International Labour Organization

Financial report and audited consolidated financial statements for the year ended 31 December 2010

and Report of the External Auditor

International Labour Office   Geneva

ISBN 978-92-2-123130-1 (print)
ISBN 978-92-2-123131-8 (Web pdf)
ISSN 0074-6681

First edition 2011

Formatted by TTE: Confrep-ILC100(2011)-Financier-Auditeur externe-[2011-05-0049-1]-En.docx
Printed by the International Labour Office, Geneva, Switzerland

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1. Financial report on the 2010 accounts

Introduction

1. The consolidated financial statements are prepared and submitted to the Governing Body in accordance with articles 23 and 28 respectively of the ILO Financial Regulations. The Report of the External Auditor on the audit of the statements together with her opinion thereon is also submitted to the Governing Body in accordance with article 28 of the Financial Regulations.

2. The 2010 consolidated financial statements have been prepared based upon the United Nations System Accounting Standards (UNSAS) and presented utilizing the format prescribed by the International Public Sector Accounting Standards (IPSAS). For the first time the financial statements consolidate all of the operations under the direct authority of the Governing Body, including the International Training Centre of the ILO (ITC).

3. As part of the phased adoption of IPSAS, the statements include the adoption of 19 IPSAS standards addressing:

- effects of changes in foreign exchange rates;
- borrowing costs;
- consolidation;
- investments in associates;
- interests in joint ventures;
- revenue from exchange transactions;
- financial reporting in hyperinflationary economies;
- construction contracts;
- events after the reporting date;
- financial instruments;
- investment property;
- provisions, contingent liabilities and contingent assets;
- related party disclosures;
- disclosure of information about the general government sector;
- revenue from non-exchange transactions;
- presentation of budgetary information in financial statements;

- employee benefits;
- impairment of cash-generating assets; and
- agriculture.

4. The 2008–09 financial statements have been restated to reflect the adoption of additional IPSAS, in particular the consolidation of the ITC and other changes in accounting policies adopted to improve the information presented in the statements. These restatements are summarized in notes 3 and 4.

5. The 2010 consolidated financial statements now include many of the financial adjustments required by IPSAS. Additional adjustments will be implemented in future years including the valuation and disclosure of inventories of publications and other printed materials; segment reporting; balance sheet accounting for furniture and equipment; recognition of in-kind contributions of goods received and disclosure of lease commitments. Full implementation of IPSAS is planned for 2012.

6. In accordance with the amendments to the Financial Regulations approved by the International Labour Conference in 2009, the 2010 consolidated financial statements are presented on an annual basis.

Financial results for 2010

7. The **Consolidated Statement of Financial Position, Statement I**, shows the consolidated assets, liabilities and reserves, plus accumulated fund balances of the Organization as at 31 December 2010. It includes the full consolidation of the ITC into the ILO financial statements in accordance with IPSAS. The Organization's consolidated assets include the value of its land and buildings reflected at their fair value of US$487.3 million as determined by an independent valuation. With the adoption of IPSAS 23 in 2010, revenue from voluntary contributions has been recognized on an accrual basis with voluntary contributions receivable of US$354.5 million. A corresponding amount has been recognized as a liability in respect of services yet to be provided by the ILO. Employee benefit liabilities of US$652.5 million include the full actuarially determined liabilities for after-service medical care. In addition, a provision for delays in the collection of assessed contributions receivable of US$13.6 million has been made in respect of member States whose arrears have resulted in a loss of voting rights.

8. The Organization's consolidated net assets increased by US$29.9 million or 12.8 per cent as compared to 2009. Detailed net assets by fund have been presented in Appendix I (unaudited).

9. The **Consolidated Statement of Financial Performance, Statement II**, shows the results of all the Organization's operations including the ITC for 2010 with a total net surplus of US$52.4 million. This includes the results for the regular budget and all other funds and entities controlled by the ILO. These are the first financial statements prepared on an annual basis. Comparative information is shown based on the 2008–09 biennial financial statements, adjusted to include the ITC's results expressed in the ILO's functional currency. Detailed information on the results and information on revenue, expense and changes in net assets is presented by fund in Appendix I (unaudited).

10. The **Consolidated Statement of Changes in Net Assets, Statement III**, presents in summary the net accumulated fund balances and reserves at the beginning of 2008, the net results of the 2008–09 biennium, and for 2010, together with the IPSAS

adjustments implemented to date, including the consolidation of the ITC, the restatements and the prior period adjustments.

11. The **Consolidated Statement of Cash Flow, Statement IV**, presents the total cash and cash equivalents held by the Organization, including the ITC, at the end of 2009 and 2010.

Regular budget

12. The International Labour Conference, at its 98th Session (June 2009), approved an expenditure budget for the 2010–11 financial period amounting to US$726,720,000 and an income budget for the period for the same amount, which, at the budget rate of exchange for the period of 1.07 Swiss francs (CHF) to the US dollar, resulted in an income budget of CHF777,590,400. Actual assessed contributions for the biennium will reflect the admission of the Republic of Maldives on 15 May 2009 and CHF777,592,898 will be recognized as revenue. No change was made to the approved expenditure budget.

13. The overall budgetary results for the 2010 financial period are summarized in Statement V-A with the details of contributions paid by member States shown in note 28. Valued in US dollars at the budget rate of exchange and using the accrual method of accounting, total budgetary income for 2010 amounted to US$363,362,335. Expenditure under the regular budget during 2010 amounted to US$331,632,212. The excess of income over expenditure for 2010, at the budget rate of exchange, thus amounted to US$31,730,123. When revalued at the rate of exchange in effect at the close of the financial period (CHF0.951 to the US dollar), the excess of income over expenditure amounts to US$35,700,559. These amounts represent the results for the first year of the biennium.

14. Since the ILO does not prepare annual budgets, Statement V-A provides as a budget comparison one half of the approved biennial budget for the purpose of meeting the requirements of IPSAS. The results for 2010 do not represent a surplus as defined in article 18 of the Financial Regulations as this will only be determined at the end of the financial period, 31 December 2011.

15. In accordance with article 18, paragraph 1, of the Financial Regulations, the calculation of the regular budget surplus includes a provision for delays in the payment of contributions in the amount of 100 per cent of the outstanding contributions at 31 December 2010. Since the total contributions outstanding at 31 December 2010 amounted to CHF82,476,015 as compared with the total contributions outstanding at 31 December 2009 of CHF71,933,033, the provision required at 31 December 2010 was CHF10,542,982 more than that which was required at 31 December 2009. The net adjustment to income and expenditure was therefore a charge of US$11,086,206 (CHF10,542,982 at 31 December 2010 rate of exchange).

16. The deficit resulting from the receipt of contributions in an amount lower than the level of the budget (US$11,086,206 equivalent to CHF10,542,982 at 31 December 2010 rate of exchange) will be combined with the results for 2011. If there is a surplus, it will be transferred to the Special Programme Account in accordance with article 18.3 of the Financial Regulations. If there is a deficit it will reduce the balance of the budgetary surplus that would, in accordance with article 18.2 of the Financial Regulations, be otherwise returned to member States.

Non-General Funds managed by the ILO

17. Non-General Funds managed by the ILO had net assets of US$31.4 million at 31 December 2010. They comprise funds belonging to units forming an integral part of the ILO including the International Institute of Labour Studies (IILS), the Inter-American Vocational Training Research and Documentation Centre (CINTERFOR), the International Occupational Safety and Health Information Centre (CIS), the ITC and the Administrative Tribunal of the ILO. The overall budgetary results of the funds with budgets approved by the Governing Body or the ITC Board of Directors for 2010 are summarized in Statements V-B to V-E and information on the net assets of each fund is shown in Appendix I. Significant variances between adopted budgets and actual expenditure for each of these units for which a separate budget was adopted by the Governing Body or ITC Board of Directors are outlined below:

- IILS – Revenue amounted to US$2,856,000 and expenses totalled US$3,381,000 for 2010. The net deficit was US$525,000 for 2010 due to lower than anticipated revenue from the regular budget offset by a small increase in publications revenue and lower than anticipated staff costs. The deficit was financed from accumulated fund balances.
- CINTERFOR – Revenue of US$1,297,000 was US$17,000 higher than anticipated due to the receipt of contributions from new member organizations. Expenses totalled US$1,312,000 or US$68,000 lower than anticipated, resulting in a net deficit for 2010 of US$15,000 which was financed from accumulated fund balances.
- CIS – Revenue of US$1,256,000 and expense of US$1,305,000 resulted in a net deficit of US$49,000 which was financed from accumulated fund balances. The in-kind contributions from the regular budget were US$468,000 below budget due to savings on staff costs of regular budget staff assigned to support the Centre. Extra-budgetary expenditures were US$216,000 lower than budgeted due the allocation of resources to the second year of the biennium.
- ITC – Revenue was €39.1 million (US$51.8 million), €1.7 million (US$2.2 million) higher than the amount anticipated in the budget due to higher than estimated revenue from ITC training services. Expenses totalled €37.7 million (US$50 million); €1 million (US$1.3 million) lower than anticipated resulting in a surplus of €1.9 million (US$2.6 million) after adjustments for changes in provisions and other financial factors of €0.5 million (US$0.7 million). The resulting surplus compares to a projected budget deficit of €1.2 million (US$1.6 million).

Extra-budgetary funds

18. Expenditure on extra-budgetary technical cooperation activities totalled US$241.7 million in 2010, of which US$1.7 million was financed by the United Nations Development Programme (UNDP), and US$240 million by other donors.

Ex gratia payments

19. During the financial period of 2010, ex gratia payments of US$29,500 (US$200,000 in 2008–09) were made.

2. 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 2010

Auditor General of Canada
Vérificatrice générale du Canada

To the Governing Body of the International Labour Organization

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

This is the second audit conducted by the Auditor General of Canada on the ILO's financial statements. For the first time, the ILO has prepared annual financial statements as required under its revised Financial Regulations. It has also consolidated the operations of its controlled entity, the International Training Centre of the ILO. The following report contains the results of the audit and includes observations arising from the audit of the 2010 annual consolidated financial statements. It also contains observations and recommendations in three areas identified for performance work in 2010: human resources—training and development, performance measurement and reporting practices, and internal audit. We would be pleased to elaborate on any of these points during the Governing Body meeting in June 2011.

My mandate as Auditor General of Canada comes to an end on 30 May 2011. The Auditor General of Canada has a fixed non-renewable mandate of ten years. The ILO's audit work was completed during my mandate as Auditor General of Canada and I have signed the Independent Auditor's Report and the attached Long Form Report. The meeting of the Governing Body at which this report is presented falls after my term. I very much regret that it will not be possible for me to be present. My successor has yet to be appointed. Ms. Marian McMahon, Assistant Auditor General responsible for the ILO audit, will present my report.

We wish to express our appreciation to the Director General, the Executive Director, Management and Administration Sector, 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 Conference of the ILO for the support and interest shown in the work of our Office.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
29 April 2011

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Executive summary

We have expressed an unqualified audit opinion on the International Labour Organization's consolidated financial statements. We concluded that they present fairly, in all material respects, the ILO's consolidated financial position as at 31 December 2010, its consolidated financial performance, consolidated cash flows, and the comparison of budget to actual amounts for the period then ended in accordance with the United Nations System Accounting Standards as set out in Note 2 to the financial statements. We concluded that these accounting policies were applied on a basis consistent with that of the preceding period, except for the changes as explained in Note 4. We also concluded that the transactions of the ILO that have come to our notice or that have been tested as part of the audit, have, in all significant respects, been in accordance with the Financial Regulations and legislative authority of the ILO and the International Training Centre.

We examined the evaluations completed by the ILO of an additional 19 standards in its gradual adoption of the International Public Sector Accounting Standards (IPSAS). Of these, nine have had an impact on the consolidated financial statements. In addition, we reviewed the progress made by the ILO on the adoption of IPSAS 12—Inventories for its 2011 consolidated financial statements. To achieve a successful implementation of IPSASs, it is vital that all administrative divisions be engaged in the redesign of the business processes and the accounting policies.

We carried out audit work on the IT General Controls (ITGCs) and application controls of the ILO in order to adopt a controls-reliant audit approach in the future. We found weaknesses in the manual controls, thus we were unable to rely on these during the 2010 audit. We noted that there are still four outstanding recommendations made on ITGCs. We plan to continue our work on IT general and application controls this summer.

In addition to the financial audit work, we examined the following three areas: human resources—training and development, performance measurement and reporting practices, and internal audit.

Human resources—training and development: We examined whether the ILO identifies and analyzes its training needs to support its mandate, and whether it monitors annual training and development plans. We also looked at whether the ILO evaluates the effectiveness of its training and development activities to ensure that they further its corporate goals. We found that the ILO has elements of processes in place to evaluate and analyze its training needs. It monitors annual training and development plans and to some extent it evaluates the effectiveness of training and development activities in furthering corporate goals. The ILO has put in place solid foundations for learning and development. Nevertheless there is room for improvement to increase institutional capacity and ensure that training and development activities support achievement of the ILO's goals and outcomes.

Performance measurement and reporting practices: We examined the results presented in the 2008–09 Programme Implementation Report for a sample of five selected indicators. For the items selected, we looked at the procedures that the ILO had in place to generate the data for these indicators and to ensure that this data was reliable. We also examined the structure and content of the Programme Implementation Report to determine the extent to which it reflected the ILO's results-based management goal of "managing and measuring its performance against the real-world outcomes to which it intends to contribute."

We found that the procedures in place to generate the data for the selected indicators were adequate to ensure its reliability. We found that the ILO has put in place many of the elements of a results-based management model. For the 2008–09 biennium, the ILO's approach to programme budgeting and performance measurement involved the use of indicators and outcomes, both essential to managing for results.

Although the ILO's performance measurement and reporting practices are improving, a number of challenges remain to be addressed before two key purposes of these practices—enabling management to track and improve programme performance and providing the Governing Body with the accountability information needed to carry out its oversight role on a timely basis—can be fully achieved.

Internal audit: We examined whether the risk audit plans and status reports of the Office of Internal Audit and Oversight (IAO) were prepared and submitted to the Director General on a timely basis. We also examined whether resources and progress on work plans were monitored regularly.

We found that the IAO carried out a comprehensive risk assessment to develop biennium work plans to meet its 2006 audit coverage strategy and mandate-mission. This strategy defined the level of audit coverage required to provide the Director General and the Governing Body with assurance on the efficiency and effectiveness of the ILO's internal control environment. This is a positive step in planning its IAO activities. However, the IAO needs to align its resources to each biennium work plan and also carry out regular and timely reviews of its progress.

About the Office of the Auditor General of Canada

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

2. The OAG is widely involved in the activities of the Canadian as well as the international audit and accountancy profession. In Canada, the OAG is involved in many professional organizations, notably The Canadian Institute of Chartered Accountants, which sets accounting and assurance standards. Internationally, the Auditor General is a member of the International Public Sector Accounting Standards Board, and 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.

Our mandate

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

Scope and objectives of the audit

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

   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 United Nations System Accounting Standards;
   - 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 except for changes as explained in Note 4; 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.

Audit approach and auditor’s responsibilities

5. 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.

6. 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.

7. 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.

8. 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. 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. 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.

9. The audit plan was presented to ILO management and the Independent Oversight Advisory Committee at a meeting in September 2010 in order to ensure that we had identified those areas of significance and that our evaluation of the current consolidated operating environment of the ILO was complete. The audit plan also identified three areas where we would conduct performance audit work: human resources—training and development, performance measurement and reporting practices, and internal audit.

Audit results

10. We have issued an unqualified audit opinion on the ILO's 2010 consolidated financial statements. We concluded that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the ILO and its controlled entity, the ITC, as at 31 December 2010, and their consolidated financial performance, consolidated cash flows, and comparison of budget and actual amounts for the year then ended in accordance with the United Nations System Accounting Standards (UNSAS) as set out in Note 2 to the consolidated financial statements.

11. We have included an Emphasis of Matter paragraph in the Opinion. An Emphasis of Matter is included in an external auditor's opinion when in the judgment of the auditor, it is necessary to do so as the matter is of such importance that it is fundamental to the users' understanding of the consolidated financial statements.

12. The Emphasis of Matter paragraph we have included draws attention to Note 3 to the financial statements, which describes the adjustments made to the comparative 2008–09 financial statement figures including the accounting for the after-service health insurance. In our view, these adjustments were properly accounted for and disclosed in the notes to the consolidated financial statements.

13. As required by the Financial Regulations of the ILO, we concluded that the accounting policies were applied on a basis consistent with that of the preceding period, except for the changes that are explained in Note 4 to the consolidated financial statements.

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

15. We are charged with reporting any disagreements with management over auditing, accounting, or disclosing 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. There are no unresolved matters to report.

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

17. Preparing the consolidated financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the consolidated financial statements and the possibility that future events may differ significantly from management’s expectations. The most significant estimates include employee benefit liabilities, including the after-service health insurance, the proportion of the Staff Health Insurance Fund investments held on behalf of the International Telecommunications Union, the fair value of the land and buildings, the fair value of investments, and the provisions for doubtful accounts relating to receivables and the loan payable. When considering the reasonableness of these estimates, we reviewed the supporting working papers and documentation, and performed recalculations and other such tests and procedures as we considered necessary in the circumstances. We accept management’s judgments and find them consistent with the corroborating evidence.

Audit completion

18. This was the OAG’s second audit of ILO financial statements. Accordingly, 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 Executive Director, Management and Administration Sector, the Treasurer and Financial Comptroller and their staff for the excellent cooperation we received throughout the audit.

Detailed report on audit results

19. 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 below.

20. During the audit, we also identified opportunities to improve the ILO’s financial and IT controls. These opportunities have been discussed with the Treasurer and Financial Comptroller as well as the IT department and their staff. Significant matters have been included in this report in the section “IT control environment.” A management letter that summarizes less significant observations and makes recommendations to address our findings will be sent to management by the end of June.

21. We also followed up on observations and recommendations made following our 2008–09 audit and we report that for the IT observations noted, 7 out of 11 recommendations were implemented by management. The remaining four either require further work or management approval. For the observations noted on the financial audit, 11 of the 17 recommendations have been implemented by management. Of the remaining six recommendations, four require IT systems changes while the other two require further discussions to amend processes. We are satisfied with the progress management has made in addressing our recommendations on our work in 2008–09.

Implementation of International Public Sector Accounting Standards—progress to date

22. In 2010 the ILO evaluated 15 International Public Sector Accounting Standards (IPSAS) and concluded that the standards noted below would be implemented as they have an impact on the financial statements.

23. In its March 2011 Status report on implementation of IPSAS to the Governing Body, the ILO reported that for the 2010 annual financial statements, it would have the following in place:

- consolidation of the accounts of the International Training Centre, Turin, into the ILO's financial statements (IPSAS 6);
- full accrual accounting of revenue from sales of goods and services including publications, rental of space, and charges for services provided to other entities (IPSAS 9);
- disclosure of potential risks related to investments, currency holdings, forward purchase agreements, and outstanding receivables (IPSAS 15); and
- full accrual accounting for voluntary contributions to technical cooperation projects (IPSAS 23).

24. In the current year, a change in reporting period was implemented in order to comply with IPSAS. As a result amendments were made to the ILO Financial Regulations as of 1 January 2010. The preparation of annual financial statements reflects the underlying principles of the IPSAS accounting framework and remains acceptable under UNSAS. Management was unable to restate the 2008–09 financial statements to an annual basis for comparative purposes in 2010. They informed us that this was not possible due to the limitations in their information technology systems. In our view, a comparative reporting period would have been a preferred reporting framework; however, the differences have been adequately disclosed.

25. Another significant change made by the Organization in 2010 was the consolidation of its controlled entity, the International Training Centre (ITC) of the ILO. This change was accounted for retroactively, which means that the 1 January 2008 net assets, the 2008–09 net surplus, and the revenues and expenses in the ILO's 2008–09 Statement of Financial Performance were all restated. The 2008–09 assets and liabilities on the Statement of Financial Position were also restated. We are satisfied with the presentation adopted by ILO management and that all significant transactions between the ILO and the ITC have been eliminated in the consolidated financial statements, except those deferred as part of a multi-year transition as disclosed in Note 2.

26. The ILO adopted IPSAS 15—Financial Instruments: Disclosure and Presentation. A note to the consolidated financial statements has been added that discloses the ILO's financial risk management policy and capital management policy as well as how the ILO manages its currency, interests, market, credit, and liquidity risks for its financial instruments. We are satisfied that all required disclosures under this IPSAS have been reflected in this note.

27. Implementing the financial statement disclosures in IPSAS 15 required the ILO to adopt a new accounting policy whereby the long-term borrowing would be recorded at fair value instead of historical cost. This change was applied retroactively. As a result, the recorded amount of the borrowing as at 31 December 2009 decreased from US$57.5 million to US$42.9 million. The change in fair value in 2010 is recorded as an adjustment to net assets.

28. Another accounting change made by the Organization in its 2010 consolidated financial statements was the adoption of IPSAS 23 on revenue from non-exchange transactions. This IPSAS requires that voluntary contributions be recorded as receivable upon the signature of the agreements and a matching liability is also recognized if the agreements include conditions relating to the delivery of projects. The result is an increase of US$354.5 million in receivables and liabilities. When voluntary contributions have no conditions, they are recorded as revenues when the agreements are signed and collection is assured. We are satisfied that the ILO has complied with the requirement of this IPSAS.

29. Extra-budgetary expenditures are now recorded on an accrual basis in the consolidated financial statements. In 2010 the ILO captured all the required information from the regions and country offices to be able to account for these additional expenses on an accrual basis. This change was accounted for prospectively and only the 2010 period results reflect this change. As a result and as disclosed in Note 4, this change increased expenses by US$2 million in 2010.

Changes in accounting policies not related to IPSAS

30. The ILO adopted a new accounting policy for the recognition of the actuarial gains or losses relating to the after-service health insurance (ASHI) liability. At the time of the adoption of IPSAS 25—Employee Benefits in 2008–09, the ILO had selected the approach whereby the actuarial gains or losses over certain limits were amortized over the average remaining working lives of the employees participating in the plan and recognized in net surplus (usually called the "corridor approach"). Management decided to retroactively change this policy to be more comparable with other UN organizations. The impact has been to recognize the full actuarial gain or loss in the Statement of Financial Performance in the period in which they occur. The retroactive change decreased the 31 December 2009 ASHI liability by US$127.7 million. In 2010, the actuarial loss of US$67.3 million is reflected in the net assets of the consolidated financial statements. See Note 16 for the 2010 change.

Prior period adjustments

31. During the audit adjustments made by the ILO that had an impact on the prior period's financial statements were identified. The ILO adjusted the comparative financial results for 2008–09 as required by UNSAS. These adjustments included the following:

- Employee benefit liabilities (including ASHI and repatriation grant) for ITC employees were included. Under IPSAS 25, the liabilities of multi-employer employee benefit plans of controlled entities are considered liabilities of the parent unless a signed agreement is in place saying otherwise. In 2008–09 management had not included these liabilities because they were disclosed in the notes to the ITC financial statements and this was considered adequate at the time. An additional $43.8 million in liabilities as at 31 December 2009 has been reflected in the comparative results.

- A 2010 review of the demographic information utilized in the calculation of the actuarial liability for ASHI identified an understatement in the number of active staff eligible for participation in the Staff Health Insurance Fund. This understatement also applied to the actuarial evaluation completed in 2008–09. As a result, the 31 December 2009 liability has been restated and increased by $46.4 million.

- A liability to donor is recognized for a Regular Budget Supplementary Account contribution where performance conditions were not yet satisfied. As a result, the 31 December 2009 liability has been restated and increased by $4.1 million.

We are satisfied that the ILO's consolidated financial statements have been properly restated to reflect the prior period adjustments noted above.

Related audit matters

International Public Sector Accounting Standards (IPSAS)

32. The accounting standards currently used by the ILO to prepare its financial statements are based on the United Nations System Accounting Standards.

33. We continue to strongly support the United Nations System's move to adopt IPSAS. This change in accounting framework will improve the quality, comparability, and credibility of the United Nations System financial reporting, resulting in improvements in accountability, transparency, and governance.

34. In order to ensure a consistent implementation of IPSAS across the UN, a task force was formed. This task force provides interpretation of various IPSAS in relation to the unique UN environment. In our view, there are outstanding issues that the various UN organizations (including the ILO) must evaluate. For example, we are of the view that other UN organizations and their specialized agencies should be considered related parties. While this information is not required by the IPSAS standard as it is written, the underlying principles should be that UN organizations and their specialized agencies are related parties and the extent of transactions with them would be appropriate disclosure in its financial statements.

35. The adoption of IPSAS is a major undertaking that requires significant and ongoing project management, staff training in the field and at headquarters, development of accounting policies and procedures, and investment in systems to capture required information.

36. **Recommendation.** We encourage the ILO to continue to participate in the United Nations Task Force on IPSAS to ensure the task force achieves its objective of comparability and a consistent application of the IPSASs across UN organizations.

    ILO response. We agree. The Office has been a regular participant in the UN task force on IPSAS. The Treasurer has recently been appointed as vice-chair of the task force and will use this position to promote further the harmonized application of IPSAS taking into account the diverse environments in which the UN organizations operate.

Implementation of IPSAS—next steps

37. In March 2011, the Governing Body noted the revised implementation plan whereby the ILO should be compliant with all except 4 of the 28 International Public Sector Accounting Standards (IPSAS by the end of 2011 and should be able to comply fully with all standards by the end of 2012.

38. The ILO has been successful in its gradual adoption of the IPSAS to date. It has evaluated 19 out of the 28 IPSAS required to achieve financial statements that are fully compliant with IPSAS by 2012. Of these, nine have an impact and have been applied to ILO's consolidated financial statements. A continued coordinated approach with Human Resources, Information Technology, and Procurement is still required to ensure the project's continued success.

39. Certain standards require a significant level of effort and advance planning to implement. For example, in 2010, the ILO carried out all the required analysis and preparation of the financial information relating to IPSAS 12—Inventories. The ILO prepared and carried out an inventory count as of 1 January 2011 and adjusted its permanent inventory data. All of this work is for the implementation of one IPSAS standard in the 2011 financial statements.

40. Progress continues in developing IPSAS accounting policies and identifying the required process changes. The most significant ongoing challenge for the ILO is to ensure that financial data from different Enterprise Resource Planning (ERP) systems and non-financial data is identified and captured in a manner that meets IPSAS reporting requirements. Only with the required and complete data can the ILO succeed in its adoption of IPSAS as its accounting framework.

41. It is vital to both the successful implementation and the timely realization of the benefits from improved financial reporting that all administrative divisions are engaged in the redesign of the business processes as well as the accounting policies. In addition, senior management needs to evaluate how to best use the new information to improve the delivery of their programmes.

42. As the ILO's external auditor, we will continue to monitor the transition process and proactively advise management and the Governing Body of our observations or concerns throughout the process.

IT control environment

43. In our current year's audit of the ILO, we continued to improve our understanding of the ILO's business, regional financial operations (in Asia and Africa), accounting systems, and processes; the UNSAS accounting framework; and the IPSAS standards that the ILO has implemented, including the consolidation of its annual financial statements with those of the ITC.

44. With an objective of adopting a controls-reliant audit approach, we identified and documented the controls exercised by management to ensure the occurrence, completeness, and accuracy of transactions. In addition, we identified and tested the existence of controls in the information technology systems that affect the financial statements as well as manual controls that management has put in place to ensure that transactions are accounted for in accordance with the ILO accounting framework.

45. In April 2010 our IT audit team assessed IT general controls (ITGCs) in the ILO’s main financial system, IRIS (Oracle Financials). This system was selected for review because it processes the bulk of the ILO’s headquarters’ financial transactions and is centrally managed and controlled.

46. The objective of the ITGC assessment was to assist the financial audit team in adopting a controls-reliant audit approach to the audit of the ILO. In July 2010 we issued a management letter to ILO senior management containing 11 observations on weaknesses that we noted in the ILO’s IT control environment.

47. We followed up on the ILO’s progress in addressing the observations raised in this IT management letter. We found that the ILO has fully addressed 7 out of the 11 observations. Of the remaining four observations, three pertain to problems surrounding how the ILO grants and reviews access rights within its main financial system, IRIS. The fourth relates to ILO management yet having to approve a disaster recovery plan in the event that an unforeseen interruption in its IT systems occurs.

48. In the fall of 2010 we undertook the review of the manual controls and IT application controls for headquarters payroll and regular budget expenses. We found weaknesses in the application of manual internal controls in the payroll system and we were therefore unable to rely on these controls in order to obtain our audit assurance. The July post adjustment in the payroll was underestimated for staff members due to a system overload. Staff later received payment of the estimated difference in pay and in a subsequent month the payroll was adjusted for the correct amounts. In another instance, a small number of staff were overpaid for hardship allowance. We also found that there were some weaknesses in the IT application controls tested for the headquarters payroll. Based on the findings, we postponed additional work in the headquarters payroll process to a later date. A management letter will be issued to the ILO with our observations and recommendations to address the weaknesses identified, which include items such as the management of user access and transaction approval.

49. We plan to perform an overall update of the IT control environment in the summer of 2011 to determine whether it will be possible to rely on IT general and application controls in the areas of headquarters payroll for our 2011 annual audit of the consolidated financial statements.

50. **Recommendation.** The ILO should review its management and monitoring controls in place over its payroll to ensure accurate calculation of employee pay.

ILO response. We agree. The Office takes note of the issues identified in the audit testing of the payroll system. The payroll production covers three modules of IRIS: Human Resources, Oracle Advanced Benefits, and Payroll. The weaknesses found during the audit were in part due to human error, system issues, and also timing of the payroll processing not identified by system controls for which exception reports were not available. The payroll of the ILO has historically been paid on the 20th of each month, leaving very little time for adjustment if there are changes in the payroll elements announced by the ICSC (post adjustment and/or exchange rates). The Office has identified a plan of action to modify the payroll date toward the end of the month to allow sufficient time to process any mid-month changes. The plan is being discussed with the Staff Union to address any potential issues.

The Office developed and implemented payroll control reports in late 2010 to improve the governance of the payroll process. Given the importance of the payroll system, the Office is undertaking a comprehensive review of the payroll systems, including the modules used, to improve the efficiency, reliability, and internal controls of the system. It is envisaged that the review will be completed by June 2011.

Other matters

Human resources—training and development

51. The International Labour Organization (ILO) is a knowledge-based organization, and its success depends largely on staff skills and expertise. The Organization has frameworks and strategies in place for building the skills and behaviours needed to deliver its Decent Work Agenda.

52. We examined whether the ILO identifies and analyzes its training needs to support its mandate, and whether it monitors annual training and development plans. We also looked at whether the ILO evaluates the effectiveness of its training and development activities to ensure that they further its corporate goals. The Organization has invested significantly in training and is heavily reliant on it. The ILO therefore should have mechanisms in place to assess training effectiveness and improve training programmes.

The ILO has challenges in assessing the impact of training at the organizational level

53. In 2005 the Organization adopted a human resources strategy for 2006 to 2009. This refocused the human resources function to align it more closely with ILO strategic objectives. In 2010 the ILO adopted an updated strategy for 2010 to 2015, with the aim of anticipating and addressing emerging needs. The updated strategy is intended to help the Organization meet new challenges by increasing its ability to produce and manage talent.

54. The 2006 to 2009 strategy introduced two key elements:

- mandatory allocation of 2 percent of staff costs to fund human resources development, with a focus on promoting operational skills and developing senior officials’ leadership and management skills, and

- a skills mapping exercise, launched in 2009, to assess skills gaps and facilitate planning of human resources development needs.

55. The ILO provides for staff development through central training credits under the responsibility of the Human Resources Department (HRD), as well as devolved funds assigned to sectors, departments, and regions or field offices. The funds support training programmes designed to meet a range of staff development needs. HRD monitors fund expenditures monthly and annually. It also monitors training activities and reports at the end of each biennium.

56. However, the ILO lacks the means to assess the impact of training at the organizational level. It has some tools to analyze the effectiveness of training, but mostly at the work unit level. We found that the Organization is making efforts to assess the impact and return on investment of learning by using tools such as trend analysis and impact evaluation, as well as by improving measurement. Still more effort will be required to determine whether needs are being met and resources are being used cost-effectively.

57. **Recommendation.** The ILO should formalize its learning evaluation and measurement mechanisms to assess effectiveness at the organizational level and improve training programmes.

ILO response. We agree. Assessing the effectiveness of learning activities at the organizational level in order to improve training programmes is recognized as a crucial step toward enhancing a more strategic approach to learning and training in the Office. In order for the Office to formalize measurement to assess whether needs are being met and resources are being used cost-effectively, assessment tools will be developed and piloted in relation to training activities in early 2012.

Training to support internal governance and accountability still is not mandatory

58. An ILO internal audit review indicated that the training programme could be better structured, particularly to help managers and support staff carry out their responsibilities for maintaining and applying the Organization’s internal governance and accountability framework. The review also recommended that training of this type be mandatory and integrated into the staff development programme.

59. Our audit showed that training on internal governance and accountability is still not mandatory at the ILO. In our view, it should be mandatory so that officials with management responsibilities related to the ILO’s activities and resources develop common understanding and knowledge.

60. **Recommendation.** The ILO should develop training for managers and support staff with responsibilities related to the Organization’s internal governance and accountability. It should make the training mandatory and formally integrate it into the staff development programme.

ILO response. We agree. The Office is currently developing an Internal Governance and Accountability Programme, which will be launched in autumn 2011. The objective of the programme is to deliver the knowledge required to ensure staff members understand the accountability that is implicit in the decisions they take while fulfilling their responsibilities in the operations of the Office. The programme will function as an integrated part of the Management Leadership and Development Programme (MLDP) and will target senior management as well as include a series of case-based e-learning tutorials that integrate various cross-cutting dimensions of accountability (such as HR, finance, ethics, procurement, risk management, etc.). Once the e-learning tutorials are released in autumn 2011, they will be accessible to all staff, for both existing and newly appointed recruitments, at HQ and in the field. At this time, it will also be possible to begin formalizing compliance through the establishment of developmental objectives within the performance management and staff development planning processes. Staff will, once completed the training, receive a certificate on their effort. HRD will for the coming biennium make sure that accountability training is integrated in the part of the performance management forms in such a way that all staff are being measured on their completion of such training.

As concerns mandatory training, the Office has traditionally considered training as a voluntary initiative, which should stem from each staff member's personal responsibility for maintaining a high level of professionalism. The Auditor's recommendation as well as the Governing Body's concerns for effective governance will indeed facilitate efforts to move toward mandatory training and compliance.

The skills mapping exercise does not yet provide reliable, complete information

61. The skills mapping exercise is a good tool but the low survey response rate (38 percent of professional staff) means that the survey did not give a complete picture of the gaps and the skills needed. The resulting Skills and Gaps Analysis is incomplete in showing trends and indications of the skills portfolio currently available. In addition, the exercise surveyed professional staff only. The Yellow Pages tool (a database that includes employees' professional profiles) could have bridged the gap but its use is not mandatory and staff members are left to decide when to update their profile. To correctly assess and bridge the gaps, HRD needs reliable and complete information. This would then enable it to draw up a development curriculum filling the gaps.

62. **Recommendation.** 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.

ILO response. We agree. Over the course of 2009 and 2010, HRD worked with senior managers to encourage participation levels through reminders and briefing sessions. However, given that completion remains voluntary, HRD was limited in its capacity to optimize participation. The initial experience has furthermore shown that certain enhancements are needed to facilitate the data entry process and better reflect staff profiles. As a result, the skills mapping tool is being redesigned, with an expected release date set for November 2011.

Understanding varies of the role and responsibility of learning coordinators

63. The information note on staff development requires each work unit to designate a learning coordinator at the beginning of the biennium. The ILO has approximately 85 learning coordinators responsible for supporting, designing, and delivering learning initiatives in line with organizational needs. They facilitate the staff development activities of the various work units in close cooperation with the line managers and concerned staff. This role is voluntary and integrated into the employees' normal duties.

64. During our audit work we found some variations in the role and scope of coordinators, as well as an uneven understanding of their role across the ILO. Given the monitoring and reporting duties assigned to learning coordinators, the ILO should clarify their role and scope of responsibilities across the organization.

65. **Recommendation.** The ILO should clarify the roles and responsibilities of learning coordinators to promote common understanding across the Organization.

ILO response. We agree. In April 2008, the Office published Information Note (from the Internal Governance Documents System) Number 9—Information on staff development. This document includes the typical functions of the Learning Coordinator. In addition to this, complementary briefing sessions have been provided to all new learning coordinators. The need for greater clarity regarding the roles and responsibilities of learning coordinators to promote common understanding across the Office is supported. This initiative has been planned and it is envisaged that the roles and responsibilities of learning coordinators will be clarified and communicated by the end of 2011.

Conclusion

66. The ILO has elements of processes in place to evaluate and analyze its training needs in support of its mandate. It monitors annual training and development plans. To some extent it evaluates the effectiveness of training and development activities in furthering corporate goals.

67. The Organization has put in place solid foundations for learning and development. Nevertheless there is room for improvement to increase institutional capacity and ensure that training and development activities support achievement of the ILO's goals and outcomes.

Performance measurement and reporting practices

68. Since 2000 the International Labour Organization (ILO) has been committed to results-based management (RBM). An integral part of RBM is the assessment of actual results or performance against stated objectives. Measurement and reporting of results serves two key purposes: to enable management to track and improve programme performance and to provide the Governing Body with the accountability information needed to carry out its oversight role.

69. The ILO conducts its programme planning and budgeting on a two-year cycle. Each biennium, staff prepare a Programme and Budget document and submit it to the Governing Body for approval. For 2008–09 this document identified 78 indicators of programme results that were to be measured and reported in the Programme Implementation Report for the same period. One purpose of the Programme Implementation Report is to describe the performance of the ILO in achieving the results set for 2008–09.

70. We examined the results presented in the 2008–09 Programme Implementation Report for a sample of five selected indicators. For the items selected, we looked at the procedures that the ILO had in place to generate the data for these indicators and to ensure that this data is reliable. We also examined the structure and content of the Programme Implementation Report to determine the extent to which it reflected the ILO's results-based management goal of "managing and measuring its performance against the real-world outcomes to which it intends to contribute."

Procedures for generating and verifying the data for the indicators are adequate

71. We examined five selected indicators from the 2008–09 Programme Implementation Report (two from the International Programme on the Elimination of Child Labour and three from the ILO Programme on HIV/AIDS . We found that the procedures in place to generate the data for the selected indicators were adequate to ensure its reliability. Officials provided documentation of the sources of the reported information and identified procedures followed to verify the accuracy of the information.

Many indicators do not address outcomes and are difficult to measure

72. We found a number of weaknesses in the content and structure of the 2008–09 Programme Implementation Report that limit its ability to serve the two key purposes noted above.

73. The report is organized by four strategic objectives, each of which is supported by three or four intermediate outcomes. These intermediate outcomes are, in turn, supported by one to three immediate outcomes. One to four indicators are defined for each immediate outcome.

74. We found that many of the indicators used in the 2008–09 biennium did not satisfy the ILO’s guidelines that they be SMART (specific, measurable, attainable, realistic, and time-bound). In particular, many indicators were complex and covered multiple types of results, making them difficult to measure. In many cases, the indicators addressed activities and the direct outputs of these activities, rather than outcomes or results. ILO officials told us that they were aware of these shortcomings and had taken steps to address them in the Strategic Policy Framework 2010–15, which is the ILO’s medium-term planning document.

Information on achievement against outcomes is lacking

75. Although the report defines the ILO’s immediate and intermediate outcomes, it rarely addresses achievement against these outcomes. Instead, information on results is presented only for individual indicators. Consequently, the report does not provide readers with a sense of how the ILO is doing at these higher level outcomes. Officials told us that the ILO’s role as a standards and policy change institution means that assessing the extent of achievement of outcomes on the basis of individual (low-level) indicators is challenging.

76. **Recommendation.** The ILO should include information on its achievement against immediate and intermediate outcomes in its performance reports to the Governing Body in order to better enable the Governing Body to fulfill its oversight role.

ILO response. We agree. The Office recognizes the need to implement this recommendation but has chosen to do so as part of the overall revision of the results-based management system, including use of standard terminology. The Strategic Policy Framework (SPF) contains a number of new features and approaches that underpin the three consecutive Programme and Budget documents over the six-year planning period. These include in particular a significant simplification of expected results and a clearer identification of priorities captured in 19 outcomes, and greater emphasis on results measurement, detailed further in the Programme and Budget document through specific measurement statements for each performance indicator. The Programme Implementation Report for 2010–11 will be the first performance report under the simplified results framework found in the SPF. It will provide more analytical and forward-looking information that would enable the Governing Body not only to assess past performance but also to orient toward future priorities. The ILO recognizes that further progress is needed in terms of overall assessments of performance at a higher level, and will continue its dialogue with the Governing Body to ensure that the design of the Programme Implementation Report is improved.

77. ILO officials told us that results frameworks that describe the relationships among programme objectives, activities, and results were available for some but not all programmes. Such frameworks can be very useful in identifying key programme outcomes to be measured and reported.

78. **Recommendation.** The ILO should review the immediate and intermediate outcomes to ensure that they capture key programme results. Results frameworks should be developed as needed to support this review.

ILO response. We agree. The Office has already made significant progress in implementing this recommendation. The simplified strategic framework for 2010–15 facilitates greater precision in measurement of results. Performance indicators measuring the achievement of each outcome have been streamlined in line with good practice criteria (SMART). They identify key systemic change in policy or capacity in member states that is to be achieved through significant contribution of the ILO programmes. Each indicator is accompanied by a measurement statement that specifies the qualitative criteria that have to be met in order for a result to be counted as a reportable change toward targets. Going forward, the Programme Implementation Report for 2010–11 will provide analytical information at the outcome level, not only on overall performance based on individual results achieved against the indicators, but also on the effectiveness of the strategies and the necessary course corrections going forward. Outcome-based work plans introduced by the ILO in 2010 detail staff and resource commitments from across technical programmes at headquarters and regions and serve as a management tool to steer the achievement of results.

Information is lacking on the size and importance of the ILO's efforts

79. We found that the report does not provide information on the relative size or importance of the ILO's efforts focused on the intermediate and immediate outcomes. For example, the report devotes only two indicators to the International Programme on the Elimination of Child Labour, which is the ILO's largest operational programme. We also found that the report does not include data on the resources allocated to achieving individual outcomes or objectives. Such information would provide readers with an understanding of the relative scale of the ILO's efforts in each area.

80. **Recommendation.** The ILO should include information on the relative size and importance of the programmes covered in its performance reports so that readers have reasonable expectations for programme results and can fairly judge their adequacy.

ILO response. We agree. The Office has made significant progress in implementing this recommendation—in particular, by providing increased detail on resources in successive Programme and Budget documents and Programme Implementation reports. The achievement of results relies on an increasingly integrated use of all resources available to the ILO, whether from assessed contributions or voluntary contributions. The relative size of resources estimated for each outcome from across the Office is set out in each Programme and Budget document. The Programme Implementation Report for 2010–11 will provide information on expenditure under each outcome for both regular budget and voluntary funding.

References to the ILO's evaluation findings would enhance the reports

81. We note that, since 2002, the ILO has had a framework in place for programme evaluation, and that the 2002 framework was strengthened in 2005 in the context of results-based management. ILO guidance in 2008 acknowledged the role of evaluation in RBM as providing a distinct, essential, and complementary function to performance measurement and RBM.

82. In spite of this emphasis on evaluation, we found no reference to the ILO's evaluation work in the 2008–09 Programme Implementation Report. Including evaluation findings in the implementation report would add to its analytic content, especially in light of the independent nature of the evaluation function at the ILO.

83. **Recommendation.** The ILO should incorporate evaluation findings into its performance reports to enhance both their analytic content and their objectivity.

ILO response. We agree. The Programme Implementation Report for 2010–11 will build more explicitly on evaluation findings in assessing the effectiveness of the outcome strategies and the necessary course corrections going forward.

Information is not available to the Governing Body at the optimal time

84. In order for results information to be of optimal use for both programme planning and accountability purposes, it should be available when plans and related budgets are being developed and approved. We found that the timing of ILO's Programme and Budget and its implementation report did not meet this standard. Officials told us that the implementation report for the 2008–09 biennium was discussed by the Governing Body in March 2010. However, the budget for 2010–11 was given initial consideration in November 2008, for final approval in March 2009. As a result, the budget was prepared and approved before the implementation report for the preceding biennium had been presented to the Governing Body. Thus, there was no opportunity for information on programme results to be factored into decisions on the budget.

85. **Recommendation.** The ILO should make performance information available to the Governing Body when this information can best be used to consider future budget allocations.

ILO response. We agree. The ILO agrees in principle but notes that there are constitutional requirements that make it inevitable that Programme and Budget preparation and discussion takes place well before performance information can be made available on the biennium during which the Programme and Budget is adopted. The only practical way to provide such information—in addition to the better use of evaluation information raised earlier—is to redesign the Programme Implementation Report. The goal would be to ensure better use of the report for priority-setting. The report is submitted in March of budget preparation years. Its discussion could directly influence the Programme and Budget process, which leads to submission of the Preview of the Programme and Budget the following November. The Office will make every effort to ensure that the design of the Programme Implementation Report for 2010–11 will allow for a more strategic discussion by the Governing Body, not only on past performance but also on priorities and orientations for the 2014–15 Programme and Budget.

Conclusion

86. Since 2000 the ILO has put in place many of the elements of a results-based management model. For the 2008–09 biennium, the ILO's approach to programme budgeting and performance measurement involved the use of indicators and outcomes, both essential to managing for results.

87. Although the ILO's performance measurement and reporting practices are improving, a number of challenges remain to be addressed before two key purposes of these practices—enabling management to track and improve programme performance and providing the Governing Body with the accountability information needed to carry out its oversight role on a timely basis—can be fully achieved.

Internal audit

88. The mission of the Office of Internal Audit and Oversight (IAO) is to provide the Governing Body and the Director General with independent, objective assurance services designed to add value and improve the operations of the ILO. The IAO's activities include carrying out internal audits and inspections, monitoring and evaluating the adequacy and effectiveness of the ILO's system of internal control, oversight over financial management and the use of its assets, and investigating financial or administrative misconduct and other irregular activities.

89. We examined the biennium planning process followed by the IAO to ensure that complete and timely audit plans were submitted for review to the appropriate level. We also looked at the process followed by the IAO to report on its work progress and how it revised its audit plans, when appropriate.

Work plans are not submitted on a timely basis

90. In order to fulfill its mission, the IAO carries out a comprehensive risk assessment of its audit environment and develops its biennial work plan, which is submitted to the Director General for endorsement. The 2010–11 work plan was submitted on 15 April 2010. A revised 2010–11 work plan is currently being prepared and it is anticipated that it will be submitted to the Director General at the end of April 2011 and to the Independent Oversight Advisory Committee (IOAC) at its next meeting in September 2011.

91. To ensure that endorsement is received on a timely basis so that the plans are operationalized (timing and staffing are scheduled) for the entire period, management should be finalizing this strategy before the beginning of the biennium to which it relates.

92. **Recommendation.** The IAO should complete its comprehensive risk assessment and biennium work plan and submit the plan to the Director General for endorsement prior to the beginning of the biennium to which it relates. If the work plan is to be submitted to the IOAC or other parties for its review or advice prior to finalization, this should be completed prior to its submission to the Director General for endorsement.

ILO response. We agree. IAO shall aim to prepare its work plan prior to the end of the biennium.

Review of resources is not being updated

93. In late 2006 the IAO completed an audit strategy to determine the level of audit coverage required to provide the Director General and the Governing Body with assurance on the efficiency and effectiveness of the ILO’s internal control environment for the next three biennia. This exercise included identifying the auditable areas and determining the frequency of audit coverage necessary to provide the required level of assurance while still meeting the demands of other non-assurance work, such as investigations. The IAO then assessed whether its resources were sufficient to complete its work plan in each biennium.

94. As a result of this exercise, the IAO’s resources were increased by one professional and one general service staff and its non-staff resources for specialists were also increased. The IAO’s structure now includes a Chief, four professional staff, and two general service staff. This was considered sufficient to achieve the required coverage of audits for the three biennia ending on 31 December 2011.

95. During the 2010–11 planning exercise, the IAO did not carry out an update of the resources required to ensure that the work could be completed as planned. Without such a review, it is difficult for the IAO to assess whether its 2010–11 work plan was feasible with the existing level of resources. There is therefore a risk that the IAO may not be able to deliver on its planned activities. In September 2010, the IAO indicated to the IOAC that out of 19 audits planned, 12 remained to be completed in 2011.

96. **Recommendation.** The IAO should carry out a detailed review of its resources when finalizing its biennium work plan and when completing any subsequent revisions to assess whether the resources are sufficient to carry out the planned activities.

ILO response. We agree. Since 2006, it has been IAO's practice to establish its work plan based on a calculation of available resources, but unfortunately this was omitted when preparing the 2010–11 biennium work plan. Should there be shortfalls in resources to provide adequate coverage per IAO's established work plan, its needs would be considered together with other office priorities.

Timely status reports on the work plan are not prepared

97. The IAO has weekly informal meetings with CABINET to discuss the work of the unit. However, there are no regular, documented status reports provided on how the IAO biennium work plan is progressing and whether the activities will be delivered as planned.

98. The IOAC had made a recommendation in March 2010 in relation to IAO's work plan. At that time, the IOAC was concerned about the substantial reduction in the number of organizational units audited in 2009 based on a revised work plan presented for 2008–09. The Committee advised ILO management that the work planned for 2010 should not be reduced.

99. The IAO has not carried out a review of the work completed against the original plan. We expected the IAO to monitor the progress of its audit coverage strategy and assess whether any changes are needed to ensure that the level of audit coverage required to provide assurance on the efficiency and effectiveness of the ILO's internal control environment can still be achieved.

100. **Recommendation.** The IAO should monitor and report on the progress of its planned audit coverage strategy throughout the audit period. This report should formally document and report any change in its resources that would have a significant impact on the work plan and that could result in the IAO not being able to complete its planned audits. This should be done on a timely basis to allow the work plan or resource availability to be revised, as necessary.

ILO response. We agree. Providing concise status reports on IAO's activities vs. plan, with brief explanations of any significant variance and/or changes to planned audits, is practical and helpful, and will be implemented before the end of 2011. Furthermore, IAO intends to review outcome against the 2006 audit needs assessment and analyze reasons behind any variance. The reduced number of audits referred to in the above paragraph was due to unforeseen long-term absences of IAO staff due to illness, which impacted on delivery of the 2008–09 biennium work plan.

Conclusion

101. The IAO carried out a comprehensive risk assessment to develop biennium work plans to meet its 2006 audit coverage strategy and mandate-mission. This strategy defined the level of audit coverage required to provide the Director General and the Governing Body

with assurance on the efficiency and effectiveness of the ILO's internal control environment.

102. This is a positive step in planning its activities. However, the IAO needs to align its resources to each biennium work plan and also carry out regular and timely reviews of its progress against the six-year strategy developed in 2006.

3. Approval of the consolidated financial statements for the year ended 31 December 2010

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

Approved by:	Approved by:
Greg Johnson	Juan Somavia
Treasurer and Financial Comptroller	Director-General
29 April 2011	29 April 2011

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

Auditor General of Canada
Vérificatrice générale du Canada

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of the International Labour Organization

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the International Labour Organization and its controlled entity, the International Training Centre, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of financial performance, consolidated statement of changes in net assets, consolidated statement of cash flow and the 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 the United Nations System Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of 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 2010, and the results of their financial performance, cash flows and the comparison of budget and actual amounts for the year then ended in accordance with the United Nations System Accounting Standards.

Emphasis of Matter

I draw attention to Note 3 to the consolidated financial statements which describes adjustments that were applied to restate certain 2009 figures. My opinion is not qualified with respect to this matter.

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 policies have been applied, except for the changes in accounting policies as explained in Note 4 to the consolidated financial statements, on a basis consistent with that of the preceding period.

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 as part of 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.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

29 April 2011
Ottawa, Canada

5. Consolidated financial statements for the year ended 31 December 2010

International Labour Organization

Statement I

Consolidated statement of financial position as at 31 December 2010 (US$ millions)

	Note	2010	2009 restated
Assets			
Current assets			
Cash and cash equivalents	6, 21	584.3	573.1
Assessed contributions receivable	7, 21	50.2	36.1
Voluntary contributions receivable	8	262.8	–
Derivative assets	21	2.9	1.1
Other receivables	9, 21	17.2	17.4
Other current assets	10	12.2	9.3
		929.6	637.0
Non-current assets			
Assessed contributions receivable	7, 21	16.7	13.6
Voluntary contributions receivable	8	91.7	–
Investments	11, 21	84.2	74.8
Investments held for ITU	11, 21	10.6	9.9
Land and buildings	12	487.3	440.7
Other non-current assets		0.9	1.0
		691.4	540.0
Total assets		**1 621.0**	**1 177.0**
Liabilities			
Current liabilities			
Payables and unliquidated obligations	13, 21	34.0	35.3
Deferred revenue	14	288.2	40.4
Due to donors	15	202.4	212.3
Employee benefits	16	26.5	27.4
Current portion of long-term borrowings	17, 21	3.9	3.6
Due to member States	18	16.7	1.0
Derivative liabilities	21	16.7	3.6
Other current liabilities	19	1.0	1.3
		589.4	324.9
Non-current liabilities			
Deferred revenue	14	91.7	–
Employee benefits	16	626.0	539.1
Long-term borrowings	17, 21	42.5	39.3
Due to member States	18	0.9	29.4
Derivative liabilities	21	–	3.6
Funds held on behalf of ITU	20	6.8	6.9
		767.9	618.3
Total liabilities		**1 357.3**	**943.2**
Net assets			
Total reserves		174.2	158.5
Total accumulated fund balances		89.5	75.3
Total net assets		**263.7**	**233.8**

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

International Labour Organization

Statement II

Consolidated statement of financial performance for the period of 1 January 2010 to 31 December 2010 (US$ millions)

	Note	2010	2008–09 restated [24 months]
Revenue			
Assessed contributions from member States	24, 27	377.5	723.5
Change in provision for assessed contributions receivable	24, 27	(1.0)	67.3
Voluntary contributions	24, 27	285.0	549.7
ITC training services	24, 27	19.6	40.9
Staff/retiree employee benefit contributions	27	19.2	34.6
Sales and royalties	27	7.7	12.4
Investment income	27	4.0	17.5
Exchange gain (loss) and revaluation, net	27	7.2	8.6
Other income	27	3.8	6.0
Total revenue		**723.0**	**1 460.5**
Expenses			
Staff costs	27	389.8	709.9
Travel	27	31.3	65.5
Subcontracts	27	91.0	182.5
General operating expenses	27	46.5	86.4
Consumable supplies	27	3.8	8.2
Equipment	27	11.7	17.7
Seminars, workshops and other training	27	44.0	90.3
Staff development	27	3.9	9.6
Health benefits	27	38.8	68.6
Contributions and grants in aid	27	6.8	11.8
Finance costs	27	2.8	8.9
Other expenses	27	0.2	3.7
Total expenses		**670.6**	**1 263.1**
Net surplus		**52.4**	**197.4**

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

Statement III

Consolidated statement of changes in net assets for the period of 1 January 2010 to 31 December 2010 (US$ millions)

	Reserves	Employee liabilities	Revaluation surplus	Reserve for derivatives	Accumulated fund balances	Subtotal accumulated fund balances	Total net assets
Balance as at 1 January 2008	**127.9**	**–**	**–**	**(12.9)**	**109.8**	**96.9**	**224.8**
Prior period adjustments (note 4):							
Consolidation of ITC	2.7	–	–	–	18.2	18.2	20.9
Discount of long-term borrowings	–	–	–	–	15.7	15.7	15.7
Restated balance as at 1 January 2008	**130.6**	**–**	**–**	**(12.9)**	**143.7**	**130.8**	**261.4**
2008–09 movement as reported	28.0	(597.6)	373.5	6.6	125.9	(91.6)	(63.6)
Change due to restated surplus (note 3)	(0.1)	–	–	–	0.3	0.3	0.2
Voluntary contributions with conditions (note 3)	–	–	–	–	(4.1)	(4.1)	(4.1)
Restatement of employee liabilities	–	39.9	–	–	–	39.9	39.9
Restated balance as at 31 December 2009	**158.5**	**(557.7)**	**373.5**	**(6.3)**	**265.8**	**75.3**	**233.8**
Surplus (deficit) of period 2010	15.7	–	–	–	36.7	36.7	52.4
Change of reserve for derivatives of period 2010	–	–	–	(8.0)	–	(8.0)	(8.0)
Change of revaluation surplus of land and buildings (note12)	–	–	42.9	–	–	42.9	42.9
Actuarial gain (loss) of ASHI liability incurred in period 2010 (note 16)	–	–	–	–	(67.3)	(67.3)	(67.3)
Transfer to liabilities due to member States of period 2010 (note 18)	–	–	–	–	11.6	11.6	11.6
Translation difference from consolidation of ITC	–	–	–	–	(1.7)	(1.7)	(1.7)
Balance as at 31 December 2010	**174.2**	**(557.7)**	**416.4**	**(14.3)**	**245.1**	**89.5**	**263.7**

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

International Labour Organization

Statement IV

Consolidated statement of cash flow for the period of 1 January 2010 to 31 December 2010 (US$ millions)

	2010	2008–09 restated [24 months]
Cash flows from operating activities		
Surplus (deficit) for the period	52.4	197.4
Non-cash movements:		
(Increase) decrease in assessed contributions receivable	(18.2)	17.6
Increase (decrease) in provision for assessed contributions receivable	1.0	(67.3)
(Increase) decrease in voluntary contribution receivables	(354.5)	–
(Increase) decrease in other receivables	0.2	11.7
Decrease in other assets	(2.8)	3.6
Increase (decrease) in payables and unliquidated obligations	(1.3)	(2.2)
Increase (decrease) in deferred revenue	339.5	(0.2)
Increase in due to donors	(9.9)	36.5
Increase in employee benefits	18.6	8.9
Increase (decrease) of due to member States	(12.8)	(0.9)
Increase (decrease) in other liabilities	(0.7)	(9.8)
Increase in investment due to revaluation	(0.8)	0.3
Increase in borrowings due to revaluation	4.6	5.9
Increase (decrease) in borrowings due to discount	2.7	1.1
Transfer to liabilities due to member States and donors	11.6	(47.0)
Translation difference from consolidation of ITC	(1.7)	(0.2)
Net cash flows from operating activities	**27.9**	**155.4**
Cash flows from investing activities		
Increase in investments	(9.3)	(7.9)
Increase in land and buildings	(3.6)	(8.8)
Net cash flows from investing activities	**(12.9)**	**(16.7)**
Cash flows from financing activities		
Decrease of borrowings	(3.8)	(6.8)
Net cash flows from financing activities	**(3.8)**	**(6.8)**
Net increase (decrease) in cash and cash equivalents	**11.2**	**131.9**
Cash and cash equivalents, beginning of period	**573.1**	**441.2**
Cash and cash equivalents, end of period	**584.3**	**573.1**

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 2010 (US$ thousands)

	Original and final budget [2]	Actual	Difference [3]
Revenue			
Assessed contributions	363 360	363 362	2
Expense			
Part 1: Ordinary budget			
A. Policy-making organs	39 652	38 689	(963)
B. Strategic objectives	271 167	242 232	(28 935)
C. Management services	31 622	28 358	(3 264)
D. Other budgetary provisions	20 060	18 200	(1 860)
Adjustment for staff turnover [4]	(3 052)	–	3 052
Total Part I	**359 449**	**327 479**	**(31 970)**
Unforeseen expenditure	438	–	(438)
Total Part II	**438**	**–**	**(438)**
Part IV – Institutional investments and extraordinary items	**3 473**	**4 153**	**680**
Total Parts I, II and IV	**363 360**	**331 632**	**(31 728)**
Surplus at budgetary rate of exchange	**–**	**31 730**	**–**
Revaluation of the budgetary surplus	–	3 970	–
Surplus at UN operational rate of exchange [5] note 22	**–**	**35 700**	**–**
Increase in provision for assessed contributions receivable	–	(11 086)	–
Deficit resulting from the receipt of contributions in an amount lower than approved regular budget [6]	**–**	**(11 086)**	**–**
Net surplus [7]	**–**	**24 614**	**–**

(1) Budget and actual information calculated at budgetary rate of exchange of US$1 = CHF1.07

(2) Original budget represents one half of 2010–11 budget adopted by the International Labour Conference.

(3) Significant differences between budget and actual are explained in the accompanying financial report on the 2010 accounts.

(4) Staff turnover is an undistributed adjustment to reduce the overall level of the budget in recognition of inevitable delays in recruitment. Managed under spending against appropriation lines offsets this undistributed adjustment.

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

(6) Any surplus remaining at the end of the biennium is credited to the Special Programme Account per article 18, paragraph 3, and article 11, paragraph 9, of the Financial Regulations. Any deficit due to a shortfall in assessed contributions is offset against any excess of income over expenditure.

(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 footnotes 5 and 6 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 International Institute for Labour Studies for the year ended 31 December 2010 (US$ thousands)

	Original and final budget (1)	Actual	Difference (2)
Accumulated fund balance, beginning	1 789	3 348	1 559
Revenue			
Contribution from ILO regular budget	2 895	2 824	(71)
Interest	16	10	(6)
Sales of publications and miscellaneous receipts	2	17	15
Other income	–	5	5
Total revenue	**2 913**	**2 856**	**(57)**
Expenditure	3 525	3 381	(144)
Expenses	**3 525**	**3 381**	**(144)**
Net surplus (deficit)	**(612)**	**(525)**	**87**
Accumulated fund balance, ending	**1 177**	**2 823**	**1 646**

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

(2) Differences between budget and actual are explained in the accompanying financial report on the 2010 accounts.

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

International Labour Organization

Statement V-C

Statement of comparison of budget and actual amounts Inter-American Research and Documentation Centre on Vocational Training (CINTERFOR) for the year ended 31 December 2010 (US$ thousands)

	Original and final budget [1]	Actual	Difference [2]
Accumulated fund balance, beginning	202	452	250
Revenue			
Contribution from ILO regular budget	950	950	–
Contribution from host country and other countries in the region	300	347	47
Sales of publications and services	25	5	(20)
Miscellaneous income	5	(5)	(10)
Total revenue	**1 280**	**1 297**	**17**
Expenditure	1 380	1 312	(68)
Total expenses	**1 380**	**1 312**	**(68)**
Net surplus (deficit)	**(100)**	**(15)**	**85**
Accumulated fund balance, ending	**102**	**437**	**335**

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

[2] Differences between budget and actual are explained in the financial report on the 2010 accounts.

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

International Labour Organization

Statement V-D

Statement of comparison of budget and actual amounts
International Occupational Safety and Health Information Centre (CIS)
for the year ended 31 December 2010 (US$ thousands)

	Original and final budget [1]	**Actual**	**Difference** [2]
Accumulated fund balance, beginning	688	922	234
Revenue			
Contribution from ILO regular budget	1 614	1 146	(468)
Extra-budgetary income:			
Contributions and copyright payments	85	67	(18)
Sales of information services	95	43	(52)
Interest and net gains from exchange rate fluctuations	10	–	(10)
Total revenue	**1 804**	**1 256**	**(548)**
Expenses			
Expenditure related to the ILO contribution	1 614	1 146	(468)
Expenditure related to the extra-budgetary account	375	159	(216)
Total expenses	**1 989**	**1 305**	**(684)**
Net surplus (deficit)	**(185)**	**(49)**	**136**
Accumulated fund balance, ending	**503**	**873**	**370**

(1) The original budget represents one half of the budget adopted by the ILO Governing Body. There were no changes made to the original and final budget.

(2) Differences between budget and actual are explained in the accompanying financial report on the 2010 accounts.

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

International Labour Organization

Statement V-E

Statement of comparison of budget and actual amounts
International Training Centre of the ILO for the year ended 31 December 2010

	Original and final budget	Actual	Difference	Original and final budget	Actual [1]	Difference [2]
	(in € thousands)			(in US$ thousands) (note 1)		
Income						
Voluntary contributions						
International Labour Organization	2 728	2 819	91	3 613	3 734	121
Government of Italy	7 850	7 850	–	10 397	10 397	–
Government of France	100	104	4	132	138	6
Piedmont Region	400	370	(30)	530	490	(40)
City of Turin	500	266	(234)	662	352	(310)
Total contributions	11 578	11 409	(169)	15 334	15 111	(223)
Earned income						
Income from training activities	24 000	25 749	1 749	31 788	34 105	2 317
Other income	1 500	1 303	(197)	1 987	1 726	(261)
Total earned income	25 500	27 052	1 552	33 775	35 831	2 056
Use of surplus	327	633	306	433	839	406
Total budget income	**37 405**	**39 094**	**1 689**	**49 542**	**51 781**	**2 239**
Expenditure						
Fixed expenses						
Staff	14 901	14 489	(412)	19 736	19 191	(545)
External collaborators	400	333	(67)	530	441	(89)
Buildings	2 515	2 106	(409)	3 331	2 789	(542)
Transport and communications	730	532	(198)	967	705	(262)
Specialized services	746	712	(34)	988	943	(45)
Services provided by ILO offices	197	210	13	261	278	17
Official meetings	135	91	(44)	179	121	(58)
Missions and representation	400	264	(136)	530	350	(180)
Library and training resources	44	20	(24)	58	26	(32)
Depreciation	604	438	(166)	800	580	(220)
Other fixed costs	2 029	1 628	(401)	2 687	2 156	(531)
Total fixed expenses	22 701	20 823	(1 878)	30 067	27 580	(2 487)
Variable expenses						
Temporary assistance	7 200	7 981	781	9 536	10 571	1 035
Missions	750	793	43	993	1 050	57
Participants’ subsistence	2 880	2 570	(310)	3 815	3 404	(411)
Participants’ travel	1 940	1 862	(78)	2 570	2 466	(104)
External tuition fees	10	1	(9)	13	1	(12)
Books, training aids, supplies	130	164	34	172	217	45
Other variable costs	2 740	3 219	479	3 629	4 264	635
Other costs related to other income	300	256	(44)	397	339	(58)
Total variable expenses	**15 950**	**16 846**	**896**	**21 125**	**22 312**	**1 187**
Total operating expenses	**38 651**	**37 669**	**(982)**	**51 192**	**49 892**	**(1 300)**
Budget surplus (deficit)	**(1 246)**	**1 425**	**2 671**	**(1 650)**	**1 889**	**3 539**
Other items	–	–	–	–	–	–
Provision for doubtful accounts	–	(140)	(140)	–	(185)	(185)
Currency exchange adjustments	–	255	255	–	338	338
Savings on or cancellations of prior period's obligations	–	397	397	–	526	526
Total other items	**–**	**512**	**512**	**–**	**679**	**679**
Net budget surplus/deficit	**(1 246)**	**1 937**	**3 183**	**(1 650)**	**2 568**	**4 218**

(1) The budget and actual expenses in US dollars calculated using average monthly rate of €1 = US$ 1.3245 for 2010.

(2) Differences between budget and actual are explained in the financial report on the 2010 accounts.

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

Note 1 – Objectives and activities

1. The International Labour Organization (ILO) was founded in 1919 to promote social justice and internationally recognized human and labour rights. The 1944 Declaration of Philadelphia affirms that "all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity". The ILO's strategic objectives cover principles and rights at work, employment, social protection and social dialogue. Taken together, these constitute decent work.

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

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

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

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

6. The ILO financial statements include the following funds created by the ILO Governing Body decisions:

7. *General Fund* comprises the regular budget, regular budget for technical cooperation and all other funds belonging directly to the ILO including Land and Buildings, Compensation (established to finance accident insurance premiums), Programme Support Income (created to finance support services to technical cooperation projects from funds provided from donor voluntary contributions), Publications (created per article 11 of ILO Financial Regulations to account for revenue from the sale of publications), Building and Accommodation Fund (created per article 11 of the ILO Financial Regulations to provide resources for the maintenance, renovation and construction of ILO buildings), Nobel Prize, Information Technology Systems (ITS) and Regular Budget Supplementary Account (RBSA).

8. Also included are the following reserves – Terminal Benefits (established by the Governing Body in 1964), Fidelity Guarantee (established in 1986), Working Capital (set at 35 million Swiss francs per the ILO Financial Regulations, article 19), Income Adjustment Account (established by ILO Financial Regulations, article 11) and the extra-budgetary reserve.

9. In addition, the General Fund includes the ILO's share of the ILO/ITU Staff Health Insurance Fund (SHIF), a multi-employer defined benefit plan.

10. Funds included in the General Fund are at the disposal of the member States of the Organization except for the SHIF.

11. *Funds not part of the General Fund* – comprises funds belonging to units forming an integral part of the ILO including the International Institute of Labour Studies (IILS) established in 1960 as an autonomous unit to promote policy research and public discussion on emerging issues of concern to the ILO and its constituents including labour, business and government; the Inter-American Vocational Training Research and Documentation Centre (CINTERFOR) established in 1963 as a technical unit of the ILO with its headquarters in Montevideo, Uruguay, to act as the coordinating body for a network of vocational training institutions of the ILO member States from the Americas and Spain, the International Occupational Safety and Health Information Centre (CIS) established in 1959 to collect and disseminate all relevant information concerning occupational safety and health published globally; the Administrative Tribunal of the ILO established in 1927 as part of the League of Nations and transferred to the ILO in 1946 to hear complaints from serving and former officials of the International Labour Office and of the other international organizations that have recognized its jurisdiction.

12. *Controlled entities* – The International Training Centre of the ILO 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 has a Board of Directors chaired by the Director-General of the ILO. The Board has 33 members, 24 of whom are appointed by the Governing Body of the ILO. The Centre is principally financed from contributions from the ILO regular budget and technical cooperation projects, from the Government of Italy and from charges for training services provided.

13. Under the terms of the Statute of the Centre adopted by the ILO Governing Body, the funds and assets of the Centre are accounted for separately from the assets of the ILO (article VI, paragraph 6). The accounts of the Centre, which are produced on an annual basis are audited by the External Auditor of the ILO. Should the Centre be dissolved, the Governing Body of the ILO has the authority under the Statute (article XI) to dispose of the Centre's assets and remaining funds.

14. *Extra-budgetary* – comprising funds administered by the ILO on behalf of external donors including UNDP and Technical Cooperation Trust Funds.

15. The inter-segment column on the UNSAS Statement of Income, Expenditure and Changes in Fund Balances and Reserves included in note 27 shows adjustments for inter-fund transactions.

16. The financial statements were authorized for issuance by the ILO Director-General and subsequently presented to the Governing Body and the ILC.

Note 2 – Accounting policies

17. The financial statements of the International Labour Organization have been prepared in accordance with the United Nations System Accounting Standards (UNSAS) and the Organization's Financial Regulations. Pursuant to UNSAS Revision IX, the ILO has evaluated and applied to the financial statements the following International Public Sector Accounting Standards (IPSAS):

IPSAS-4	Effects of changes in foreign exchange rates
IPSAS-5	Borrowing costs
IPSAS-6	Consolidated and separate financial statements
IPSAS-7	Investments in associates
IPSAS-8	Interests in joint ventures
IPSAS-9	Revenue from exchange transactions
IPSAS-10	Financial reporting in hyperinflationary economies
IPSAS-11	Construction contracts
IPSAS-14	Events after the reporting date
IPSAS-15	Financial instruments: Disclosure and presentation
IPSAS-16	Investment property
IPSAS-19	Provisions, contingent liabilities and contingent assets
IPSAS-20	Related party disclosures
IPSAS-22	Disclosure of information about the general government sector
IPSAS-23	Revenue from non-exchange transactions (taxes and transfers)
IPSAS-24	Presentation of budgetary information in financial statements
IPSAS-25	Employee benefits
IPSAS-26	Impairment of cash-generating assets
IPSAS-27	Agriculture

18. IPSAS-19, 20, 24 and 25 were applied to the financial statements for 2008–09 and are reflected in the comparative information for the 2008–09 biennium. IPSAS adopted in 2010 are discussed in notes 3 to 5.

19. The phased adoption of IPSAS is in accordance with a decision of the ILO's Governing Body to align the ILO's accounting with best accounting practices, improve control and transparency of assets and liabilities, provide more comprehensive information and to improve the consistency and comparability of the ILO's financial

statements. The adoption of specific IPSAS standards is part of the transition towards full adoption of IPSAS scheduled for 2012. As a transitional measure these financial statements are presented in the format provided for in IPSAS-1, although the ILO has not fully adopted IPSAS-1 in 2010.

20. The consolidated financial statements are prepared under the historical cost convention except in the case of land and buildings, derivatives, investments and borrowings which are presented at fair value. The consolidated financial statements are expressed in millions of United States (US) dollars unless otherwise indicated.

21. *Transition provisions:* For IPSAS-23, Revenue from non-exchange transactions, the ILO has elected to apply the three-year transition provision provided in the Standard. For 2010, this standard has been applied only to revenue from assessed contributions payable by its member States and voluntary contributions from donors to technical cooperation projects and RBSA. Revenue from in-kind contributions of goods and specialized training services provided by the International Training Centre will be recognized before the end of the transition period. For IPSAS-6 the ILO has elected to apply the transition provision provided in the standard allowing for a three-year period to fully eliminate balances and transactions between the ILO and ITC. As a result, not all balances and transactions occurring between the ILO and ITC have been eliminated.

22. *Financial period:* The Organization’s financial period for budgetary purposes is a biennium consisting of two consecutive calendar years. Beginning in 2010, the consolidated financial statements are prepared annually and these statements are presented for the calendar year 2010. Comparative information reflects the full 24 months of the biennium 2008–09.

23. C*onsolidated financial statement presentation:* The accounts of the International Training Centre of the ILO in Turin, Italy (ITC) which is a controlled entity of the ILO have been consolidated into the financial statements of the ILO.

24. *Functional currency and foreign exchange:* The functional and presentation currency of the Organization is the US dollar and the consolidated financial statements are prepared in that currency. Balances maintained in currencies other than the US dollar carried at fair value are converted to US dollars at the United Nations operational rate of exchange applicable at the reporting date, which approximates the market rate. Balances carried at historical cost are converted using the United Nations operational rate of exchange at the date of the transaction. Gains or losses arising from the conversion are recorded as revenues or expenses in the consolidated Statement of financial performance in the period in which they arise except for gains/losses on exchange arising on land and buildings and derivatives which are recorded to net assets.

25. Transactions carried out during the financial period in currencies other than US dollars are converted to US dollars using the United Nations operational rate of exchange in effect on the date of each transaction. These rates reflect market rates. Gains or losses arising from the conversion are recorded as exchange gain (loss) in the consolidated Statement of financial performance in the period in which they arise. However, on the Statement of comparison of budget and actual amounts for the regular budget (Statement V-A) revenue and expense incurred in Swiss francs (CHF) is reflected at a budgetary rate of exchange fixed by the ILC of US$1 = CHF1.07 for 2010 (US$1 = CHF1.23 for the 2008–09 biennium).

26. The functional currency of the ITC is the euro. For the purposes of consolidation, the balances of the ITC assets, liabilities and net assets have been converted from the euro to the US dollar at the UN operational rate of exchange on 31 December 2010 of

US$1 = €0.761 (2008–09 comparative at the UN operational rate of exchange on 31 December 2009 of US1$ = €0.693). The revenue and expense of the ITC has been consolidated using an average rate for the period 01 January 2010 to 31 December 2010 of US$1 = €0.755 (comparative 2008–09 US$1 = €0.701). Gains and losses on exchange resulting from the consolidation of ITC euro-based accounts into the ILO's US dollar-based financial statements are recognized in net assets.

27. *Investments:* Investments are valued at fair value, determined based on the value in US dollars of individual investments held 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.

28. Derivatives:

- *Forward purchase agreements:* Derivative financial instruments in the form of forward purchase agreements have been acquired for the purpose of acquiring the ILO's US dollar requirements for its regular budget and to hedge the exposure of SHIF's investment portfolio to investments in currencies other than Swiss francs. Both on recognition and subsequently, each forward purchase agreement is recognized at fair value as either an asset or liability. Forward purchase agreements with unrealized gains are reported as a derivative asset and forward purchase agreements with an unrealized loss are reported as a derivative liability. The estimate of the unrealized gain or loss on the forward purchase agreements is calculated using the current market spot and the forward exchange rates at the end of the period, taking into consideration the closing date of the foreign currency contracts. All changes in the unrealized gain or loss on forward purchase agreements are recorded in a separate component of reserves in the period in which they occur and are recognized to realized exchange gain or loss in the financial period in which the foreign currency contract is sold, terminated or exercised.
- *Futures:* In 2008–09 and the beginning of 2010 the SHIF's investment portfolio included exchange traded futures contracts, whose underlying assets are theoretical government notional bonds. These future contracts had been employed for greater flexibility in the portfolio management through reduced transaction costs and increased liquidity. The future contracts were marked to market on a daily basis. Gains and losses realized on closing and gains and losses arising from the daily changes in the fair value were recognized to revenue or expense in the financial period in which they occurred. During 2010 the ILO disposed of all of its holdings in exchange traded futures contracts.

29. *Inventory:* The costs of supplies, materials and labour related to the production of publications for free distribution and sale are fully expensed in the year in which the costs are incurred. The value of inventory recognized in the ITC accounts has been treated as an expense on the consolidated Statement of financial performance.

30. Land and buildings:

- *Land and buildings:* Land and buildings are valued at fair value based upon an external valuation conducted in 2009 and updated by the same external consultant to reflect any changes in fair value as at December 2010.

  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 Statement of Financial Performance.

External valuations are conducted every year when there is evidence that the carrying amount might differ materially from fair value.

- *Leasehold improvements:* Leasehold improvements are valued at historical cost.

31. *Equipment:* The cost of equipment including vehicles, furniture, furnishings, etc. is fully expensed in the year of purchase.

32. *Intangible assets:* Costs of intangibles including software developed and utilized internally by the ILO in its operations and copyrights on publications have been expensed when incurred.

33. *Depreciation:* No depreciation is recorded on buildings and leasehold improvements.

34. *Payables:* Accounts payable represent invoices for which goods have been received or services rendered but not paid as of the reporting date.

35. *Unliquidated obligations:* The costs of goods received or services delivered as of the end of the year, for which no invoice has been received are recognized as unliquidated obligations.

36. Revenue from exchange transactions is recognized as follows:

- *Sales of goods and services:* Revenue is recognized on the date that the ILO has earned it. 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.
- *Investment revenue:* Revenue including interest revenue, recognition of market gains and losses and realized gain or loss on the sale of investments is recognized on the date that the ILO has earned it.
- *Publications revenue* is recognized when the publication has been shipped to the purchaser.
- *Health benefit contributions from staff and retirees* are recognized on the date the revenue becomes due in accordance with the Administrative Regulations of the Staff Health Insurance Fund.
- *Exchange gains and losses* are recognized on the consolidated Statement of financial performance, when they are realized at the exchange rate on the date of transaction. Unrealized gains or losses from revaluation of monetary assets and liabilities held in currencies other than US dollars are recognized on the consolidated Statement of financial performance at the exchange rate on the reporting date. The exchange gain or loss component of the revaluation of land and buildings is recognized directly to net assets.

37. Revenue from non-exchange transactions is recognized as follows:

- *Assessed contributions:* Revenue is recognized as of the date of invoicing, 1 January of each year of the biennium. A provision has been established equal to the contributions of former member States and member States that are more than two years in arrears and have, therefore, lost the right to vote under the ILO's Constitution. Receivables from member States that have negotiated long-term financial arrangements with the ILO's Governing Body have been discounted using a discount rate based upon long-term yields on high-grade corporate bonds.

- Revenue from assessed contributions finances the biennial budget adopted by the ILC. At the end of the first year of each biennial financial period, any unexpended balance is held in an accumulated fund for use in the second year of the biennium. At the end of the first year of each biennial period the amount of contributions to be assessed for the second year of the biennium are treated as a contingent asset. At the end of the second year of the biennium any unexpended balance (surplus) is refunded to member States in accordance with the ILO's Financial Regulations.

- *Voluntary contributions:* In 2008–09 voluntary contributions were recognized when cash was received from the donor. Beginning in 2010, voluntary contributions with no conditions are recognized as receivables and as revenue upon the signature of the agreement. If no agreement is signed revenue is recognized upon receipt of the contribution. Voluntary contributions to technical cooperation projects are normally subject to conditions related to performance. Upon signature of the agreement, a receivable and a liability are recognized. Revenue is recognized when the conditions stated in the agreement have been met.

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

- *Gifts and grants:* The ILO receives non-conditional contributions in cash from member States and non-governmental organizations. These gifts and grants are recognized as 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 International Training Centre in Turin (ITC) provides training services under contracts to governments and organizations including the ILO. The services are subsidized by non-conditional voluntary contributions which provide support to the ITC's operations. The services are considered conditional non-exchange transactions since they do not meet the definition of an exchange transaction which requires that both parties to such transactions receive an approximately equal direct benefit. For 2008–09 and 2010, revenue from these transactions is recognized and measured on the proportion that expenses incurred bear to the estimated total expenses of the training activity.

- *Contributions in kind:* The ILO receives contributions of office space and other facilities from member States. Income from these contributions is not recognized as revenue in the accounts but are disclosed in the notes to the financial statements. Contributions of goods have not been recognized in 2010 in accordance with the IPSAS-23 transitional provisions.

- *Programme support income:* Voluntary contributions accepted by the ILO include a charge for services provided by the ILO covering costs of administrative and operational support services, generally calculated as a percentage of total direct project costs. Revenue from programme support services is considered a non-exchange transaction and is recognized, if the voluntary contribution is conditional, when earned through performance and, if the voluntary contribution is non-conditional, is recognized when a signed agreement exists between the ILO and a donor.

38. *Due to member States:* A liability is established to reflect the amounts payable to member States for undistributed net surpluses, undistributed net premia at the end of each biennium, and the incentive fund at the end of each reporting period. At the end of the first year of each biennium a calculation is made of the amount that would have been due to member States, and this amount is reflected as a component of accumulated fund balance and disclosed in detail in note 18.

39. *Impairment:* Cash-generating assets are those held for the purpose of generating a commercial return. Provisions are established to recognize impairment, if necessary. Non-cash-generating assets including land, buildings and leasehold improvements are not held for future sale. No impairment is recognized in connection with non-cash-generating assets.

40. *Contingent asset:* The amount receivable from assessed contributions related to the second year of the biennium is disclosed as a contingent asset. In addition, revenue from ITC training services and contributions to the RBSA covering future periods are disclosed as a contingent asset if the inflow of contribution to the ILO is a possibility at the reporting date.

41. *Contingent liability:* A provision is established to cover the estimated present value of the liability to settle claims before the Administrative Tribunal resulting in a probable outflow of resources.

42. *Employee benefits:* Provisions have been established for the actuarially determined liability for After Service Health Insurance (ASHI) and the estimated liabilities for separation benefits payable (repatriation grants and travel) and for the estimated value of accumulated leave and home leave earned but not taken at the reporting date. In addition, a provision was established covering the estimated liability for education grants payable for differences between initial advances and final claims at the reporting date. Interest cost and Current Service cost related to the defined benefit obligation for ASHI is recognized on the Statement of financial performance as a component of staff costs. Any actuarial gains or losses for the defined benefits plan that result from changes in actuarial assumptions or experience adjustments including experience adjustments related to other long-term benefits are directly recognized in the consolidated Statement of changes in net assets. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

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

43. *Borrowing costs:* Interest and other expenses incurred in connection with the borrowing of funds to directly finance the acquisition or construction of assets are capitalized as part of the cost of the asset.

44. *Expenses:* Expenses are recorded on an accrual basis

45. *Measurement uncertainty:* The preparation of consolidated financial statements in accordance with the United Nations System Accounting Standards 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. Unliquidated obligations, investments, land and buildings and employee benefit liabilities are the most significant items where estimates are used. Actual results could differ significantly from these estimates.

Note 3 – Restatement of 2008–09 financial statements

46. The 2008–09 financial statements have been restated to reflect the adoption of additional IPSAS in particular the consolidation of the International Training Centre at Turin, changes in accounting policies adopted to improve the information presented in the statements and adjustments and reclassifications. The following table summarizes the changes which are explained in detail in notes 3 to 5.

2008–09 restatements (US$ millions)	**Statement I**		**Statement II**		**Statement III**	
	Assets	**Liabilities**	**Revenue**	**Expense**	**Net result**	**Net assets**
Balance per 2008–09 financial statements	**1 141.5**	**980.3**	**1 371.7**	**1 174.5**	**197.2**	**161.2**
Reclassification differences (note 3)						
Employee benefit liabilities	0.2	(5.5)	–	–	–	5.7
Reclassification of discount of receivables	–	–	5.5	5.5	–	–
Accounting policy changes (note 4)						
ITC consolidation	35.3	16.5	83.3	82.0	1.3	18.8
Long-term loan discount	–	(14.6)	–	1.1	(1.1)	14.6
Restatement of ASHI	–	(127.7)	–	–	–	127.7
Prior period adjustments (note 5)						
ITC repatriation grant and ASHI liabilities	–	43.8	–	–	–	(43.8)
Adjustment to ASHI liability	–	46.4	–	–	–	(46.4)
Adjustment to RBSA conditional contribution		4.1			–	(4.1)
Total restatement	**35.5**	**(37.0)**	**88.8**	**88.6**	**0.2**	**72.5**
Restated balance	**1 177.0**	**943.3**	**1 460.5**	**1 263.1**	**197.4**	**233.7**

47. Certain reclassifications were made to the 2008–09 financial statements as follows:

- *Employee benefit liabilities:* In the 2008–09 financial statements the liability for accumulated leave and repatriation travel was shown as a component of net assets. The amount outstanding at 31 December 2009 of US$5.5 million has been restated as a reduction of the liability due to donors of voluntary contributions as they represent a component of project costs. In the 2008–09 financial statements the liability for repatriation travel and transport of personal effects of ISSA was included in the liabilities of the ILO. Since ISSA has agreed to cover the costs of all employee benefit liabilities related to its staff, this liability is now treated as a receivable due from ISSA in the amount of US$0.2 million.
- *Reclassification of discount of receivables:* The discounting of receivables from assessed contributions amounting to US$5.5 million has been reclassified from the provision to the finance costs.

Note 4 – Changes in accounting policies

48. As part of the phased adoption of IPSAS approved by the ILO Governing Body, the ILO has implemented certain changes in accounting policy that are allowable under the UNSAS. These changes represent a move toward full accrual accounting as required under IPSAS, with full adoption planned for 2012. They include the change in revenue

recognition for non-exchange revenues, accrual accounting for all expenses incurred under the extra-budgetary fund, the change in methodology for the recognition of actuarial gains and losses in connection with defined benefit plan obligations, consolidation of the International Training Centre and discounting of borrowings. These changes have been implemented to improve the information available to the readers of the statements.

49. Following is a summary of the changes in accounting policy implemented in 2010.

Financial statement category	Description of change in accounting policy
Consolidation of the International Training Centre at Turin, Italy (ITC) due to the adoption of IPSAS-6	Beginning in 2010 the ITC, a controlled entity of the ILO, is consolidated in the ILO's financial statements. As a result, the opening net assets as of 1 January 2008 have been increased by US$20.9 million. In 2008–09, the net result was US$1.3 million. The 2008–09 net assets were also adjusted by US$0.2 million to reflect the translation difference of the consolidation and reduced by US$3.2 million to reflect the recognition of employee benefit liabilities. The impact of these changes results in a change to net assets of US$18.8 million at 31 December 2009.
	Due to the adoption of IPSAS-6 consolidated and separate financial statements, certain figures contained in the 2008–09 published financial statements have been modified to reflect the consolidation of the 2008–09 accounts of the ITC.
	The assets, liabilities, reserves and accumulated fund balances of the ITC as reflected in the separately audited euro-based ITC financial statements for 2009 (as restated) and 2010 have been consolidated into the ILO's Statement of financial position using the UN operational rate of exchange for 31 December of each year. The revenue, expense and net result of 2008 and 2009 have been combined to reflect the 2008–09 biennial comparative information converted from euros using an average exchange rate over the two-year period. The resulting 2008–09 comparative and the actual revenue, expense and net result for 2010 have been consolidated into the ILO Statement of financial performance, Statement of net assets and Statement of cash flow.
	IPSAS-6 requires that the consolidation of controlled entities such as the ITC into the financial statements of the controlling entity (ILO) be completed utilizing consistent accounting policies. This required the following adjustments to the financial information presented in ITC's audited financial statements for 2008 and 2009:
	Equipment – ITC depreciates equipment as an exception to the UNSAS requirements. Depreciation expense for 2008 and 2009 has been reversed and the cost of equipment purchased in the-two year period is included as an expense. In addition, the net asset value of equipment shown in the ITC financial statements (equipment cost less accumulated depreciation) has been eliminated and an offsetting reduction made to ITC's accumulated fund balance.
	Employee benefits – the ITC financial statements for 2009 disclosed but did not recognize employee benefit liabilities. As the ILO did recognize such liabilities in its statements as required by IPSAS-25, in its 2008–09 financial statements, liabilities for accumulated leave and for repatriation travel have been recognized as a liability at a total value of US$3.2 million and an offsetting reduction made to accumulated fund balance.
	Inventory – ITC recognizes the value of the inventory of supplies utilized in its revenue-producing activities as an asset. As the ILO does not currently recognize the value of inventory in its financial statements the value of this asset has been eliminated and an offsetting reduction made to accumulated fund balance.

Financial statement category	Description of change in accounting policy
	Voluntary contributions – In 2008 and 2009, ITC recognized its voluntary contributions as accounts receivable and revenue upon notification by the donor. However ILO's accounting policy was to recognize voluntary contributions when cash was received. €900,000 in pledged voluntary contributions from the City of Turin and the Region of Piedmont have not been recognized as revenue or accounts receivable in the consolidation of the ITC 2008–09 assets, liabilities, revenue and expense. Leasehold improvement – the ITC site and facilities are provided by the City of Turin, Italy, for a nominal charge in accordance with the Covenant between the City of Turin and the ILO dated 29 July 1964. ITC, utilizing its own funds and funds provided by third parties in the Campus Improvement Fund has completed certain improvements to the facilities on the site for a total cost of US$4.9 million through 31 December 2009 and this included the construction of the Piedmont Pavilion Building. The costs were expensed on the ITC financial statements but, in accordance with ILO's policy on accounting for the cost of leasehold improvements, have been capitalized at historical cost.
Change in the carrying value of long-term borrowings	The long-term loan is now valued at the estimated future cash flows discounted to take into account the time value of money instead of at cost. The change is being applied retrospectively. As a result, the net assets as at 1 January 2008 increased by US$15.7 million and the loan liability decreased by the same amount. In 2008–09 the loan balance decreased by US$1.1 million to US$14.6 million. In 2010 the value of the discount has decreased by US$2.6 million and is reflected in the 2010 consolidated Statement of financial performance.
Change in the treatment of actuarial gain and loss related to defined benefit obligations for the ASHI	At 31 December 2009, the After-Service Health Insurance actual gains or losses were calculated using the approach that a portion of the actuarial gains or losses over certain limits as set out in IPSAS-25 were amortized over the average remaining working lives of the employees participating in the plan and recognized in the net surplus (usually called the "corridor approach"). The recognition method has been changed to recognize the actuarial gains or losses in the consolidated Statement of net assets in the period in which they occur. The change has been applied retrospectively to 31 December 2008–09. The impact of this change is that the 2008–09 liability was decreased by US$127.7 million and the 2008–09 closing net assets have also been increased by the same amount.
Change in accounting policy for expenses (extra-budgetary fund) – from cash to accrual basis	Beginning in 2010, expenses incurred in connection with extra-budgetary financed technical cooperation projects are recognized on an accrual basis. This change in accounting policy has been recognized prospectively since it is impracticable to reconstruct the data for prior periods. The impact of the change is that expenses have increased by US$2 million in the consolidated Statement of financial performance.
Change in the recognition of voluntary contributions (including contributions to the RBSA) as a result of the adoption of IPSAS-23	Beginning in 2010, revenue from voluntary contributions including some RBSA projects is now recognized on an accrual basis. The impact is that Voluntary contributions receivable have increased by US$354.5 million in 2010 with a corresponding increase in voluntary contributions liabilities. This change in accounting policy has been recognized prospectively since it was impracticable to reconstruct the data of prior periods.

Note 5 – Prior period adjustments

50. *ITC employee benefit liabilities:* In accordance with IPSAS, the ASHI actuarial liability and the repatriation grant liability of the ITC are considered liabilities of the ILO and the adjustment has been applied retrospectively. As a result the 31 December 2009 employee benefit liability has been increased by US$43.8 million and the 2008–09 net assets have been reduced by the same amount.

51. *ASHI liability:* A review of the demographic information utilized in the calculation of the actuarial liability for after-service health insurance identified an understatement of the number of active staff eligible for participation in the Staff Health Insurance Fund. The liability has been recalculated by the actuary resulting in an increased liability of US$46.4 million at 31 December 2009.

52. *RBSA conditional contribution:* In the 2008–09 financial statements a contribution to the RBSA was recognized as revenue in the amount of US$4.1 million. As there were conditions to be met, the due to donors has been increased by US$4.1 million.

53. All the prior period adjustments for 2010 have been recognized retrospectively.

Note 6 – Cash and cash equivalents

54. Cash required for immediate disbursement is maintained in cash and bank accounts. Cash equivalent balances in deposit accounts are available at short notice. Of the total cash held at the reporting date, US$204.6 million was in the functional currency US dollar (US$204.7 million as at 31 December 2009) and the balance held in other currencies, primarily Swiss francs, was US$379.7 million (US$368.4 million as at 31 December 2009). The ILO held amounts of cash on behalf of the ITU, ITC, ISSA and the Staff Union which are reflected as liabilities on the Statement of financial position (see notes 19 and 20).

	US dollar	Swiss franc	euro	Other	2010 total	2009 total (note 3) (restated)
Current accounts and cash on hand	28.1	229.9	45.9	15.8	319.7	187.8
Short-term deposits	176.5	42.1	46.0	–	264.6	385.3
Total cash and deposits	**204.6**	**272.0**	**91.9**	**15.8**	**584.3**	**573.1**

Note 7 – Assessed contributions receivable

55. Prior to the beginning of each financial period the International Labour Organization assesses each member State in accordance with article 13 of the ILO Constitution for its share of the regular budget. Contributions are calculated and payable in Swiss francs equal to the total amount of the Organization’s regular budget for the biennial financial period, payable one half at the beginning of each year of the biennium. The amount of current contributions receivable at the reporting date was CHF82.5 million equal to US$86.7 million at US$1 = CHF0.951 (CHF71.9 million equal to US$69.8 million at US$1 = CHF1.03 at 31 December 2009). From this amount, US$1.8 million has been deducted representing the advance payments received from member States with financial arrangements, leaving a net assessed contribution receivable of US$84.9 million.

	2010 (US$ millions)	2009 (US$ millions)
Assessed contribution receivable (note 28)	84.9	67.8
Less discounting of long-term financial arrangements	(4.4)	(5.5)
Less provision for doubtful collection of contributions	(13.6)	(12.6)
Total net receivable	**66.9**	**49.7**
Assessed contribution receivable – Current	50.2	36.1
Assessed contribution receivable – Non-current	16.7	13.6

56. The 2010 and 2008–09 biennium provision reflects the amounts due from former member States and member States owing more than the previous two years' assessed contributions at the reporting date.

57. Non-current contributions receivable represent amounts due from member States that have had deferred payment plans approved by the ILC. If member States with financial arrangements do not meet the payment plan, they lose the right to vote and the provision for doubtful debts is increased to reflect the entire amount due from that member State. For 2010 and the 2008–09 biennium, the non-current receivable has been discounted to represent the present value of the receivable using a rate of 3.50 per cent (4.25 per cent in 2008–09) based on high-yield corporate bonds. The impact of the discounting was to reduce the total asset by US$4.4 million (US$5.5 million in 2008–09).

Note 8 – Voluntary contributions receivable

58. In 2008–09 voluntary contributions were recognized in the accounts when cash was received from the donor. Beginning in 2010 the ILO has recognized a receivable reflecting amounts due from donors that have signed binding agreements with the ILO in connection with technical cooperation projects, the RBSA and gifts and grants. Binding agreements are those signed by the donor and the ILO for which an inflow to the ILO of resources is probable based on the terms of the agreement and the historical relationship with the donor. All agreements related to technical cooperation projects contain conditions requiring the ILO to provide services specified in the agreement based on detailed workplans and project budgets and to return any unexpended funds to the donor. For all such conditional agreements, a liability (deferred revenue) offsets the amount of the accounts receivable until the ILO carries out the conditions imposed by the donor.

59. Agreements related to gifts and grants and voluntary contributions to the RBSA generally do not impose conditions related to specific performance and revenue is recognized upon receipt of the signed agreement with the donor. However, if conditions are imposed by the donor and accepted by the ILO, revenue recognition is deferred until the donor's conditions have been met. RBSA contributions covering periods after 31 December 2010 are disclosed as contingent assets (note 25).

	Receivable (US$ millions)	Liability (US$ millions)	Net position (US$ millions)
Technical cooperation projects	348.0	348.0	–
Regular Budget Supplementary Account	5.3	–	5.3
Unrestricted grants to ITC	1.2		1.2
Total voluntary contribution receivable	**354.5**	**348.0**	**6.5**
Voluntary contribution receivable – Current	262.8		
Voluntary contribution receivable – Non-Current	91.7		

Note 9 – Other receivables

60. Other receivables at the reporting date totalled US$17.2 million (US$17.4 million as at 31 December 2009) and are as follows:

	2010 (US$ millions)	2009 restated (US$ millions)
Accounts receivable of ITC	6.3	7.3
US income taxes	6.0	4.6
Receivable from UNDP	1.7	2.8
Value added tax and other withholding taxes	0.7	0.9
Accrued investment income	0.6	0.7
Other accrued income	2.2	1.9
Other receivables	1.0	0.6
Less: Provision for doubtful accounts	(1.3)	(1.4)
Total other receivables	**17.2**	**17.4**

Note 10 – Other current assets

61. Other current assets at the reporting date totalled US$12.2 million (US$9.3 million as at 31 December 2009) and are as follows:

	2010 (US$ millions)	2009 restated (US$ millions)
Advance to implementing partners	1.4	–
Staff advances	7.4	6.4
Prepayment to suppliers	0.5	0.2
Other advances	1.6	1.5
Items held in suspense in field offices	0.4	0.5
Due from ISSA	0.1	0.2
Other	0.8	0.5
Total other current assets	**12.2**	**9.3**

Note 11 – Investments

62. The Organization maintains several investment portfolios managed by external investment managers consisting of principally bonds and some equities. The total fair value of the investment portfolios at the reporting date was US$94.8 million (US$84.7 million as at 31 December 2009).

63. The funds held in the international bond portfolio hedged in Swiss francs include the ILO and ITU shares of the SHIF Guarantee Fund established in accordance with the SHIF Regulations to maintain the Fund’s short-term solvency. The ILO is responsible for arranging for this investment in consultation with the SHIF Management Committee. The use of the funds invested on behalf of the SHIF is restricted solely to financing the SHIF’s short-term solvency.

	2010 (US$ millions)		**2009 (US$ millions)**	
	Fair value	**Cost**	**Fair value**	**Cost**
Cash	2.2	2.2	0.5	0.5
Fixed income				
Bonds	56.3	56.3	47.5	47.2
Floating rate notes	11.5	11.5	11.4	11.5
Money market	13.9	13.9	15.5	15.5
Subtotal fixed income instruments	81.7	81.7	74.4	74.2
Securities				
Fiduciary Trust Investments	10.9	6.2	9.8	6.2
Subtotal securities	10.9	6.2	9.8	6.2
Total investment	**94.8**	**90.1**	**84.7**	**80.9**

Note 12 – Land and buildings

64. The Organization owns its headquarters building in Geneva, Switzerland, and the land upon which it was built along with two adjoining parcels of land. It also holds a long-term lease from the Canton of Geneva, Switzerland, on a further parcel. In addition, the Organization owns land and buildings in Abidjan, Côte d’Ivoire, Lima, Peru and Santiago, Chile. In Buenos Aires, Argentina and Brussels, Belgium, the Organization owns apartments located in buildings for which no separate land ownership exists. In Brasilia, Brazil, Dar es Salaam, the United Republic of Tanzania and Islamabad, Pakistan it further owns buildings located on land to which the ILO has surface rights or leaseholds at nominal cost. The Organization also has constructed improvements on leasehold property in New Delhi, India, and improvements including the construction of the Piedmont Pavilion at the International Training Centre in Turin, Italy. These are valued as follows:

	2010	2010	2010	2008–09
	Fair value (US$ thousands)	**Historical cost (US$ thousands)**	**Additions/ disposals (US$ thousands)**	**Historical cost (US$ thousands)**
Land				
Headquarters – Geneva	208 501	–	–	–
Lima	2 381	–	–	–
Abidjan	420	–	–	–
Santiago	1 356	–	–	–
Subtotal	**212 658**	–	–	**–**
Buildings				
Headquarters – Geneva	247 276	49 924	391	49 533
Lima	8 413	2 881	–	2 881
Brasilia	1 005	406	–	406
Abidjan	2 382	2 417	–	2 417
Dar es Salaam	2 367	1 797	285	1 512
Buenos Aires	590	677	–	677
Islamabad	376	1 918	–	1 918
Santiago	2 882	1 939	–	1 939
Brussels	855	449	–	449
Subtotal	**266 146**	**62 408**	**676**	**61 732**
Total land and buildings	**478 804**	**62 408**	**676**	**61 732**
Leasehold improvements				
New Delhi	–	567	–	567
Turin	–	7 854	2 965	4 889
Subtotal	**–**	**8 421**	**2 965**	**5 456**
Total land, buildings and leasehold improvements	**478 804**	**70 829**	**3 641**	**67 188**

65. The fair value of all properties and the historical cost of the leasehold improvement reflect the net book value of US$487.3 million.

66. In order to more accurately reflect the value of its land and buildings, the ILO engaged an independent appraiser to determine the fair value of all of its properties as at 31 December 2010 based on international valuation standards as promulgated by the International Valuation Standards Committee. These values total US$478.8 million and are reflected as fair value in the table above compared to a value of US$435.2 million at 31 December 2009. This adjustment includes US$34 million in revaluation gain due to exchange and US$9.6 million in increased valuation. The total change is recognized in revaluation surplus which is a component of net assets.

67. Leasehold improvements are valued at historical cost and total US$8.4 million.

68. The net difference between historical cost and land and buildings valued at fair value is recognized as a separate component of the net assets and amounts to US$416.4 million for 2010 (US$373.5 million at 31 December 2009).

Note 13 – Payables and unliquidated obligations

69. Accounts payable and unliquidated obligations at the reporting date totalled US$34 million (US$35.3 million as at 31 December 2009) and are as follows:

	2010 (US$ millions)	2009 restated (US$ millions)
Accounts payable	8.3	8.6
Unliquidated obligations	25.7	26.7
Total payables and unliquidated obligations	**34.0**	**35.3**

Note 14 – Deferred revenue

70. The deferred revenue at the reporting date totalled US$379.9 million (US$40.4 million as at 31 December 2009) and is as follows:

	2010 (US$ millions)	2009 restated (US$ millions)
Deferred revenue – Current		
Assessed contributions received in advance	21.9	26.4
Voluntary contributions receivable relating to signed agreements	253.6	4.1
Advances received for ITC training services	10.9	9.2
SHIF contributions received in advance	0.6	0.5
Other deferred revenue	1.2	0.2
Subtotal current deferred revenue	288.2	40.4
Deferred revenue – Non-current		
Voluntary contributions receivable relating to signed agreements	91.7	–
Subtotal non-current deferred revenue	91.7	–
Total deferred revenue	**379.9**	**40.4**

71. The deferred assessed contributions represent amounts received from member States for contributions related to future financial periods. The deferred voluntary contribution revenue represents voluntary contributions receivable to the Organization’s technical cooperation project activities and RBSA projects pending the completion of the performance required by agreements between the Organization and the donor.

Note 15 – Due to donors

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

73. The total amount of funds held on behalf of donors was US$202.4 million at the reporting date (US$212.3 million as at 31 December 2009).

Note 16 – Employee benefit liabilities

74. The full amount of the employee benefit liabilities has been recognized on the Statement of financial position in 2010. The information for 2008–09 has been restated to include the liabilities of the ITC. None of the liabilities are funded unless otherwise indicated below.

	2010 (US$ millions)	**2008–09 restated (US$ millions)**
Current liabilities		
Education grant	1.1	1.0
Accumulated leave	3.2	2.7
Home leave	0.4	–
Repatriation grant and travel	4.1	6.0
ASHI liability	17.7	17.7
Subtotal current liabilities	26.5	27.4
Non-current liabilities		
Accumulated leave	32.3	32.3
Repatriation grant and travel	47.8	43.4
ASHI liability	545.9	463.4
Subtotal non-current liabilities	626.0	539.1
Total employee benefits liabilities	**652.5**	**566.5**

75. The methodology for estimating the amounts of each liability is as follows:

- *Accumulated leave:* In accordance with ILO Staff Regulations, ILO officials earn annual leave of 30 working days per year. Officials may accumulate up to 60 working days which is payable on separation from service. The value of leave payable at the reporting date was calculated by multiplying the actual days accumulated by each staff member by the staff member’s net salary plus post adjustment for Professional staff and net salary plus the net amount of such allowances as may be pensionable for national Professional officers and General Service staff.

- *Repatriation grant and travel:* In accordance with the ILO Staff Regulations, non-locally recruited ILO officials are entitled to a grant on separation from service if they have completed at least one year of service outside their home country. The repatriation grant liability is calculated by multiplying the actual weeks of repatriation grant credit accumulated by each staff member by the staff member’s net salary for Professional staff and net salary plus the net amount of such allowances as may be pensionable for national Professional officers and General Service staff.

  In addition, ILO officials and spouse and dependent children are entitled to reimbursement of travel and transport of personal effects on separation. The repatriation travel and transport of personal effects is calculated by multiplying the average cost paid to staff during the three-year period from 2008 to 2010 by the number of staff members’ eligible for travel reimbursement at 31 December 2010.

76. General Service staff of the International Training Centre (ITC) are eligible for an end-of-service benefit (EOSB) which is computed in accordance with the ITC Staff Regulations. The liability is calculated by dividing the staff member's base salary plus pensionable entitlements by 12 for each year of service from 1 August 1975 to 31 December 1990 and by 13.5 for each year of service from 1991 to the present.

77. The ILO maintains a separate fund to finance the costs of repatriation grants and makes a defined contribution to the fund as a percentage of compensation paid to eligible employees during the financial period. The total contribution paid to the terminal benefits fund in 2010 was US$4.5 million (US$7.6 million in 2008–09). An amount of US$29.7 million has been reserved by the ILO in a Terminal Benefit Fund (US$29.3 million at 31 December 2009) to partially cover the repatriation grant.

78. *Home leave:* In accordance with the ILO Staff Regulations, non-locally recruited ILO officials are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. A liability exists related to the value of home leave entitlements that have been earned by officials but not taken at the reporting date. The value of home leave earned and payable at the reporting date has been estimated based on the proportion of actual cost of home leave incurred in 2010 related to prior year entitlements.

79. *Education grant:* Internationally recruited staff members are eligible for reimbursement of the amounts paid for the education of dependent children up to maximum allowances established in the ILO's Staff Regulations. The portion of the amount incurred for the 2010 school year represents the amount reimbursable to staff members at 31 December 2010.

80. *United Nations Joint Staff Pension Fund:* 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. The Pension Fund is a funded multi-employer defined benefit plan. As specified by article 3(b) of the Regulations of the UNJSPF, membership in the UNJSPF is open to the specialized agencies and to any other international intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

81. The actuarial method adopted for the UNJSPF is the Open Group Aggregate method to determine whether the present and estimated future assets of the UNJSPF will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments. The actuarial study is carried out at least once every three years. The most recent actuarial valuation carried out was at 31 December 2009. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the United Nations General Assembly every two years. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website at www.unjspf.org.

82. The ILO's financial obligation to the UNJSPF consists of its mandated contribution established by the United Nations General Assembly and specified in the Regulations of the UNJSPF (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 UNJSPF. Such deficiency payments are payable only 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 UNJSPF at 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. At the time of this report, the United Nations General Assembly had not invoked this provision.

83. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation and plan assets among the participating organizations in the plan. The ILO, as well as other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has accounted for this plan as if it were a defined contribution plan in line with IPSAS-25, Employee benefits.

84. During 2010 contributions paid to UNJSPF by the ILO amounted to US$75.2 million of which US$49.9 million represented the employer contribution (US$142.8 million in the 2008–09 biennium of which US$94.5 million represented the employer contribution).

85. *After Service Health Insurance (ASHI):* Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have at least ten years of service with an agency of the UN system and have been a participant in SHIF for the five years immediately preceding separation from service. The same benefit applies to former staff members receiving compensation for disability from the UN Joint Staff Pension Fund or the ILO pension scheme. An actuarial valuation carried out in 2010 determined the ILO's estimated liability for after-service medical benefits at the reporting date.

86. 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 2010 valuation, the assumptions and methods used are as described below. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the ILO at 31 December 2010.

Key financial assumptions	2010 (%)	2008–09 (%)
Discount rate at beginning of period	4.25	4.00
Discount rate of end of period	3.50	4.25
Rate of future compensation increases at beginning of period	2.50	2.50
Rate of future compensation increases at end of period (w/o step increases)	2.50	2.50
Rate of pension increases at beginning of period	2.00	2.00
Rate of pension increases at end of period	2.00	2.00
Medical inflation (declining to 3 per cent over four years)	3.80	3.80

87. The discount rate is determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market for such bonds, the market yield (at the balance sheet date) on government bonds shall be used. Based on the plan duration, the discount rate has been determined for each currency (CHF, GBP, US$, euro). The ultimate discount rate was then determined by averaging the different discount rates, weighted by the benefit payments in the different currencies.

Sensitivity information for health-care plans	(US$ thousands)
1 per cent increase in health-care trend rate – Effect on service and interest costs	10 741
1 per cent decrease in health-care trend rate – Effect on service and interest costs	(8 169)
1 per cent increase in health-care trend rate – Effect on defined benefit obligation (DBO)	107 948
1 per cent decrease in health-care trend rate – Effect on DBO	(85 968)

	Age	Men	Women
Medical actuarial assumptions include:	50	4 988	5 560
Annual medical claims costs (US$)	60	6 248	6 072
	70	8 583	6 370
	80	12 401	9 629
Annual administration costs (US$)	–	214	214
Participation	97.5 per cent of future retirees will elect coverage in the SHIF		
Coverage of spouses	75 per cent of male and 25 per cent of female retirees have a spouse who elects coverage in the SHIF. Males are assumed to have a spouse five years younger.		

Actuarial assumptions – Demographic assumptions at the end of 2010	Age	Men	Women
Sample turnover rates (%)			
	25	9.6	8.7
	35	5.3	3.8
	45	4.0	2.2
	55	4.8	2.1
Retirement rates (%)			
	55	11.9	11.7
	56	9.3	9.0
	57	9.3	9.0
	58	8.6	10.7
	59	11.9	10.7
	60	65.0	80.0
	61	45.0	55.0
	62	50.0	75.0
	63	50.0	65.0
	64	50.0	75.0
	65	50.0	100.0
	66	50.0	100.0
	67	50.0	100.0
	68	50.0	100.0
	69	100.0	100.0

Financial year (2010)/biennium (2008–09)	2010 (12 months) (US$ thousands)	2008–09 (24 months) restated (US$ thousands)
Defined benefit obligation, beginning of year/biennium (2008–09)	481 061	448 947
Net service cost	12 761	26 688
Interest cost	20 069	36 124
Net benefits paid	(17 670)	(29 901)
Liability (gain)/loss due to experience	3 798	18 297
Liability (gain)/loss due to assumption changes	63 539	(19 094)
Defined benefit obligation, end of period	**563 558**	**481 061**
Statement of financial position asset/(liability), beginning of period	(481 061)	(448 947)
Total (charge)/credit recognized in Statement of financial performance	(32 830)	(62 812)
Total amount recognized in net assets	(67 337)	797
Employer contributions	17 670	29 901
Statement of financial position asset/(liability), end of period	**(563 558)**	**(481 061)**

88. 2008–09 was the first year of recognition of employee benefit liabilities on ILO's financial statements and the entire amount of ASHI liability of US$530.3 million was recognized on the Statement of changes in net assets. This change included all actuarial gains and losses through 31 December 2009. This amount has been restated to reflect the change from the use of the corridor method to recognition of actuarial gain and loss in the current period directly to net assets. In addition, the restated amount reflects an increase of 46.4 million to the liability calculated by the independent actuary to take into account a revision to the number of active staff at 31 December 2009 eligible for participation in the SHIF and a further adjustment of US$32.1 million for ITC.

89. Expense related to interest cost and current services costs for 2010 has been recognized in the Statement of financial performance in staff costs. Actuarial gain or loss has been recognized in net assets. Under IPSAS-25 the ASHI liability is considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the ILO.

90. An amount of US$40.4 million is available in a SHIF Guarantee Fund (US$34.6 at 31 December 2009) to cover ongoing liabilities of the SHIF.

Note 17 – Borrowings

91. Borrowings consist of a loan made to the ILO from the *Fondation des Immeubles pour les Organisations Internationales* (FIPOI) for the construction of the ILO's headquarters building drawn down from 1968 to 1977. In July 1996 the Swiss authorities decided to waive interest on all loans made by the FIPOI to international organizations for the construction of their buildings and to standardize repayment periods at 50 years effective 1 January 1996. The final payment will be due in 2025. The loan is unsecured. The balance of the loan at the reporting date was CHF55.5 million or US$58.4 million at US$1 = CHF0.951 (CHF59.2 million or US$57.5 million as at 31 December 2009 at US$1 = CHF1.03) of which CHF3.7 million or US$3.9 million at US$1 = CHF0.951 (CHF3.7 million or US$3.6 million as at 31 December 2009 at US$1 = CHF1.03) was payable within 12 months in one annual instalment. The annual payments owed on borrowings are as follows:

	2010 (US$ millions)	2009 restated (US$ millions)
Payments due in 2011	3.9	3.6
Payments due from 2012–15 (CHF3.7 million per year)	15.6	14.4
Payments due after 2015	38.9	39.5
Subtotal of non-current borrowings	54.5	53.9
Less discounting of non-current borrowings	(12.0)	(14.6)
Total borrowings	**46.4**	**42.9**

92. In order to more accurately reflect the time value of money in connection with long-term borrowings, the non-current outstanding balance of the loan has been discounted utilizing the discount rate for high-grade corporate bonds (2010 –3.50 per cent; 2009 –4.25 per cent) established in Swiss francs by the independent actuary. No additional borrowing occurred in 2008–09 or 2010.

Note 18 – Due to member States

93. The total amount due to member States at 31 December 2010 is US$17.6 million, of which US$16.7 million represents a current liability and US$0.9 million a non-current liability (total of US$30.4 million as at 31 December 2009). 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. Therefore, the amount calculated is included as a separate element of accumulated fund balance pending the biennial results. No additional amount is, therefore, reflected as due to member States pending the completion of the current biennium at 31 December 2011. The amount due to member States is calculated as follows.

	2010 (US$)	2009 (US$)
Undistributed surpluses of prior periods	1 501 006	395 317
Undistributed net premium of prior periods	283 841	319 576
Undistributed 50 per cent of net premium current period [(1)]	–	14 436 861
Subtotal	1 784 847	15 151 754
Incentive Fund	15 877 152	15 273 552
Total payable to member States	**17 661 999**	**30 425 306**

[(1)] At its 98th Session (June 2010), in derogation of article 11.5 of the Financial Regulations the International Labour Conference decided to transfer the one half of the net premium earned, amounting to CHF14,869,967 (US$14,436,861 at 31 December 2009 UN rate) that is not distributed to the Incentive Fund, to the Building and Accommodation Fund of the International Labour Office to partially finance the renovation of the headquarters building.

Calculation of net premium and Incentive Fund

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

- *Net premium* – Article 11, paragraphs 5 and 7, provides for distribution to member States of one half of any net premium earned on the forward purchasing transactions between US dollars and Swiss francs to member States apportioned on the basis of the proportion of the total of each member State’s assessed contributions during the biennium in which the net premium was earned and credited against assessed contributions payable in the next financial period. The remaining one half of the net premium is transferred to the Incentive Fund. The calculation of the various distributions of the net operational result in accordance with the Financial Regulations is done on a biennial basis. A calculation has been made for information purposes representing the balances as of 31 December 2010. The amount shown will be consolidated with the calculations made at 31 December 2011 to reflect the balance due to member States for the 2010–11 biennium as follows:

Exchange Equalization Account (EEA) calculation	**2010 (12 months)**	**2009 (24 months)**
Premium earned on the forward purchase of US dollars	725 566	9 748 137
Exchange gains (losses) from revaluation from budgetary to UN operational rate of exchange of:		
Revenue	13 024 285	89 883 557
Expense	(3 970 583)	(44 578 232)
Forward purchase of US dollars	(2 883 791)	(31 421 566)
Revaluation of assets, liabilities, reserves and fund balances at UN operational rate of exchange	(11 918 879)	8 465 457
Revaluation of provision for contribution arrears	1 232 952	(3 019 531)
Revaluation of regular budget surplus	(3 970 436)	(204 100)
Total EEA	**(7 760 886)**	**28 873 722**

95. At its 98th Session (June 2010), in derogation of article 11.5 of the Financial Regulations, the ILC authorized the transfer of one half of the net premium earned during 2008–09 from the Incentive Scheme to the Building and Accommodation Fund instead of being payable to member States.

96. **Incentive Fund** – Article 11, paragraphs 4, 5 and 6, provides for an Incentive Fund financed by 60 per cent of the interest earned on temporarily surplus regular budget funds and one half of any net premium earned on the forward purchasing transactions. The Incentive Fund is distributed to member States that have paid their assessed contributions in full at the end of either the first and second year of the financial period during which the net premium was earned.

Calculation of Incentive Fund	**2010 (12 months) (US$)**	**2009 (24 months) (US$)**
Interest earned in year 2010 (year 2008)	86 776	694 282
Interest earned in year 2009	154 238	142 409
Total interest earned	**241 014**	**836 691**
50 per cent of net premium	15 636 138	14 436 861
Total available in Incentive Fund	**15 877 152**	**15 273 552**

Note 19 – Other current liabilities

97. Other current liabilities include the amounts held on behalf of independent entities to which the ILO provides financial services including the ILO Staff Association and the International Social Security Association (ISSA).

98. Provisions of US$0.5 million (US$0.3 million at 31 December 2009) are recognized in the Statement of financial position for legal cases pending before the ILO Administrative Tribunal for which it is probable or certain that the ILO will be required to settle the obligation and the amount can be reliably estimated.

	2010 (US$ millions)	2009 restated (US$ millions)
Provision for contingencies	0.5	0.3
Due to the ILO Staff Association	0.1	0.1
Other current liabilities	0.4	0.9
Total other current liabilities	**1.0**	**1.3**

Note 20 – Funds held on behalf of ITU

99. Funds held on behalf of ITU include the value of the investments and other assets of the ILO/ITU Staff Health Insurance Fund held on behalf of the International Telecommunications Union as follows:

	2010 (US$ millions)	2009 (US$ millions)
Cash and cash equivalents	0.3	0.4
Investments	10.6	9.9
Derivative assets	0.5	0.2
Other receivables	0.1	0.1
Less: Other current liabilities	(4.7)	(3.7)
Net funds held on behalf of ITU	**6.8**	**6.9**

Note 21 – Financial instruments

100. All financial assets and financial liabilities are valued at fair value and subject to impairment. Both assets and liabilities reflect present value and impairment, accounts receivable through provisions for doubtful debts and discounting liabilities (borrowings through discounting). There are no unrecognized financial instruments. Of the ILO’s anticipated cash flow, 97 per cent is derived from assessed contributions and voluntary contributions. Mandatory assessed contributions paid by its member States provide 58 per cent of the cash resources required to finance the ILO’s operations related to its regular budget and General Funds. Based on historical experience the equivalent of 90 per cent of these funds are received in the year invoiced and over 98 per cent within a two-year period. Voluntary contributions provided by donors provide 39 per cent of cash resources required for the operation of technical cooperation projects and other extra-budgetary activities. Extra-budgetary projects do not commence operation until the cash resources required to finance project activities have been deposited in the ILO’s bank accounts. The remaining cash flow, including interest and dividends, sales and royalties and other income comprise only 3 per cent of the total required cash resources.

	2010 (US$ millions)		2009 (US$ millions)		
Instrument	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**	**Valuation method**
Cash	584.3	584.3	573.1	573.1	US dollar equivalent of cash at face value
Investments	94.8	94.8	84.7	84.7	Quoted market value at 31 December
Net cash and investments	**679.1**	**679.1**	**657.8**	**657.8**	
Assessed contributions receivable	84.9	84.9	67.8	67.8	US dollar equivalent of present value of receivables
less provision for doubtful debts	(13.6)	(13.6)	(12.6)	(12.6)	Equal to 100% of receivables older than two years
less discount	(4.4)	(4.4)	(5.5)	(5.5)	At high-grade corporate bond yield rate
Net assessed contributions receivable	**66.9**	**66.9**	**49.7**	**49.7**	
Voluntary contributions receivable	**354.5**	**354.5**	**–**	**–**	At face value in currency of agreement
Derivative financial instrument assets	**2.9**	**2.9**	**1.1**	**1.1**	
Other receivables	18.5	18.5	18.8	18.8	US dollar equivalent of present value of receivables
Less provision for doubtful debts	(1.3)	(1.3)	(1.4)	(1.4)	At 50% if older than one year, 100% if older than 2 years unless confirmed by debtor
Net other receivables	**17.2**	**17.2**	**17.4**	**17.4**	
Net financial assets	**1 120.6**	**1 120.6**	**726.0**	**726.0**	
Long-term borrowings (restated)	(58.4)	(58.4)	(57.5)	(57.5)	US dollar equivalent of present value of loan payable.
Less discount	12.0	12.0	14.6	14.6	At high-grade corporate bond yield rate
Net long-term borrowings	**(46.4)**	**(46.4)**	**(42.9)**	**(42.9)**	
Derivative financial instrument liabilities	**(16.7)**	**(16.7)**	**(7.2)**	**(7.2)**	At quoted forward market prices at 31 December
Accounts payable	**(8.3)**	**(8.3)**	**(8.6)**	**(8.6)**	At face value
Funds held on behalf of ITU	**(6.8)**	**(6.8)**	**(6.9)**	**(6.9)**	
Net financial liabilities	**(78.2)**	**(78.2)**	**(65.6)**	**(65.6)**	

Financial risk management

101. The ILO's activities are exposed to a variety of financial risks: price risk, credit risk and liquidity risk. The ILO's investment management programme focuses on these risks and seeks to minimize potential effects on financial performance. Currency risks related to the value of non-Swiss franc investments held for the Staff Health Insurance Fund and requirements to meet obligations valued in US dollars from regular budget assessed contributions paid in Swiss francs are offset using hedging instruments (forward purchase agreements).

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

103. *Currency risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The ILO is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies, predominately Swiss francs along with minor exposure to other currencies, in particular the euro. The ILO's primary objectives in managing currency risk are to preserve cash flows and reduce variations in performance from the negative impact of exchange rate fluctuation. The ILO mitigates the risk to its regular budget by naturally hedging through receipt of revenue in Swiss francs from assessed contributions in an amount sufficient to finance its current Swiss franc liabilities and entering into forward purchase agreements to finance its US dollar-based liabilities. The ILO also enters into forward purchase agreements to hedge the non-Swiss franc investments held on behalf of its SHIF against currency gains or losses, since the SHIF's liabilities are predominately Swiss franc-based. The ILO, therefore, has limited sensitivity to changes in foreign exchange rates in connection with its operating revenue and expense.

104. *Interest rate risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The ILO does not charge interest on its accounts receivable nor is it charged interest on its borrowings so neither is subject to interest rate fluctuation. All accounts receivable for which financial arrangements have been approved providing for repayment over periods exceeding one year, and all long-term borrowings have been discounted utilizing a rate based on the yield of high-grade corporate bonds in Swiss francs.

105. The ILO's investments include US$81.8 million in fixed-term investments of which US$11.5 million is in floating rate notes. The remaining investments in government bonds and commercial paper are subject to interest rate fluctuation. The ILO manages its interest rate risk by spreading the maturity dates of investments over the next few years.

106. *Market risk:* All of the ILO's investments are valued at fair value based upon the market rate at the reporting date. Investments are in high-grade securities and equity funds which will fluctuate in value based on market conditions. The total market value of the ILO's investments has been affected by recent market conditions increasing from a fair value of US$77.2 million at the end of 2007, to US$84.7 million at the end of 2009 and US$94.8 million at the end of 2010. All investments are held in the ILO's reserves and fluctuation does not impact on requirements for financing the ILO's current operations.

Composition of investments by instrument (in thousands of US$)	**2010**		**2009**	
	Fair value	**Cost**	**Fair value**	**Cost**
Cash	2 184	2 184	516	516
Fixed income				
Bonds	56 304	56 293	47 514	47 188
Floating rate notes	11 494	11 507	11 424	11 501
Money market	13 987	13 948	15 469	15 459
Subtotal fixed income instruments	81 785	81 748	74 407	74 148
Securities				
Fiduciary trust investments	10 859	6 220	9 838	6 220
Subtotal securities	10 859	6 220	9 838	6 220
Total investment	**94 828**	**90 152**	**84 761**	**80 884**

107. *Credit risk* is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The ILO is exposed to credit risk through its cash and cash equivalents, investments, accounts receivable and forward purchase agreements. The maximum exposure to credit risk of the ILO at 31 December 2010 is the carrying value of these assets.

Cash and cash equivalents and investments

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

109. 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 distributed except where local banking conditions require the use of banks with lower international rating but a good record of performance locally as follows:

	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not rated**	**Total**
Cash and cash equivalents	84.2	275.2	218.2	2.2	1.0	3.5	584.3
Per cent	14.4%	47.1%	37.3%	0.4%	0.2%	0.6%	100.0%

Investments

110. Investments are made only in investment grade (BBB or higher) government bonds, commercial paper and floating rate notes. The distribution of fixed term investments and equity holdings by rating is as follows:

Composition of fixed income instrument by rating (fair value)
Year 2010 (in thousands of US$)

	AAA	AA	A	BBB	Not rated	Total
Cash	–	–	2 184	–	–	2 184
Bonds	32 170	16 170	7 964	–	–	56 304
Floating rate notes	–	2 499	8 995	–	–	11 494
Securities	–	–	5 541	–	5 318	10 859
Money market	–	–	–	13 987	–	13 987
Total fixed income	**32 170**	**18 669**	**24 684**	**13 987**	**5 318**	**94 828**

Derivatives

111. 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 US dollar requirements for the following two years with foreign exchange forward purchases. The face value of the hedging agreement for the 2010–11 biennium is US$253.2 million of which US$134.2 million is outstanding at 31 December 2010 (2008–09 US$233.8 million), purchased at an average rate of US$1 = CHF1.05 (US$1 = CHF1.06 for 2008–09). The forward purchase agreements mature monthly and the monthly amounts are established based on the regular budget's US dollar cash flow requirements during each month.

112. The market value of the forward purchase agreements as reported by the contracting banks at 31 December 2010 was a negative US$16.7 million (negative US$7.2 million as at 31 December 2009). The total liability of US$16.7 million relates to contracts that mature within the next 12 months (US$3.6 million as at 31 December 2009). None have maturity dates greater than 12 months (US$3.6 million as at 31 December 2009).

113. The SHIF hedges the risk related to assets held in currencies other than the Swiss franc by purchasing forward purchase agreements in each of the currencies in which investments are held. The market value of the forward purchase agreements as reported by the investment portfolio manager was US$2.9 million at the reporting date (US$1.1 million as at 31 December 2009). The total of the reported asset relates to contracts that mature within the next 12 months.

Accounts receivable

114. The ILO's accounts receivable are mainly derived from the assessed contributions payable by its member States and voluntary contributions receivable from donors. As almost all of its member States are sovereign entities, credit risk is minimal. The ILO establishes an allowance for doubtful accounts equal to 100 per cent of contributions outstanding for more than two years except those with financial arrangements approved by the International Labour Conference. Receivables from member States for which long-term repayment plans have been negotiated are discounted using the rate established by the ILO's actuary reflecting the yield on high-grade corporate bonds denominated in Swiss francs. Voluntary contributions receivable after 12 months are discounted to reflect their present value.

115. The balance of the ILO's accounts receivable are derived from invoices for services rendered, interest receivable on investments and cash equivalents and from the sale of publications. The ILO establishes a general allowance equal to 50 per cent of the balance of (non-member State) receivables other than publications aged from one year to two years and 100 per cent of the balance for all receivables over two years unless the Organization receives written confirmation from the debtor of the amount due and the planned date of payment. For publications a provision for doubtful debts is established based on historical experience. The provisions for doubtful debts are adjusted to reflect information provided from the ageing of accounts receivable.

116. An ageing of the ILO's receivables at 31 December 2010 is as follows (in US$ millions):

Type of receivable	Less than 1 year	1–2 years	Over two years	Less provision for doubtful debts and discount	Total
Assessed contributions receivable	39.3	9.9	35.7	(18.0)	66.9
Voluntary contributions receivable	13.3	–	–	–	13.3
Other receivables	11.7	1.7	5.1	(1.3)	17.2
Total	**64.3**	**11.6**	**40.8**	**(19.3)**	**97.4**

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

Accounts payable

118. Accounts payable represents the total value of supplier invoices received for which payment has not been processed at the reporting date. All invoices received covering goods received and services provided are paid within 30 days of receipt.

Forward purchase agreements

119. The ILO manages its exposure to derivative counterparty credit risk by contracting primarily with reputable financial institutions.

120. *Liquidity risk* is the risk that the ILO will encounter difficulties in meeting its financial obligations associated with financial liabilities. The ILO's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring losses. The ILO also manages liquidity risk by continuously monitoring actual and estimated cash flows. The ILO does not have the authority to contract long-term debt without the approval of its Governing Body which is elected by its member States.

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

Capital management

122. The ILO defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated fund balances and reserves. The ILO's objectives in managing capital are to safeguard its ability to continue as a going concern, to fund its asset base and to fulfil its mission and objectives as established by its member States and

donors. The ILO's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on a biennial basis along with the hedging of its expense requirements in US dollars against its Swiss franc-based revenue from member States assessments.

123. 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 22 – Statement of comparison of budget and actual amounts

124. The Statement of financial position, Statement of financial performance, Statement of changes in net assets, Statement of cash flow are prepared on a different basis than the Statement of comparison of budget and actual amounts – regular budget (Statement V-A) which is prepared on a modified accrual basis in accordance with the ILO Financial Regulations using a fixed budgetary rate of exchange of US$1 = CHF1.07 for the 2010–11 biennium (US$1 = CHF1.23 for the 2008–09 biennium). Under the modified accrual basis, revenue is recognized on a full accrual basis. Expense is recognized on the delivery principle; however, costs of equipment acquisition are expensed when the equipment has been delivered and expense does not include costs related to changes in provisions for employee benefits liabilities.

125. The information on Statement V-A includes only the portion of the General Fund for which a budget is adopted by the International Labour Conference. Separate comparisons of adopted budgets to actual revenue and expense for other funds not forming part of the ILO General Fund with budgets adopted by the ILO Governing Body are included in Statements V-B to V-D. All ILO budgets are adopted covering the biennial period of 1 January 2010 to 31 December 2011. These budgets are prepared on a modified accrual basis. Revenue is recognized when cash is received. Expense is recognized on the delivery principle; however, costs of equipment acquisition are expensed when the equipment has been delivered and expense does not include costs related to changes in provisions for employee benefits liabilities. All transactions are recorded in US dollars at the UN operational rate of exchange existing on the date of the transaction. The budget shown on Statements V-A to V-D for the ILO's regular budget, IILS, CIS and CINTERFOR reflect one half of the biennial budgets.

126. The ITC's budget is adopted by its Board of Directors on an annual basis in euro and submitted to the ILO Governing Body for information in accordance with the ITC Financial Regulations. To facilitate a meaningful budgetary reporting for the ITC, Statement V-E is presented in euro and in US dollars using an average of the official euro = US dollar rates in effect for each month of 2010. The budget is prepared on a modified accrual basis. Revenue is recognized on an accrual basis.

127. The ILO does not publish a consolidated budget. Consequently separate Statements of comparison of budget and actual amounts have been prepared for each of the published budgets adopted by either the International Labour Conference (regular budget), the ILO Governing Body (IILS, CINTERFOR and CIS) and the ITC Board of Directors for the ITC. There were no differences between the original and final budget approved by the ILO Governing Body during 2010.

128. The actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences.

129. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For the ILO, the regular budget is prepared on a modified accrual basis in accordance with the ILO Financial Regulations using a fixed budgetary rate of exchange of US$1 = CHF1.07 for the 2010–11 biennium (US$1 = CHF1.23 for the 2008–09 biennium), including the expensing of all capital acquisitions and the consolidated financial statements are prepared on a full accrual basis

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

131. Presentation differences occur due to differences in the format and classification adopted for the presentation of the Statement of cash flow and statements of comparison of budget and actual amounts. There are no presentation differences.

132. Financing activities are related to the reduction in the ILO's net borrowings.

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

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

135. A reconciliation between the actual surplus amount on a comparable basis in the statements of budget and actual amounts (Statements V-A to V-E) and the actual amounts in the statement of cash flow (Statement IV) for the year ended 31 December 2010 is presented below:

Reconciliation of surplus on budgetary and accrual basis

	2010			
	Operating	**Investing**	**Financing**	**Total**
	(US$ thousands)			
Regular budget net result (Statement V-A)	35 700	–	–	35 700
ITC net result (Statement V-E)	2 568	–	–	2 568
IILS net result (Statement V-B)	(525)	–	–	(525)
CINTERFOR net result (Statement V-C)	(15)	–	–	(15)
CIS net result (Statement V-D)	(49)	–	–	(49)
Total surplus on budgetary basis	37 679	–	–	37 679
Total net result on basis comparable to the adopted budgets:				
Basis difference	(3 538)	–	–	(3 538)
Presentation difference	–	–	–	–
Entity differences	(6 256)	(12 894)	(3 763)	(22 913)
Actual amount in the Statement of Cash Flow (Statement IV)	27 885	(12 894)	(3 763)	11 228

136. The net surplus for the regular budget as shown on the Statement I (UNSAS format) in note 28 is calculated on a full accrual basis. The net surplus on Statement V-A is based upon ILO's Financial Regulations and for 2010 is computed at the budgetary rate of exchange of US$1 = CHF1.07 (US$1 = CHF1.23 for 2008–09). The net surplus on Statement V-A includes the income surplus resulting from payment of contribution arrears and the balance in the exchange equalization account which is not reflected in the adopted regular budget but is included in the above amounts.

Note 23 – Related party disclosures

137. Key management personnel are the Director-General, executive directors, 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 International Labour Conference who serve without compensation from the ILO.

138. 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 for 2010. Key management personnel are members of the UN Joint Service Pension Fund (UNJSPF) to which the personnel and the ILO contributes and are also eligible for participation in the Staff Health Insurance Fund (SHIF) including the after-service medical if they meet the eligibility requirements in the SHIF Regulations and Administrative Rules. Both the SHIF and the UNJSPF are accounted for as defined contribution plans.

	2010 (12 months)		**2008–09 (24 months)**	
Category	**Individuals**	**Remuneration (US$)**	**Individuals**	**Remuneration (US$)**
Key management	14.59	4 727 274	13.8	8 732 270

139. 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.

140. There were related party transactions involving key management personnel in 2010 totalling US$3,569 (US$0 in 2008–09). All such transactions are under terms and conditions that would apply in the normal course of operations.

Note 24 – Revenue from non-exchange transactions

141. The primary source of revenue to the ILO is from non-exchange transactions including the assessed contributions paid by its member States and voluntary contributions made by donors to its technical cooperation projects and RBSA. All revenues are recognized in accordance with IPSAS-23. However, the ILO has adopted the transition period provided in IPSAS-23 and recognition of in-kind contributions of goods will be implemented in 2012. Following is a summary of the revenue from non-exchange transactions:

Revenue from non-exchange transactions	2010 [12 months] (in US$ millions)	2008–09 (24 months) (in US$ millions)
Assessed contributions from member States	377.5	723.5
Change in provision for assessed contribution receivable	(1.0)	67.3
Voluntary contribution to technical cooperation projects, RBSA and gifts and grants	285.0	549.7
ITC training services	19.6	40.9
Total revenue from non-exchange transactions	**681.1**	**1 381.4**
Receivables from assessed contributions	66.9	49.7
Receivables from voluntary contributions	354.5	–
Total receivables from non-exchange transactions	**421.4**	**49.7**
Liabilities recognized for conditional voluntary contributions	**345.3**	**4.1**
Advance receipts from assessed contributions	**21.9**	**26.4**

Note 25 – Contingent assets and contingent liabilities and commitments

142. *Contingent assets:* At the International Labour Conference (ILC) held in June of 2009, the Conference adopted the budget for the 2010–11 biennium and the amount of assessed contributions payable by member States in accordance with article 13 of the ILO Constitution totalled US$726.7 million. The ILO Financial Regulations provide that one half of the contributions assessed are due and payable on 1 January of each year of the biennium. Therefore, on 1 January 2011 assessed contributions will be due and payable from member States totalling US$363.3 million. This amount relates to 2011 and the amount has not been recognized as an asset but is disclosed since the inflow of resources is probable. The funds received from the inflow of these resources will be expended to finance the ILO’s regular budget expenses for the second year of the biennium in accordance with the budget adopted by the ILC. In addition, the receipt of ITC training service revenue of US$20.6 million covering future periods is considered probable as are contributions to the RBSA due in 2011 and future periods totalling US$25.9 million.

143. *Contingent liabilities:* The ILO has contingent liabilities for claims or legal actions related to the ILO Administrative Tribunal estimated at US$0.4 million (US$0.2 million at 31 December 2009) which do not meet the recognition criteria for liabilities. These are claims or legal actions for which it is probable that the ILO will be required to settle the obligation but the amount cannot be reliably measured or estimated, or for which it is improbable that the ILO will be required to settle the obligation. US$0.1 million have been settled during the year and new claims of US$0.3 million have been included. The ILO expects the claims to be settled over the next 24 months.

144. *Commitments:* The ILO has multi-year contracts to provide for hosting and technical support to the ILO’s Oracle-based systems, leasing of photocopy machines, cleaning services and technical building maintenance at its headquarters in Geneva and catering and travel agent services at the International Training Centre at Turin. The estimated outstanding non-cancellable commitments are estimated at US$10.5 million at 31 December 2010.

Note 26 – In-kind contribution of space and facilities

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

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

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

Note 27– UNSAS format statements (segment values)

147. In accordance with the requirements of the UNSAS the ILO has prepared statements based upon the combined format presenting information based upon the major fund groups managed by the Organization and described in note 1. The design of the funds groups is based upon the requirements of UNSAS to present information reflecting which funds are at the disposal of member States and those which are not. Inter-segment transfers are eliminated in the column headed “inter-segment” on the following statements. Inter-segment transfers include:

- Contributions made by the regular budget to other general funds and funds not forming part of the General Fund including the ITC. The amount of such contribution is set by the ILC as part of its adoption to the ILO regular budget.
- Contributions made by each segment to the other funds forming part of the General Fund segment. These include contributions to the ILO Staff Health Insurance Fund to match contributions made by active employees and retirees (twice amount contributed by retiree), to the Terminal Benefits Fund and the Compensation Fund at rates established by the ILO Governing Body.

- Charges for programme support services provided by the other segments to extra-budgetary projects at rates established in agreements with individual donors.
- Charges for training services provided the ITC to the ILO are calculated based upon actual costs incurred by the ITC.

International Labour Organization

Statement I (UNSAS format)

Statement of income and expenditure and changes in reserves and fund balances for the period of 1 January 2010 to 31 December 2010 (US$ millions)

	General Fund		Non-General Funds		Extra-budgetary		Inter-segment		Total ILO	
	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)
Income										
Assessed contributions from member States	377.5	723.5	–	–	–	–	–	–	377.5	723.5
Change in provision for assessed contributions receivable	(1.0)	67.3	–	–	–	–	–	–	(1.0)	67.3
Voluntary contributions	27.2	45.4	16.2	42.7	241.6	461.6	–	–	285.0	549.7
ITC training services	–	–	28.4	58.6	–	–	(8.8)	(17.7)	19.6	40.9
Programme support income	22.3	42.1	0.5	0.9	–	–	(22.8)	(43.0)	–	–
Staff/retiree employee benefit contributions	19.2	34.6	–	–	–	–	–	–	19.2	34.6
Sales and royalties	5.8	9.0	2.4	4.8	0.4	0.1	(0.9)	(1.5)	7.7	12.4
Investment income	2.9	12.4	1.1	0.2	–	4.9	–	–	4.0	17.5
Contribution inter-segment	34.9	62.5	6.2	10.6	–	–	(41.1)	(73.1)	–	–
Exchange gain (loss) and revaluation, net	7.0	10.4	0.3	(0.8)	(0.1)	(1.0)	–	–	7.2	8.6
Other income	2.2	2.3	1.6	3.7	–	–	–	–	3.8	6.0
Total income	**498.0**	**1 009.5**	**56.7**	**120.7**	**241.9**	**465.6**	**(73.6)**	**(135.3)**	**723.0**	**1 460.5**
Expenditure										
Staff costs	290.3	529.1	28.5	59.6	86.9	150.3	(15.9)	(29.1)	389.8	709.9
Travel	14.6	30.4	5.6	14.2	11.1	20.9	–	–	31.3	65.5

	General Fund		**Non-General Funds**		**Extra-budgetary**		**Inter-segment**		**Total ILO**	
	2010	**2008–09 restated (24 months)**	**2010**	**2008–09 restated (24 months)**	**2010**	**2008–09 restated (24 months)**	**2010**	**2008–09 restated (24 months)**	**2010**	**2008–09 restated (24 months)**
Subcontracts	21.2	50.9	9.2	17.6	61.2	115.3	(0.6)	(1.3)	91.0	182.5
General operating expenses	29.8	55.7	5.2	11.0	11.6	19.8	(0.1)	(0.1)	46.5	86.4
Consumable supplies	1.8	4.6	1.7	3.4	0.3	0.2	–	–	3.8	8.2
Equipment	2.3	9.0	0.8	1.2	8.6	7.5	–	–	11.7	17.7
Seminars, workshops and other training	13.2	37.7	4.7	11.1	34.9	58.9	(8.8)	(17.4)	44.0	90.3
Staff development	3.9	9.6	–	–	–	–	–	–	3.9	9.6
Health benefits	38.8	68.6	–	–	–	–	–	–	38.8	68.6
Contributions and grants in aid	27.7	51.3	–	–	4.5	4.9	(25.4)	(44.4)	6.8	11.8
Programme support cost	–	–	–	–	22.8	43.0	(22.8)	(43.0)	–	–
Finance costs	2.7	8.0	0.1	0.2	–	0.7	–	–	2.8	8.9
Other expenses	0.2	2.1	–	1.6	–	–	–	–	0.2	3.7
Total expenditure	**446.5**	**857.0**	**55.8**	**119.9**	**241.9**	**421.5**	**(73.6)**	**(135.3)**	**670.6**	**1 263.1**
Excess (shortfall) of income over expenditure	**51.5**	**152.5**	**0.9**	**0.8**	**–**	**44.1**	**–**	**–**	**52.4**	**197.4**
Prior period adjustments	–	15.7	–	20.9	–	–	–	–	–	36.6
Change of reserve for derivatives	(8.0)	6.6	–	–	–	–	–	–	(8.0)	6.6
Change of revaluation surplus of land and buildings	42.9	–	–	–	–	–	–	–	42.9	–
Actuarial gain (loss) incurred of ASHI liability	(67.3)	–	–	–	–	–	–	–	(67.3	–
Transfer to liabilities due to member States and donors	11.6	(2.9)	–	–	–	(44.1)	–	–	11.6	(47.0)
Change of accounting policy	–	(180.8)	–	(3.6)	–	–	–	–	–	(184.4)
Translation difference	–	–	(1.7)	(0.2)	–	–	–	–	(1.7)	(0.2)

	General Fund		Non-General Funds		Extra-budgetary		Inter-segment		Total ILO	
	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)	2010	2008–09 restated (24 months)
Reserves and fund balances at beginning of period	**201.6**	**210.5**	**32.2**	**14.3**	**–**	**–**	**–**	**–**	**233.8**	**224.8**
Reserves and fund balances at end of period	**232.3**	**201.6**	**31.4**	**32.2**	**–**	**–**	**–**	**–**	**263.7**	**233.8**

International Labour Organization
Statement II (UNSAS format)
Statement of assets, liabilities and reserves and fund balances
as at 31 December 2010 (US$ millions)

	Note	General Fund		Non-General Funds		Extra-budgetary		Inter-segment		Total ILO	
		2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
Assets											
Current assets											
Cash and cash equivalents	6, 21	359.3	326.1	19.2	27.3	205.8	219.7	–	–	584.3	573.1
Assessed contributions receivable	7, 21	50.2	36.1	–	–	–	–	–	–	50.2	36.1
Voluntary contributions receivable	8	5.2	–	1.2	–	256.4	–	–	–	262.8	–
Derivative assets	21	2.9	1.1	–	–	–	–	–	–	2.9	1.1
Other receivables	9, 21	11.5	9.4	7.1	7.5	(0.5)	0.6	(0.9)	(0.1)	17.2	17.4
Other current assets	10	9.7	8.6	0.4	0.4	2.1	0.3	–	–	12.2	9.3
		438.8	381.3	27.9	35.2	463.8	220.6	(0.9)	(0.1)	929.6	637.0
Non–current assets											
Assessed contributions receivable	7, 21	16.7	13.6	–	–	–	–	–	–	16.7	13.6
Voluntary contributions receivable	7, 21	–	–	–	–	91.7	–	–	–	91.7	–
Investments	11, 21	69.6	65.7	14.6	9.1	–	–	–	–	84.2	74.8
Investments held for ITU	11, 21	10.6	9.9	–	–	–	–	–	–	10.6	9.9
Land and buildings	12	479.4	435.8	7.9	4.9	–	–	–	–	487.3	440.7

	Note	General Fund		Non-General Funds		Extra-budgetary		Inter-segment		Total ILO	
		2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
Other non–current assets		0.9	1.0	–	–	–	–	–	–	0.9	1.0
		577.2	526.0	22.5	14.0	91.7	–	–	–	691.4	540.0
Total assets		**1 016.0**	**907.3**	**50.4**	**49.2**	**555.5**	**220.6**	**(0.9)**	**(0.1)**	**1 621.0**	**1 177.0**
Liabilities											
Current liabilities											
Payables and unliquidated obligations	13, 21	26.0	30.5	3.9	4.0	4.1	0.9	–	(0.1)	34.0	35.3
Deferred revenue	14	27.7	31.2	10.9	9.2	249.6	–	–	–	288.2	40.4
Due to donors	15	–	–	0.5	0.2	201.9	212.1	–	–	202.4	212.3
Employee benefits	16	25.3	26.7	0.4	0.3	0.8	0.4	–	–	26.5	27.4
Current portion of long–term borrowings	17, 21	3.9	3.6	–	–	–	–	–	–	3.9	3.6
Due to member States	18	16.7	1.0	–	–	–	–	–	–	16.7	1.0
Derivative liabilities	21	16.7	3.6	–	–	–	–	–	–	16.7	3.6
Other current liabilities	19	1.7	0.8	–	–	0.2	0.5	(0.9)	–	1.0	1.3
		118.0	97.4	15.7	13.7	456.6	213.9	(0.9)	(0.1)	589.4	324.9
Non-current liabilities											
Deferred revenue	14	–	–	–	–	91.7	–	–	–	91.7	–
Employee benefits	16	615.5	529.1	3.3	3.3	7.2	6.7	–	–	626.0	539.1
Long–term borrowings	17, 21	42.5	39.3	–	–	–	–	–	–	42.5	39.3
Due to member States	18	0.9	29.4	–	–	–	–	–	–	0.9	29.4
Derivative liabilities	21	–	3.6	–	–	–	–	–	–	–	3.6
Funds held on behalf of ITU	20	6.8	6.9	–	–	–	–	–	–	6.8	6.9

	Note	General Fund		Non-General Funds		Extra-budgetary		Inter-segment		Total ILO	
		2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
		665.7	608.3	3.3	3.3	98.9	6.7	–	–	767.9	618.3
Total liabilities		**783.7**	**705.7**	**19.0**	**17.0**	**555.5**	**220.6**	**(0.9)**	**(0.1)**	**1 357.3**	**943.2**
Total reserves		171.5	155.8	2.7	2.7	–	–	–	–	174.2	158.5
Total accumulated fund balances		60.8	45.8	28.7	29.5	–	–	–	–	89.5	75.3
Total reserve and fund balances		**232.3**	**201.6**	**31.4**	**32.2**	**–**	**–**	**–**	**–**	**263.7**	**233.8**
Total liabilities, reserves and fund balances		**1 016.0**	**907.3**	**50.4**	**49.2**	**555.5**	**220.6**	**(0.9)**	**(0.1)**	**1 621.0**	**1 177.0**

Note 28

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary for the biennium ending 31 December 2011 (in Swiss francs)

Details	Amount due as at 1.1.2010 [1]	Assessed Contributions 2010	Total Amounts due	Amount received or credited [2] to 31.12.2010	Balance due as at 31.12.2010
I. Assessed contributions for 2010:					
Assessed with the budget	–	388 797 698	388 797 698	351 447 354	37 350 344
Total assessed contributions for 2010	–	388 797 698	388 797 698	351 447 354	37 350 344
II. Arrears or contributions and amounts due for prior periods of membership:					
A. Arrears of contributions due by member States	65 317 344		65 317 344	26 807 362	38 509 982
B. Amounts due by member States for prior periods of membership in the ILO	245 066		245 066	–	245 066
C. Amounts due by States when they ceased to be Members of the ILO	6 370 623		6 370 623	–	6 370 623
Total arrears of contributions and amounts due for prior periods of membership in the ILO	71 933 033	–	71 933 033	26 807 362	45 125 671
Total 2010	**71 933 033**	**388 797 698**	**460 730 731**	**378 254 716**	**82 476 015**
Total 2008–09	91 060 254	789 343 955	880 404 209	808 471 176	71 933 033

Balance in US dollars at the United Nations rate of exchange for 31 December 2010 (0.951 Swiss francs to the US dollar)	86 725 568
Less prepayments of financial arrangements	(1 812 950)
Balance assessed contribution of member States in US dollars	84 912 618

[1] Excludes assessed contributions for 2010

[2] Includes amounts totalling 1,046,932 Swiss francs credited to member States in respect of:

	in Swiss francs
The incentive scheme for 2008	715 110
50 per cent of the net premium earned in previous financial periods	59 230
Surplus for previous financial periods	272 592
	1 046 932

Note 29

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010
(in Swiss francs)

State	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Assessed contributions Amount [3]	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
Afghanistan	0.001	3 888	3 874	14	7	7	–	*2010*	14
Albania	0.006	23 328	23 328	–	–	–	–		–
Algeria	0.085	330 476	330 476	–	–	–	–		–
Angola	0.003	11 664	11 664	–	–	–	–		–
Antigua and Barbuda [2]	0.002	7 776	1 240	6 536	315 946	–	315 946	*1992–2010*	322 482
Argentina	0.325	1 263 584	1 193 566	70 018	–	–	–	*2010*	70 018
Armenia [1]	0.002	7 776	7 776	–	1 671 666	72 000	1 599 666	*1993–2004*	1 599 666
Australia	1.788	6 951 658	6 951 658	–	–	–	–		–
Austria	0.888	3 452 501	3 452 501	–	–	–	–		–
Azerbaijan [1]	0.005	19 440	19 440	–	3 362 228	70 784	3 291 444	*1993–2005*	3 291 444
Bahamas	0.016	62 207	62 207	–	–	–	–		–
Bahrain	0.033	128 302	128 302	–	–	–	–		–
Bangladesh	0.010	38 879	38 879	–	–	–	–		–
Barbados	0.009	34 992	34 992	–	–	–	–		–
Belarus [1]	0.020	77 759	77 759	–	1 261 971	157 746	1 104 225	*1996–97*	1 104 225
Belgium	1.103	4 288 411	4 288 411	–	–	–	–		–
Belize	0.001	3 888	1	3 887	3 911	–	3 911	*2009–10*	7 798
Benin	0.001	3 888	3 888	–	–	–	–		–
Bolivia, Plurinational State of	0.006	23 328	23 328	–	–	–	–		–
Bosnia and Herzegovina	0.006	23 328	23 328	–	–	–	–		–
Botswana	0.014	54 431	54 431	–	55 137	55 137	–		–
Brazil	0.877	3 409 734	54 908	3 354 826	474 918	–	474 918	*2009–10*	3 829 744
Brunei Darussalam	0.026	101 087	101 087	–	–	–	–		–
Bulgaria	0.020	77 759	77 759	–	–	–	–		–
Burkina Faso	0.002	7 776	7 776	–	–	–	–		–
Burundi [2]	0.001	3 888	–	3 888	11 580	3 918	7 662	*2008–10*	11 550
Cambodia [1]	0.001	3 888	3 888	–	135 304	27 062	108 242	*1991–94*	108 242

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010 (in Swiss francs)

State	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Assessed contributions Amount (3)	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
Cameroon	0.009	34 992	–	34 992	35 533	–	35 533	*2009–10*	70 525
Canada	2.978	11 578 321	11 578 321	–	–	–	–		–
Cape Verde (2)	0.001	3 888	–	3 888	103 584	5 859	97 725	*1994–96+2005–10*	101 613
Central African Republic (1)	0.001	3 888	3 888	–	114 688	8 192	106 496	*1996–2000+2004–07*	106 496
Chad	0.001	3 888	41	3 847	6	–	6	*2009–10*	3 853
Chile	0.161	625 960	625 960	–	–	–	–		–
China	2.668	10 373 056	10 373 056	–	–	–	–		–
Colombia	0.105	408 235	408 235	–	9 743	9 743	–		–
Comoros (2)	0.001	3 888	–	3 888	516 654	17 975	498 679	*1983–2010*	502 567
Congo	0.001	3 888	3 888	–	–	–	–		–
Costa Rica	0.032	124 414	74 516	49 898	19 735	19 735	–	*2010–11*	49 898
Côte d'Ivoire	0.009	34 992	291	34 701	70 087	–	70 087	*2008–10*	104 788
Croatia	0.050	194 398	194 398	–	–	–	–		–
Cuba	0.054	209 949	385	209 564	213 128	213 118	10	*2009–10*	209 574
Cyprus	0.044	171 070	171 070	–	–	–	–		–
Czech Republic	0.281	1 092 514	1 092 514	–	–	–	–		–
Democratic Republic of the Congo	0.003	11 664	2 555	9 109	11 594	–	11 594	*2009–10*	20 703
Denmark	0.739	2 873 196	2 873 196	–	–	–	–		–
Djibouti (2)	0.001	3 888	–	3 888	114 035	–	114 035	*1995–2010*	117 923
Dominica (2)	0.001	3 888	21	3 867	14 890	–	14 890	*2006–10*	18 757
Dominican Republic	0.024	93 311	334	92 977	94 314	92 977	1 337	*2009–10*	94 314
Ecuador	0.021	81 647	33 356	48 291	68 267	68 267	–	*2010*	48 291
Egypt	0.088	342 140	342 140	–	–	–	–		–
El Salvador	0.020	77 759	2 276	75 483	85 089	85 089	–	*2010*	75 483
Equatorial Guinea	0.002	7 776	3 418	4 358	–	–	–	*2010*	4 358
Eritrea	0.001	3 888	3 888	–	–	–	–		–
Estonia	0.016	62 207	62 207	–	–	–	–		–
Ethiopia	0.003	11 664	11 664	–	–	–	–		–
Fiji	0.003	11 664	11 664	–	–	–	–		–

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010 (in Swiss francs)

State	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Amount [3]	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
Finland	0.564	2 192 805	2 192 805	–	–	–	–		–
France	6.304	24 509 649	24 509 649	–	–	–	–		–
Gabon	0.008	31 104	31 104	–	–	–	–		–
Gambia [2]	0.001	3 888	–	3 888	78 806	41 152	37 654	*1999–2010*	41 542
Georgia [1]	0.003	11 664	11 664	–	2 841 509	61 438	2 780 071	*1993–2004*	2 780 071
Germany	8.581	33 362 516	33 362 516	–	–	–	–		–
Ghana	0.004	15 552	15 552	–	14 158	14 158	–		–
Greece	0.596	2 317 219	1 260 032	1 057 187	281 775	281 775	–	*2010*	1 057 187
Grenada	0.001	3 888	–	3 888	–	–	–	*2010*	3 888
Guatemala	0.032	124 414	124 414	–	–	–	–		–
Guinea	0.001	3 888	3 888	–	–	–	–		–
Guinea–Bissau [2]	0.001	3 888	–	3 888	249 189	–	249 189	*1992–2001+2003–10*	253 077
Guyana	0.001	3 888	3 888	–	–	–	–		–
Haiti	0.002	7 776	–	7 776	–	–	–	*2010*	7 776
Honduras	0.005	19 440	19 440	–	–	–	–		–
Hungary	0.244	948 660	948 660	–	–	–	–		–
Iceland	0.037	143 854	143 854	–	–	–	–		–
India	0.450	1 749 578	1 749 578	–	–	–	–		–
Indonesia	0.161	625 960	625 960	–	–	–	–		–
Iran, Islamic Republic of	0.180	699 831	5 929	693 902	825 290	661 651	163 639	*2009–10*	857 541
Iraq [1]	0.015	58 319	58 319	–	5 485 859	304 770	5 181 089	*1991–2007*	5 181 089
Ireland	0.445	1 730 139	1 730 132	7	7	7	–	*2010*	7
Israel	0.419	1 629 052	1 629 052	–	–	–	–		–
Italy	5.081	19 754 684	19 754 684	–	–	–	–		–
Jamaica	0.010	38 879	334	38 545	–	–	–	*2010*	38 545
Japan	16.631	64 660 530	64 660 530	–	–	–	–		–
Jordan	0.012	46 655	46 655	–	381	381	–		–
Kazakhstan [1]	0.029	112 751	112 751	–	2 830 692	257 335	2 573 357	*1995–99*	2 573 357
Kenya	0.010	38 879	17 587	21 292	–	–	–	*2010*	21 292
Kiribati	0.001	3 888	33	3 855	2 428	–	2 428	*2009–10*	6 283

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010 (in Swiss francs)

State	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Assessed contributions Amount (3)	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
Korea, Republic of	2.174	8 452 408	4 163 816	4 288 592	3 772 944	3 772 944	–	*2010*	4 288 592
Kuwait	0.182	707 607	707 607	–	–	–	–		–
Kyrgyzstan (2)	0.001	3 888	–	3 888	1 143 746	3 655	1 140 091	*1992–2010*	1 143 979
Lao People's Democratic Republic	0.001	3 888	3 888	–	3 853	3 853	–		–
Latvia	0.018	69 983	69 983	–	–	–	–		–
Lebanon	0.034	132 190	2 167	130 023	166 791	166 791	–	*2010*	130 023
Lesotho	0.001	3 888	12	3 876	–	–	–	*2010*	3 876
Liberia (1)	0.001	3 888	3 888	–	142 308	23 121	119 187	*1996–99*	119 187
Libyan Arab Jamahiriya	0.062	241 053	–	241 053	959 296	822 995	136 301	*2009–10*	377 354
Lithuania	0.031	120 526	120 526	–	–	–	–		–
Luxembourg	0.085	330 476	330 476	–	–	–	–		–
Madagascar	0.002	7 776	6 865	911	–	–	–	*2010*	911
Malawi	0.001	3 888	46	3 842	–	–	–	*2010*	3 842
Malaysia	0.190	738 711	738 711	–	–	–	–		–
Maldives, Republic of (3)	0.001	6 386	–	6 386	–	–	–	*2009–10*	6 386
Mali	0.001	3 888	3 888	–	–	–	–		–
Malta	0.017	66 095	66 095	–	–	–	–		–
Marshall Islands	0.001	3 888	3 888	–	–	–	–		–
Mauritania	0.001	3 888	2 041	1 847	4 039	4 039	–	*2010*	1 847
Mauritius	0.011	42 767	42 767	–	–	–	–		–
Mexico	2.258	8 778 996	–	8 778 996	8 774 050	839 046	7 935 004	*2009–10*	16 714 000
Moldova, Republic of (1)	0.001	3 888	3 888	–	2 183 472	136 467	2 047 005	*1993–2004*	2 047 005
Mongolia	0.001	3 888	3 881	7	–	–	–	*2010*	7
Montenegro	0.001	3 888	–	3 888	3 947	3 888	59	*2009–10*	3 947
Morocco	0.042	163 294	163 294	–	–	–	–		–
Mozambique	0.001	3 888	3 881	7	–	–	–	*2010*	7
Myanmar	0.005	19 440	18 826	614	–	–	–	*2010*	614
Namibia	0.006	23 328	23 328	–	–	–	–		–
Nepal	0.003	11 664	11 664	–	–	–	–		–

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010 (in Swiss francs)

	2010 Assessed contributions				Amounts due for previous financial periods				
	Assessed contributions		Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010	Calendars years of Assessment	Total due as at 31.12.2010
State	%	Amount [3]							
Netherlands	1.874	7 286 022	7 286 022	–	–	–	–		–
New Zealand	0.256	995 316	995 316	–	–	–	–		–
Nicaragua	0.002	7 776	7 776	–	–	–	–		–
Niger	0.001	3 888	3 888	–	4 325	4 325	–		–
Nigeria	0.048	186 622	186 622	–	–	–	–		–
Norway	0.783	3 044 266	3 044 266	–	–	–	–		–
Oman	0.073	283 820	283 820	–	–	–	–		–
Pakistan	0.059	229 389	146 723	82 666	138 788	138 788	–	*2010*	82 666
Panama	0.023	89 423	89 423	–	25 104	25 104	–		–
Papua New Guinea	0.002	7 776	–	7 776	15 646	–	15 646	*2008–10*	23 422
Paraguay [1]	0.005	19 440	19 440	–	640 838	42 723	598 115	*1985–90+1998–2003*	598 115
Peru	0.078	303 260	823	302 437	593 274	300 139	293 135	*2009–10*	595 572
Philippines	0.078	303 260	303 260	–	–	–	–		–
Poland	0.501	1 947 864	1 947 864	–	–	–	–		–
Portugal	0.527	2 048 951	2 048 951	–	–	–	–		–
Qatar	0.085	330 476	330 476	–	–	–	–		–
Romania	0.070	272 157	272 157	–	–	–	–		–
Russian Federation	1.201	4 669 430	4 669 430	–	–	–	–		–
Rwanda	0.001	3 888	3 888	–	–	–	–		–
Saint Kitts and Nevis	0.001	3 888	3 888	–	–	–	–		–
Saint Lucia	0.001	3 888	3 888	–	–	–	–		–
Saint Vincent and the Grenadines	0.001	3 888	3 888	–	4 215	4 215	–		–
Samoa	0.001	3 888	3 888	–	–	–	–		–
San Marino	0.003	11 664	11 664	–	–	–	–		–
Sao Tome and Principe [2]	0.001	3 888	–	3 888	230 051	22 562	207 489	*1994–2010*	211 377
Saudi Arabia	0.748	2 908 188	2 908 188	–	–	–	–		–
Senegal	0.004	15 552	–	15 552	30 163	28 672	1 491	*2009–10*	17 043
Serbia	0.021	81 647	81 647	–	–	–	–		–
Seychelles	0.002	7 776	7 776	–	–	–	–		–

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010 (in Swiss francs)

State	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Assessed contributions Amount (3)	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
Sierra Leone (2)	0.001	3 888	–	3 888	412 021	3 421	408 600	*1986–2010*	412 488
Singapore	0.347	1 349 119	1 349 119	–	–	–	–		–
Slovakia	0.063	244 941	244 941	–	–	–	–		–
Slovenia	0.096	373 243	373 243	–	–	–	–		–
Solomon Islands (1)	0.001	3 888	1 246	2 642	25 631	3 205	22 426	*2001–07+2010*	25 068
Somalia (2)	0.001	3 888	–	3 888	381 738	–	381 738	*1988–2010*	385 626
South Africa	0.290	1 127 506	1 096 346	31 160	–	–	–	*2010*	31 160
Spain	2.969	11 543 329	11 543 329	–	–	–	–		–
Sri Lanka	0.016	62 207	62 207	–	–	–	–		–
Sudan	0.010	38 879	72	38 807	61 508	–	61 508	*2008–10*	100 315
Suriname	0.001	3 888	3 888	–	–	–	–		–
Swaziland	0.002	7 776	7 776	–	–	–	–		–
Sweden	1.072	4 167 885	4 167 885	–	–	–	–		–
Switzerland	1.217	4 731 638	4 731 638	–	–	–	–		–
Syrian Arab Republic	0.016	62 207	56 885	5 322	5 322	5 322	–	*2010*	5 322
Tajikistan (2)	0.001	3 888	–	3 888	571 146	3 947	567 199	*1994–2010*	571 087
Tanzania, United Republic of	0.006	23 328	19 999	3 329	–	–	–	*2010*	3 329
Thailand	0.186	723 159	723 159	–	–	–	–		–
The former Yugoslav Republic of Macedonia	0.005	19 440	1	19 439	–	–	–	*2010*	19 439
Timor–Leste	0.001	3 888	3 716	172	83	83	–	*2010*	172
Togo (1)	0.001	3 888	292	3 596	101 757	1 645	100 112	*1996–2004+2010*	103 708
Trinidad and Tobago	0.027	104 975	104 975	–	–	–	–		–
Tunisia	0.031	120 526	120 526	–	–	–	–		–
Turkey	0.381	1 481 310	1 481 310	–	–	–	–		–
Turkmenistan (2)	0.006	23 328	–	23 328	973 268	–	973 268	*1993–2010*	996 596
Tuvalu	0.001	3 888	3 888	–	6 309	6 309	–		–
Uganda	0.003	11 664	11 664	–	–	–	–		–
Ukraine (1)	0.045	174 958	174 958	–	3 164 719	–	3 164 719	*1998–99+2009*	3 164 719
United Arab Emirates	0.302	1 174 161	1 174 048	113	113	113	–	*2010*	113

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO – Summary ending 31 December 2010 (in Swiss francs)

State	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Amount (3)	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
United Kingdom	6.645	25 835 441	25 835 441	–	–	–	–		–
United States	22.000	85 534 944	68 538 451	16 996 493	17 294 102	17 294 102	–	*2010*	16 996 493
Uruguay	0.027	104 975	104 975	–	–	–	–		–
Uzbekistan (2)	0.008	31 104	–	31 104	1 519 435	31 104	1 488 331	*1997–2010*	1 519 435
Vanuatu	0.001	3 888	21	3 867	7 952	7 098	854	*2009–10*	4 721
Venezuela, Bolivarian Republic of	0.200	777 590	375 322	402 268	566 516	566 516	–	*2010*	402 268
Viet Nam	0.024	93 311	93 311	–	–	–	–		–
Yemen	0.007	27 216	13 071	14 145	10 894	10 894	–	*2010*	14 145
Zambia	0.001	3 888	11	3 877	3 871	–	3 871	*2009–10*	7 748
Zimbabwe	0.008	31 104	483	30 621	–	–	–	*2010*	30 621
Total member States	100.000	388 797 698	351 447 354	37 350 344	65 317 344	26 807 362	38 509 982		75 860 326

Details	2010 Assessed contributions				Amounts due for previous financial periods			Calendars years of Assessment	Total due as at 31.12.2010
	Assessed contributions %	Amount (3)	Amounts received or credited	Balance due as at 31.12.2010	Balance due as at 01.01.2010	Amount received in 2010	Balance due as at 31.12.2010		
Amounts due by States for prior periods of membership in the ILO									
Paraguay	–	–	–	–	245 066	–	245 066	*1937*	245 066
Total – Amounts by States for prior periods of membership in the ILO	–	–	–	–	245 066	–	245 066		245 066
Amounts due by States when they ceased to be members of the ILO									
Former Socialist Fed. Rep. of Yugoslavia (4)	–	–	–	–	6 370 623	–	6 370 623	*1989–01*	6 370 623
Total – Amounts due by States when they ceased to be members of the ILO	–	–	–	–	6 370 623	–	6 370 623		6 370 623
TOTAL	100.000	388 797 698	351 447 354	37 350 344	71 933 033	26 807 362	45 125 671		82 476 015

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

Member State	Session of Conference at which arrangement was approved	
Armenia	93rd	(2005)
Azerbaijan	95th	(2006)
Belarus	86th	(1998)
Cambodia	82nd	(1995)
Central African Republic	97th	(2008)
Georgia	93rd	(2005)
Iraq	97th	(2008)
Kazakhstan	88th (2000)	(2000)
Liberia	88th (2000)	(2000)
Moldova, Republic of	93rd (2005)	(2005)
Paraguay	92nd (2004)	(2004)
Solomon Islands	97th (2008)	(2008)
Togo	93rd (2005)	(2005)
Ukraine	99th (2010)	(2010)

(2) **Member States which are two years or more in arrears and which have lost the right to vote under 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 (2008–09). Each of these member States had therefore lost the right to vote in accordance with the provisions of paragraph 4 of article 13 of the Constitution of the Organization.
(3) Includes the Republic of Maldives' 2009 contribution of 2,498 Swiss francs assessed, after the adoption of the budget, the International Labour Conference at its 99th Session in June 2010. The Republic of Maldives joined the ILO on 15 May 2009.
(4) **Status of Yugoslavia.** The Former Socialist Federal Republic of Yugoslavia was deleted from the list of ILO member States on 24 November 2000.

6. Appendix

Additional unaudited information

Detail of net assets, revenue and expense by fund for 2010 (US$ thousands)

Net assets by fund	Net assets 31 Dec 09 (restated)	Revenue 2010	Expense 2010	Transfer to liabilities due to member States and donors	Adjustments to net assets	Net assets 31.12.2010
Regular budget	36 257	368 311	(337 598)	(19 825)	(9 543)	37 602
Land and buildings	392 914	(208)	(2 653)	–	42 913	432 966
Building Accommodation	64 960	12 064	(2 090)	12 841	–	87 775
RBSA	9 731	25 487	(12 631)	–	–	22 587
Programme Support Income	42 181	22 599	(23 342)	–	–	41 438
Publications	738	828	(738)	–	–	828
ITS	1 725	2	(23)	–	–	1 704
Gifts, grants and reimbursable costs	3 813	6 477	(4 511)	–	–	5 779
Prior period surplus	5 065	271	(599)	–	–	4 737
Special Programme Accounts	9 908	2 226	(1 973)	18 570	–	28 731
Working Capital	33 981	2 823	–	–	–	36 804
Income Adjustment Account	56 650	7 181	(569)	–	–	63 262
Terminal benefits	(12 675)	4 587	(5 257)	–	–	(13 345)
SHIF	35 503	44 687	(38 870)	–	1 569	42 889
ASHI liability	(481 061)	–	(15 160)		(67 337)	(563 558)
Other General Fund	1 946	1 094	(913)	–	–	2 127
Intra-segment elimination	–	(394)	394	–	–	–
Subtotal General Fund	**201 636**	**498 035**	**(446 533)**	**11 586**	**(32 398)**	**232 326**
ITC	18 755	50 670	(50 070)	–	(1 681)	17 674
IILS	12 357	2 377	(2 101)	–	–	12 633
CINTERFOR	309	1 297	(1 228)	–	–	378
CIS	907	110	(151)	–	–	866
Administrative Tribunal	(161)	2 291	(2 270)	–	–	(140)
Subtotal non-General Funds	**32 167**	**56 745**	**(55 820)**	**–**	**(1 681)**	**31 411**
UNDP	–	1 681	(1 681)	–	–	–
TC Project	–	240 221	(240 221)	–	–	–
Subtotal extra-budgetary	**–**	**241 902**	**(241 902)**	**–**	**–**	**–**
Inter-segment elimination	–	(73 623)	73 623	–	–	–
Total	**233 803**	**723 059**	**(670 632)**	**11 586**	**(34 079)**	**263 737**