the potential impact these proposed standards will have on the ILO and its financial statements.

28. Standard setters are moving towards providing more information for users, and more transparency and comparability among financial statement preparers. UN organizations are properly positioned to harmonize disclosures and presentation because almost all had adopted IPSAS by the end of the 2014 reporting period.

29. **Recommendation.** The ILO should continue to monitor and review the proposed developments in financial reporting for the public sector and assess whether additional financial or non-financial information would benefit the users of the financial statements. Additional information might help users to better understand the ILO's financial results and help the ILO to fulfill its oversight responsibilities.

ILO response. *The Office will continue to monitor and review developments in public sector financial reporting, both independently and through its active participation in the United Nations Task Force on Accounting Standards. The Task Force has advised the IPSAS Board of the established reporting arrangements to Governing Bodies on performance matters and it will continue to request that the specific circumstances relating to United Nations entities financial activities are appropriately provided for in the development and amendment of accounting standards.*

Auditing and other professional standards

30. In addition to the new accounting standards previously disclosed, we have noted one significant change in auditing standards that will have an impact on the content of the ILO's independent auditor's report.

31. In 2015, the International Auditing and Assurance Standards Board issued new and revised audit standards related to audit reporting that will be effective for periods ending on or after 15 December 2016.

32. The objectives of these new standards are

- enhanced communication between auditors and those charged with governance;
- increased confidence in audit reports and financial statements; and
- increased transparency, audit quality, and enhanced information value.

33. The changes made to the independent auditor's report include

- additional information in the auditor's report to highlight matters that are, in the auditor's judgment, likely to be most important to users' understanding of the audited financial statements or the audit. This is referred to as “Key Audit Matters”; and
- prominent placement of the auditor's opinion and other entity-specific information in the auditor's report.

34. We will keep you informed of any new developments in the content of our new report.

Accounting policies and restatement

35. The preparation of financial statements requires selecting appropriate accounting policies and consistently applying them from year to year. Selecting appropriate accounting

policies to the particular situation of the ILO and to the needs of the users of its financial statements requires the exercise of professional judgment.

36. We reviewed the accounting policies, including changes in policy and restatement, as disclosed in Note 3 to the consolidated financial statements. During the year the ILO changed its accounting policy to classify repatriation benefits as post-employment liabilities, to be in line with most other UN agencies. Retrospective application of the accounting policy to the 2013 financial statements resulted in no change to the total liability; however, $3.1 million of actuarial losses are now recognized directly in net assets, rather than the previous treatment, which flowed these gains and losses through the statement of financial performance.

37. Early in 2015, the ILO determined that the ASHI liability for some employees of the International Social Security Association (ISSA) was ultimately a legal liability of the ILO. A recently requested legal opinion noted that this liability had existed since the inception of the employment contracts. The liability was recorded by the ILO retrospectively, resulting in an increase of $12.8 million to the 2013 ASHI liability.

38. We reviewed management's estimates and accounting treatments in both cases, and we agree with the treatment and disclosure of these issues.

IT control environment

39. This year, we reviewed the design and implementation of the IT general controls for IRIS, the ILO's financial system, and the database and operating system that support IRIS. Our objective was to identify opportunities for improving the internal controls within IRIS and its supporting database. Strong internal controls allow management to produce accurate, complete, and timely financial information.

40. Our review of IT general controls focused on how access to the financial application and its supporting infrastructure was managed and secured; how changes to the financial application were managed; and how computer operations were monitored and protected. During our review of access controls, we also examined how modifications to the Basic Pay, the Post Adjustments, and the Foreign Exchange Rates tables in IRIS were managed.

41. Our review consisted mainly of an analysis of controls in IRIS, discussions with staff from the Information and Technology Management Department, reviews of policies and procedures, and sample testing. We also obtained and reviewed a copy of the assurance report on controls. This was provided by ILO's service provider, who is responsible for hosting and managing the database and operating system that support IRIS. This report was prepared under the Assurance Reports on Controls at a Service Organization, using the International Standard on Assurance Engagements, commonly known as ISAE 3402.

IT general computer controls—Oracle Enterprise Business Suite (IRIS)

42. In our review, we noted weaknesses in controls related to the logging and monitoring of critical user activities within the databases supporting IRIS. Weak controls can allow unauthorized access and changes to process and databases that may affect the integrity and availability of data.

43. We noted that management had not formalized and approved the processes guiding the review and monitoring of security logs in IRIS, or the process to periodically review the IRIS user accounts to ensure that users were granted appropriate rights. It is important that security monitoring processes comply with ILO’s change management process.

44. Finally, we noted that one IRIS user account, with system administrator access to IRIS, had been provided with functional access rights. This access created a weakness related to proper segregation of duties. If users have access to both development and production environments, unauthorized or inappropriate changes to the system may result.

45. **Recommendation.** We recommend that

    - a formal process to log and monitor critical activities of users and security events at the database level be documented and implemented. Monitoring should be done on a regular basis and evidence of reviews be retained for audit purposes;
    - formal procedures be developed, approved, and carried out to ensure processes are consistent within the ILO; and
    - the ILO perform a review of IRIS administration personnel’s access to the IRIS system. Access to the system should be based on functional requirements and any excessive rights should be removed. In cases where it is not possible to immediately eliminate a conflict related to proper segregation of duties, logging and monitoring should be performed.

    ILO response. *The ILO agrees with the findings and will implement all recommendations by 30 June 2015. The ILO’s hosting provider of IRIS is in the process of implementing database auditing of user activity and security events and will provide the ILO with regular reports for monitoring purposes. A formal procedure is being drafted to ensure that the informal practices relating to IRIS roles and responsibilities are verified by business process owners in a consistent manner. A review of access rights to the IRIS system has been completed. “Excessive” rights are occasionally and temporarily requested to address specific operational matters. Alert mechanisms are in place to monitor any such access. The segregation of duty weakness identified by the external auditor has been addressed.*

Follow-up of previous years' IT recommendations

46. As part of our review, we also examined the progress that ILO had made to address IT recommendations made in previous years. We were satisfied with the actions that management has taken to address our past recommendations.

Conclusion

47. The objective of our review was to identify areas for improvements in internal controls for IRIS and its supporting database and operating system. Our review was not designed to and likely would not identify all of the weaknesses that might exist in these systems.

48. Although some control weaknesses were identified in our assessment of the design and implementation of the IT general controls around IRIS and its supporting database and operating system, reliance on the IT general controls would most likely be possible in future financial audits.

Other matters

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

Regional Implementation of the Integrated Resource Information System (IRIS)

50. The ILO implemented the IRIS at its headquarters in Geneva (HQ-Geneva) in 2005, followed by staggered implementation at its Regional Offices (ROs) and Country Offices (COs). In the Director-General's Programme and Budget Proposal for 2012–13, the ILO noted that the goal of IRIS was to align and standardize regional administrative functions with those of its headquarters. Deploying IRIS to ROs would thus create efficiencies by centralizing these functions at the regional level while at the same time strengthening local decision making.

51. Our objectives for this review were to assess

- the effectiveness and efficiency of processes, controls, and systems in the context of IRIS;
- whether there were redundancies in processes; and

- whether manual processes were being used instead of functionality available within IRIS.

52. At RO-Lima, we reviewed the purchases, payables, and payments (PPP) processes, as well as the payroll processes. In CO-Mexico City, we reviewed the payroll processes. RO-Lima completed its full IRIS implementation in September 2012, whereas CO-Mexico City carried out Phase 1, which included human resource (HR) and payroll functions, in October 2014.

53. We conducted our review by examining real-time transaction processing and interviews with personnel during our visits to RO-Lima and CO-Mexico City during January 2015.

54. Overall, although we did note some improvement opportunities, we did not note any major issues with the processes, controls, and systems that support completeness, accuracy, authority, and reliability of information within the context of IRIS. At both offices, we found that personnel knew their roles well and worked proficiently in the IRIS environment, and that the controls they implemented over PPP and Payroll were sufficient. Personnel reacted positively to the IRIS rollout. With the right number of staff, the right skill sets, control objectives were achieved. Our recommendation is found at paragraph 62.

There are opportunities to eliminate some manual payroll processes that are inefficient and may be unnecessary

55. At both offices, Notices of Personnel Action (NPAs), which initiate or update payroll information, were input and reviewed within the office's IRIS workflow. Payroll was processed by HQ-Geneva; each month, HQ-Geneva sent a payroll report to each office for verification.

56. At both offices, we noted that the NPAs were input and approved within IRIS, as expected. However, changes were also manually tracked in an Excel document, so that the payroll verifier could ensure that the changes were properly reflected in the payroll processed by HQ-Geneva.

57. We also observed that the payroll verification consisted of retrieving a payroll document from the payroll module and reviewing the document. The verifier manually compared each pay slip with that of the previous month. We understand that this may have been intended as a temporary measure after IRIS was implemented at RO-Lima, but it was not discontinued.

58. These manual processes of tracking NPA changes and comparing pay slips were labour intensive.

59. We noted that personnel were receiving new reports, but it was not always clear to the staff what their intended purposes were. Personnel at both offices expressed the need for clear expectations from HQ-Geneva for their payroll verification procedures.

The report functions did not always meet user needs

60. Users in RO-Lima expressed concerns about the functionality and usefulness of the reporting available through the Strategic Management module (SM). They said that the SM reports do not provide the information or the flexibility they need. Management also expressed concerns over the usefulness of SM reporting for the project offices, when and if the SM becomes available to them.

61. Although IT/technical resources were available in HQ-Geneva, and assistance in preparing requested reports on an ad hoc basis had been provided to RO-Lima, there was no local expertise to help with this, and no assistance outside of HQ-Geneva's working hours. The process of requesting ad hoc reports is time consuming and inefficient.

62. **Recommendation.** The ILO should take steps to improve the IRIS user experience and alignment with its objectives by

- continuing the review of IRIS workflows and processes periodically to ensure that they are operating as expected and in an efficient and effective manner;
- encouraging communication and feedback within the workflows to clarify requirements and expectations, and to address identified inefficiencies; and
- communicating with and considering the reporting and IRIS support needs of the individual offices.

ILO response. *The ILO welcomes and takes note of the recommendations above. The implementation of IRIS in any location has shown that it is a major change in the way in which any office works. Moving from a predominantly manual paper based to an electronic system has a significant impact. The experience of the Office has been that it can take a certain amount of time post implementation for new users to adapt completely. The Office has already made changes to the workflows based upon feedback received from Lima and other regional offices, and it will continue to monitor and respond to the need for further changes. Specific "super user" training sessions are planned again for this year, where key users from all regional offices can collaborate and provide feedback. These sessions in the past have provided valuable feedback for changes to processes and workflows across the system.*

A data warehouse for field reporting has been developed and is scheduled for implementation later in 2015. This tool will allow key users to define their own reports and extract data which is useful to them and customized for their purposes. Such an approach will remove the need for interaction from technical resources, removing the need for specialist reports and their maintenance and allowing for a more user friendly system.

Conclusion

63. We reviewed selected processes, controls, and systems to determine if the related business processes, after implementing IRIS, resulted in the most efficient and effective use of resources. We looked at how the new processes support the completeness, accuracy, authority, and reliability of financial information. Although we have identified some areas for improvement, overall the post-implementation workflow and use of IRIS at RO-Lima and CO-Mexico City were operating as intended in all significant respects.

Implementation of improvements in travel management, reducing travel costs and harmonizing travel arrangements with other United Nations organizations

64. As part of its operations, the ILO incurs significant costs in official travel. At the 316th session of the Governing Body in November 2012, the Governing Body approved two amendments to staff regulations for staff entitlements. These amendments were suggested by the Director-General to improve travel management, reduce travel costs, and harmonize travel arrangements to bring the ILO in line with other UN organizations. At the time of the Governing Body session, the ILO estimated that the changes to staff regulations were expected to save $1.6 million per biennium.

65. We reviewed Internal Governance Documents System (IGDS) 316, which was used to implement the approved changes. We discussed the changes to the travel policy with Finance at headquarters (HQ-Geneva), as well as with two ROs and one CO, to assess the impact of the changes. We reviewed management’s estimated savings, and a sample of travel expenses in 2014 to determine whether they complied with the policies and procedures. We also reviewed the policies of some other UN organizations to assess the consistency of the policies.

66. Our objective was to assess if the changes approved were made, if travel policies are now aligned better with other UN organizations, and if the estimated cost savings were in fact realized as a result of the change.

Conclusion

67. The ILO carried out changes to the official travel policies and procedures as scheduled on 1 January 2013. Management has shown that the changes have resulted in estimated savings that are materially consistent with the original expectations; however, some of the estimates are not measured because they are based on hypothetical costing under policies made before the changes. The changes may result in travel policies and procedures being better, though not completely, harmonized with other UN organizations for business class travel, as well as determining the Daily Subsistence Allowance (DSA). The ILO has confirmed that it will continue to monitor developments relating to travel to ensure efficient, effective and appropriate arrangements are maintained.

Progress made on previous years' recommendations

68. In 2014, we conducted a follow-up of recommendations included in our 2013 report to the Governing Body. The recommendations covered five areas:

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

69. As noted in the following table, some recommendations have been fully implemented; others are not yet fully implemented.

70. The following progress assessments were completed by the ILO. We reviewed the information provided by ILO management and confirmed that the ILO had reasonably assessed its progress in implementing our previous recommendations.

Recommendations included in the report to the Governing Body on the 2013 audit including past 2010, 2011, and 2012 outstanding recommendations	Summary of management's response	Progress
New developments in International Public Sector Accounting Standards (2013) The ILO should continue to monitor and review the proposed developments in financial reporting for the public sector and assess whether additional financial or non-financial information would benefit the users of the financial statements in better understanding the ILO's financial results and help the ILO in fulfilling its oversight responsibilities.	The Office continued to monitor and review developments in IPSAS standards in 2014. Specifically, a reclassification from Property and Equipment to Investment property was made during the year in accordance with IPSAS 16. The Office has reviewed other organizations' approaches to narrative financial reports and will introduce improvements in the report for 2014 to facilitate better understanding by the users.	
Integrated review of the financial statements (2013) The ILO should undertake an integrated review of its financial statements with a view to simplifying the information presented, making it easier to understand by its stakeholders.	During the second half of 2014, the Office reviewed each IPSAS to ensure that disclosure requirements were met; it compared the information provided in other UN agencies' financial statements for harmonization; and it reviewed the 2013 financial statements in detail to identify repetitive/redundant information.	

Recommendations included in the report to the Governing Body on the 2013 audit including past 2010, 2011, and 2012 outstanding recommendations	Summary of management's response	Progress
	On the basis of these reviews, the Office prepared pro forma consolidated financial statements for 2014 that were shared with the External Auditors, incorporating specific changes with a view to simplifying the information presented, including: • Removal of redundant/repetitive information. • Removal of information not required either by IPSAS or the Financial Regulations. • Revision and simplification of the presentation of Statement III—Statement of changes in net assets. • Enhanced cross references in the notes. • Enhanced table presentations. • Recognition and measurement policies are presented in Note 2—Accounting policies.	
Management responsibility for financial statements (2013) The ILO should adopt the best practice of issuing as part of its financial report a management responsibility statement signed by those charged with governance. This statement will help to clarify the roles and responsibilities of management in the preparation and presentation of the financial statements and the accompanying notes.	A modified approval statement of the Director-General and Treasurer incorporating clear statements on management's responsibility has been included as part of the Financial Statements for the year ended 31 December 2014.	●
Benefits of International Public Sector Accounting Standards financial statements (2013) While we understand the efforts currently underway to streamline the information that is being delivered to the Governing Body, we believe there exists a real and unique opportunity for the ILO management to complement existing reports with financial information gleaned from the IPSAS statements. Management can use the financial report to bridge and build on challenges faced and accomplishments achieved given the modified accrual-based biennial budget and an IPSAS reporting framework.	As stated in the updates on recommendation above (2013: paragraph 33) and (2013: paragraph 40) the Office has reviewed the specific changes to be made in the consolidated financial statements, as well as possible improvements in the narrative financial reports for 2014.	●

Recommendations included in the report to the Governing Body on the 2013 audit including past 2010, 2011, and 2012 outstanding recommendations	Summary of management's response	Progress
Governance practices (2013) The ILO should take steps to improve its governance practices by • updating governance documents to fully reflect organizational changes; • further developing its overall accountability framework, as recommended by the UN Joint Inspection Unit; • adopting and adapting good practices identified in the UN system for enhanced effectiveness through continuous improvement and organizational learning; and • considering the adoption of charters for its management committees.	The only outstanding item from 2014 is updating all IGDS documents to reflect organizational changes as a result of the DG's reform programme. The Office continues to address this as it reviews IGDSs and completes different elements of the reform programme. In addition to the responses provided in 2014, the Office has incorporated a review of the functioning of internal advisory and governance committees into its Programme and Budget Proposals for 2016–17. While this will not necessarily result in a formal charter it will include a fit-for-purpose review.	
The ILO should take steps to improve its internal control framework by • ensuring all governance documents and policies be reviewed systematically at least every five years (more frequently if affected by internal reforms) to make sure they remain current, relevant, and applicable as the Organization evolves; • assessing, evaluating, and documenting the likelihood and significance of identified risks.	A Senior Risk Officer commenced his duties in September 2014 and an Enterprise Risk Management (ERM) Framework has been published. Detailed guidance and an associated training programme are now under development. Although the pace of specific training will be increased, certain Framework requirements are effective immediately.	
The ILO should start working towards the adoption of this best practice, already in place in other United Nations organizations, and move towards the issuance of a Statement of Internal Control to provide the Governing Body the assurance that the ILO is appropriately managing and controlling the resources that have been entrusted to it. Given the global reach of the ILO and complexity of the systems and practices of the organization, this endeavour may take several years to realize.	The Office has initiated its work towards the implementation of a Statement of Internal Control. As a first step, the Financial Statements for the year ended 31 December 2014 will include statements on management's responsibility for inter alia, internal controls. The Office is also expanding its Internal Letter of Representation, a certification received from managers, for the financial year ending 31 December 2015, as a step towards assessing the level of internal control compliance and identifying any gaps for improvement. As one of the most significant outputs of the 2016–17 biennium, the Office will implement the Statement of Internal Control as a key accountability initiative.	

Recommendations included in the report to the Governing Body on the 2013 audit including past 2010, 2011, and 2012 outstanding recommendations	Summary of management's response	Progress
After-service health insurance—long-term funding strategy (2012) The ILO should assess how its share of health insurance funding, charged annually to the Regular Budget, can be expected to escalate. The ILO should also evaluate options for alternative long-term funding of its ASHI liability that takes into consideration the budgetary constraints in the Biennial Programme and Budget, which mirror the fiscal constraints facing member States.	An actuarial study has been completed and a paper containing analysis on the status of the ASHI liability and possible funding scenarios was submitted to the November 2014 session of the Governing Body for consideration and guidance. The Governing Body was also informed that the ILO was an active participant in the UN inter-agency working group on ASHI and the results of the working group's review were to form a substantial part of the Secretary-General's report to the General Assembly in 2015. The Governing Body endorsed the initiative to accumulate ASHI reserves in respect of XB-funded staff but did not take any decision on the establishment of a fund for regular staff. The Office will present a further document to the Governing Body at its March 2016 session incorporating the results of the UN General Assembly's consideration of this matter at its 70th Session.	
Headquarters building renovation project governance (2012) The ILO should ensure that its renovation project governance framework is finalized and approved without further delay. At a minimum, it should include • a final project organizational structure; • clear roles and responsibilities for stakeholders; • a documented calendar of key deliverables: • a clear and documented delegation of authority (who will approve what, dollar limits, and key decisions to be made within a certain timeframe); and • defined and complete progress reports with both financial and non-financial information that meet stakeholders' needs.	The recommended framework has now been fully implemented through the finalisation of the revised financial report format and the updating of the detailed schedule of works, following completion of the design and the delivery of the building permit.	

Recommendations included in the report to the Governing Body on the 2013 audit including past 2010, 2011, and 2012 outstanding recommendations	Summary of management's response	Progress
Information technology—governance (2012) The ILO should inventory its IT functions and applications with the objective of streamlining standards, software products, IT systems, and associated software development functions.	The Office has completed an inventory of IT functions and applications. A number of initiatives have been completed to consolidate and streamline IT structures, roles, policies, processes, infrastructure, standards, products, systems, and functions throughout the Office. Information technology is in a constant state of evolution, with new opportunities emerging frequently. The Office will continue to monitor developments to optimize its IT environment.	
Human resources—succession planning (2011) The ILO should develop a succession planning process that identifies what its key positions are; includes a mechanism for informing employees what the key positions are and what skills are needed for those positions; and includes a system for preparing employees for higher-level management positions.	In 2014 a new tool for skills mapping and workforce planning was launched as part of the Office's Talent Management Suite "ILO People". The Employee Profile tool (EP) provides a platform for staff to express their interest and readiness in geographical and functional mobility as part of their professional development and career growth. They can indicate regions of particular interest, preferred duration of assignments as well as different functional areas where they would be interested in acquiring work experience. The EP also comprises a full taxonomy of ILO key areas of expertise. Workforce metrics are developed on the basis of information in the EP and are used by the new Recruitment, Assignment and Mobility Committee (RAMC) to inform the recommendations made to the Director-General regarding workforce planning.	
The ILO should consider increasing mobility, to allow staff to gain the necessary experience to take on higher-level positions.	With a goal of increasing mobility, a new Mobility Policy was announced in January 2015. The Recruitment, Assignment and Mobility Committee (RAMC) established in the context of the new Recruitment and Selection procedures will be instrumental in supporting the implementation of the policy. RAMC is mandated to make recommendations to the Director-General on matters such as mobility, recruitment, assignment and placement as well as steps to be taken to better balance gender, age and geographical diversity of staff. Based on ILO workforce metrics (predominantly extracted from the Employee Profile tool (EP) and the Office's	

Recommendations included in the report to the Governing Body on the 2013 audit including past 2010, 2011, and 2012 outstanding recommendations	Summary of management's response	Progress
	ERP system (IRIS) and other mobility information, RAMC makes recommendations to the Director-General on the type of recruitment process to be followed for each vacancy. RAMC also recommends to the Director-General staff to be transferred in the same grade taking into account applications of officials subject to geographical mobility and the level of hardship of their duty station. RAMC held its first meeting on 11 February 2015.	
Human resources—training and development (2010) The ILO should try to increase the response rate to the skills mapping exercise so that it can obtain a more representative picture of the current competencies of professionals, and can identify and fill gaps to meet its requirements.	Since the launch of ILO People including the implementation of Employee Profile (EP) in February 2014, HRD has focused its efforts on staff engagement and capacity building to support the effective use of the system across the Office. User guides, a set of short video tutorials, and a Frequently Asked Questions section in the three official languages of the Office have been developed to assist staff in navigating and utilizing the different modules. A series of briefings, hands-on training and webinars have also been delivered to more than 600 staff at both headquarters and in the field (a total of 37 field offices have been covered). In January 2015, two Internal governance documents (IGDS') were issued by DDG Management and Reform and by HRD with a view to clarifying the use of the information tracked in the EP.	
Number of recommendations made	**Number of recommendations fully implemented**	
13	**10**	

Legend of progress:

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

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

Appendix—Developments in International Public Sector Accounting Standards and in International Auditing Standards

1. **Approved project.** On 31 October 2014, the International Public Sector Accounting Standards (IPSAS) Board approved the revision of the preface to the conceptual framework for general purpose financial reporting by public sector entities. The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return to their owners. As a result, an entity's performance can only be partially evaluated through a review of the financial statements. Users also need information such as whether the entity provided its services in an efficient and effective manner; whether the resources currently available for future expenditures have any restrictions or conditions imposed on them; and whether the entity's ability to provide these services has improved or deteriorated compared with the previous financial year.

2. **Projects under development.** There are various exposure drafts that have been issued by the IPSAS Board, of which three could be significant to the ILO. We provide here a summary of the projects under way in order to permit you to assess the potential impact these proposed standards will have on the ILO and its consolidated financial statements.

3. The first IPSAS project relates to the financial statement discussion and analysis. This proposed guidance would apply to all public sector entities that prepare and present financial statements under the accrual basis of accounting. This proposed guidance relates to certain minimum content requirements in the financial statement discussion and analysis, currently called the Financial Report on the 2014 Accounts by the ILO. This could include an overview of the environment in which the entity operates; the risks that environment entails; the entity's objectives and strategies, to enable users to understand the entity's priorities and how these elements affect the financial statements; an analysis of the entity's financial statements of the current period, including a description of significant events, trends and conditions, and factors that affected the financial statements, to enhance users' understanding of the financial statements.

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

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

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

6. Appendix

Additional unaudited information

Detail of net assets revenue and expense by fund for 2014 (US$ thousands)

Net assets by Fund	Net assets 31 Dec 2013 restated	Revenue 2014	Expenses 2014	Net result 2014	Transfer of fund	Deficit financing	Adjustments to net assets	Net assets 31 Dec 2014
Funds with approved budgets:								
Regular budget	57 419	430 897	(403 037)	27 860	–	(18 713)	26 733	93 299
CINTERFOR	582	1 735	(1 589)	146	–	–	3	731
ITC	24 178	47 916	(47 621)	295	–	–	(2 645)	21 828
Subtotal	**82 179**	**480 548**	**(452 247)**	**28 301**	–	**(18 713)**	**24 091**	**115 858**
Subsidiary funds:								
Development cooperation projects	–	246 610	(246 610)	–	–	–	–	–
RBSA	43 181	21 414	(11 383)	10 031	–	–	35	53 247
Programme support income	54 168	24 812	(22 340)	2 472	–	–	121	56 761
Publications	1 081	352	(362)	(10)	–	–	–	1 071
ITS	1 639	3	(1)	2	–	–	–	1 641
IILS	14 445	7	–	7	(14 452)	–	–	–
Research	–	22	(364)	(342)	16 040	–	2	15 700
Gifts, grants and reimbursable costs	4 915	4 337	(3 465)	872	–	–	11	5 798
Land and buildings	454 781	16 115	(5 391)	10 724	–	–	28 284	493 789
Building accommodation	80 680	4 533	(21 702)	(17 169)	–	–	5	63 516
Working Capital	20 683	–	(3 935)	(3 935)	–	18 713	–	35 461
Income Adjustment Account	68 817	1 809	(7 796)	(5 987)	–	–	–	62 830
Prior period surplus	3 143	21	(2 247)	(2 226)	–	–	11	928
Special Programme Accounts	18 866	97	(4 818)	(4 721)	–	–	–	14 145
Terminal benefits	(4 552)	5 475	993	6 468	–	–	(15 001)	(13 085)
SHIF	55 454	52 033	(49 086)	2 947	–	–	–	58 401
ASHI liability	(811 820)	–	(25 754)	(25 754)	–	–	(250 577)	(1 088 151)
ASHI Reserve	1 194	1 226	(1)	1 225	–	–	–	2 419
Other Funds	4 131	4 032	(4 035)	(3)	(1 588)	–	16	2 556
Subtotal	**10 806**	**382 898**	**(408 297)**	**(25 399)**	**–**	**18 713**	**(237 093)**	**(232 973)**
Inter-fund elimination	–	(91 932)	91 932	–	–	–	–	–
Total	**92 985**	**771 514**	**(768 612)**	**2 902**	**–**	**–**	**(213 002)**	**(117 115)**