



SEVENTH ITEM ON THE AGENDA

Amendments to the Financial Regulations

1. At its 297th Session (November 2006), the Governing Body approved the adoption by the ILO of the International Public Sector Accounting Standards (IPSAS) for the financial period beginning 1 January 2010.¹ At its 298th Session (March 2007), the Governing Body was informed that, based on information available at that time, no fundamental changes would be required to the Financial Regulations of the Office.²
2. IPSAS relates to financial reporting and will not change the underlying budgetary methodology nor the funding obligations of member States. The biennial financial period for budget purposes, the calculation of budgetary surpluses and deficits and the subsequent return of surplus funds to member States will remain unchanged.
3. The Office remains on schedule for implementation of IPSAS and has now completed its review of the Financial Regulations. Participation in the United Nations Task Force on Accounting Standards as well as consultations with the External Auditor and the Independent Oversight Advisory Committee have identified the need for a number of amendments to the Financial Regulations to ensure consistency with IPSAS.
4. The principal changes to the Financial Regulations relate to the need to produce annual financial statements. In addition, although not prescribed in IPSAS, an annual audit is considered to be best practice. It is strongly recommended by United Nations auditors and is being implemented by most other UN organizations. The estimated increase in biennial audit fees of US\$300,000 will be included as a cost increase in the Programme and Budget for 2010–11.
5. The introduction of annual financial statements requires that provisions be made for their adoption by the International Labour Conference. Presently, a special half-day sitting of the Programme, Financial and Administrative Committee and of the Governing Body is organized every second year during the first week of the Conference to examine the biennial financial statements and the External Auditor's report for the biennium which are then forwarded to the Conference for adoption. Annual financial statements would require

¹ GB.297/PV, para. 212.

² GB.298/PFA/7.

that such a sitting take place each year and that the Conference consider the financial statements and the External Auditor's report under the standing agenda item "Programme and budget and other questions". The Office considers that this item could be accommodated within the work of the Finance Committee of Government Representatives each year. This would be consistent with good practice.

6. The proposed amendments to the Financial Regulations to implement the necessary changes are provided in Appendix I. Subject to the adoption of these amendments by the Conference, proposals for consequent amendments to the Financial Rules will be made to the Governing Body at its 306th Session (November 2009).

7. The Committee may therefore wish to recommend to the Governing Body that it propose to the International Labour Conference at its 98th Session (June 2009), the draft resolution in Appendix II amending the Financial Regulations.

Geneva, 27 January 2009.

Point for decision: Paragraph 7.

Appendix I

Amendments to the Financial Regulations of the International Labour Office

(additions are underlined and deletions are strikethrough)

Article 10

2. As soon as possible after the Conference has adopted the budget and the total amount appropriated has been apportioned among the Members of the Organization in the manner prescribed by the Conference, the Director-General shall transmit all relevant documents to the Members of the Organization, indicating that the contributions for the financial period are due and payable in Swiss francs on 1 January of each of the years to which they relate and requesting each Member to remit its contribution on or as soon as possible after the due date. The expenditure budget shall be converted from United States dollars into Swiss francs at the budgetary rate of exchange.

Comment: Clarifies that the conversion of the amount payable by member States is converted from the budget as adopted in US dollars to Swiss francs at the budgetary rate of exchange. The change is made necessary by the need to delete article 10, paragraph 5 (see below).

~~5.—All contributions due in a financial period shall be recorded as income in that financial period and shall be accounted for in United States dollars at the budget rate of exchange for that financial period.~~

Comments: Deletion of this paragraph avoids a conflict with IPSAS which requires that transactions be reported in the financial statements at the rate of exchange in effect on the date of the transaction. The budgetary methodology is established in the revision to article 10, paragraph 2, above and the existing article 18.

~~6.5.~~ The Director-General shall present to each session of the Governing Body a statement of the financial position assessed contributions made by member States and budgetary income and expenditure of the Organization. A similar statement shall be presented annually to the Conference.

Comments: Clarifies the content of the interim reporting to each session of the Governing Body and avoids potential confusion with IPSAS terminology.

~~7.6.~~ Any payment in respect of contributions made by a Member of the Organization which has not paid in full its contribution for previous calendar years shall, unless the Conference decides otherwise in particular cases, be credited against the earliest in date of such arrears, including amounts outstanding in relation to payment of contributions during former periods of membership, notwithstanding any expression of intention to the contrary by the debtor Member. Where arrears or such outstanding amounts have been consolidated, a Member of the Organization is required to pay its annual instalment in full before liquidating its current contribution for the year in question.

Comment: To renumber the paragraph.

Article 17

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and ~~unliquidated obligations covering goods received or services provided remaining unpaid as at the last day of the financial period. Such portion of appropriations as may be required to meet these unliquidated obligations shall remain available for 12 months, at the end of which~~ Once payment has been made against such obligations any remaining balances shall be credited to miscellaneous income.

Comments: Clarifies the provisions related to expense accruals. It conforms with current ILO practice which already complies with IPSAS. In addition, the limitation of 12 months to pay outstanding obligations is removed to ensure that the late submission of invoices, particularly from field operations, or delayed settlement of disputed invoices does not generate a claim on subsequent periods' appropriations.

Article 23

1. ~~The Director-General shall maintain such accounts as are necessary and shall prepare final accounts~~ financial statements for each ~~financial period~~ calendar year, showing:

- ~~(a) the income and expenditure of all funds;~~
- ~~(b) the status of appropriations, including—~~
 - ~~(i) the original budget appropriations;~~
 - ~~(ii) any supplementary appropriations;~~
 - ~~(iii) the appropriations as modified by any transfers;~~
 - ~~(iv) credits, if any, other than the appropriations voted by the International Labour Conference; and~~
 - ~~(v) the amounts charged against the appropriations and against any other credits;~~
- ~~(c) statements of assets and liabilities at the close of the financial period.~~

~~He shall also give such other information as may be necessary to indicate the current financial position of the Organization.~~

Comments: This article now provides for the preparation of annual financial statements. The detail following the introductory sentence is superfluous since, in order to comply with IPSAS, all of this detail must be reported.

2. The financial statements for the second year of the financial period shall include schedules of regular budget income and expenditure for the biennial financial period and the calculation of any surplus or deficit in accordance with article 10, paragraph 2, and article 18 of these Regulations.

Comment: Maintains the existing budgetary methodology, biennial reporting and calculation of surpluses or deficits based on specific articles of the Financial Regulations and clarifies that these schedules are within the scope of the audit.

Article 24

~~Besides the final accounts for the financial period, the Director-General shall inform the Governing Body of the position of the accounts at the end of each intervening year. For all entities for which the Governing Body adopts budgets for the financial period, the Director-General shall submit to the Governing Body, at the end of each financial period, a statement comparing the budget for each entity adjusted to include any transfers or supplementary appropriations authorized by the Governing Body with the actual income and expenditure for that entity.~~

Comments: Establishes the requirement for budgetary reporting and comparisons of budgeted and actual revenue and expenditure for all entities with approved budgets (i.e. CIS, CINTERFOR and IILS), in addition to the Regular Budget.

Article 26

~~The final accounts—financial statements of the Organization shall be presented in United States dollars and prepared in accordance with the accounting standards generally in use throughout the United Nations system. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary. Details of contributions assessed, received and outstanding shall be presented in Swiss francs in supporting schedules.~~

Comments: Changes final accounts to financial statements to be consistent with IPSAS and establishes the basis upon which the financial statements shall be prepared. Provides flexibility should the UN organizations decide to adopt other accounting standards in the future.

Article 27

~~The final accounts—financial statements shall be submitted to the External Auditor not later than 31 March following the end of the financial period to which they relate.~~

Comments: Changes final accounts to financial statements for consistency and eliminates the reference to the “financial” period which covers the biennium as per article 1.

Article 28

1. The Director-General shall submit the ~~final accounts—financial statements~~ for each ~~financial period—calendar year~~ and the External Auditor’s reports thereon to the Governing Body before 1 May of the year following the close of that ~~period—year~~.

2. The Governing Body shall forward them to the Conference, as provided for in article 38, for consideration at its next session.

Comments: Changes final accounts to financial statements for consistency. Establishes the requirement for annual financial statements.

Article 29

~~The final accounts—financial statements shall be adopted by the International Labour Conference.~~

Comment: Changes final accounts to financial statements for consistency.

Article 32

The Director-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization. A statement of such payments shall be submitted with the ~~final accounts~~ financial statements.

Comment: Changes final accounts to financial statements for consistency.

Article 33

The Director-General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets, other than arrears of contributions. A statement of all such losses written off during the financial period shall be submitted to the External Auditor with the ~~final accounts~~ financial statements.

Comment: Changes final accounts to financial statements for consistency.

Article 38

1. The External Auditor shall issue a report on the audit of the financial statements and relevant schedules reflecting the position of the final accounts for each financial period calendar year, which shall include such information as he deems necessary in regard to matters referred to in article 36, paragraph 2, and in the additional terms of reference.

Comment: Establishes the requirement for the annual statements to be audited.

Appendix II

Resolution to be submitted to the 98th Session of the International Labour Conference

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to ensure financial reporting complies with the International Public Sector Accounting Standards;

Decides to make the following amendments to the Financial Regulations:

(a) Paragraph 2 of article 10 shall read as follows:

2. As soon as possible after the Conference has adopted the budget and the total amount appropriated has been apportioned among the Members of the Organization in the manner prescribed by the Conference, the Director-General shall transmit all relevant documents to the Members of the Organization, indicating that the contributions for the financial period are due and payable in Swiss francs on 1 January of each of the years to which they relate and requesting each Member to remit its contribution on or as soon as possible after the due date. The expenditure budget shall be converted from United States dollars into Swiss francs at the budgetary rate of exchange.

(b) The present paragraph 5 of article 10 shall be deleted.

(c) Paragraph 6 of article 10 shall be renumbered as paragraph 5 and read as follows:

5. The Director-General shall present to each session of the Governing Body a statement of the assessed contributions made by member States and budgetary income and expenditure. A similar statement shall be presented annually to the Conference.

(d) The present paragraph 7 of article 10 shall be renumbered as paragraph 6 and remain unchanged.

(e) Paragraph 1 of article 17 shall read as follows:

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and obligations covering goods received or services provided remaining unpaid at the last day of the financial period. Once payment has been made against such obligations any remaining balances shall be credited to miscellaneous income.

(f) Paragraph 1 of article 23 shall read as follows:

1. The Director-General shall maintain such accounts as are necessary and shall prepare financial statements for each calendar year.

(g) A new paragraph 2 of article 23 shall read as follows:

2. The financial statements for the second year of the financial period shall include schedules of regular budget income and expenditure for the biennial financial period and the calculation of any surplus or deficit in accordance with article 10, paragraph 2, and article 18 of these Regulations.

(h) Article 24 shall read as follows:

For all entities for which the Governing Body adopts budgets for the financial period, the Director-General shall submit to the Governing Body, at the end of each financial period, a statement comparing the budget for each entity adjusted to include any transfers or supplementary appropriations authorized by the Governing Body with the actual income and expenditure for that entity.

(i) Article 26 shall read as follows:

The financial statements of the Organization shall be presented in United States dollars and prepared in accordance with the accounting standards generally in use throughout the United Nations system. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary. Details of contributions assessed, received and outstanding shall be presented in Swiss francs in supporting schedules.

(j) Article 27 shall read as follows:

The financial statements shall be submitted to the External Auditor not later than 31 March following the end of the period to which they relate.

(k) Article 28 shall read as follows:

1. The Director-General shall submit the financial statements for each calendar year and the External Auditor's reports thereon to the Governing Body before 1 May of the year following the close of that year.

2. The Governing Body shall forward them to the Conference, as provided for in article 38, for consideration at its next session.

(l) Article 29 shall read as follows:

The financial statements shall be adopted by the International Labour Conference.

(m) Article 32 shall read as follows:

The Director-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization. A statement of such payments shall be submitted with the financial statements.

(n) Article 33 shall read as follows:

The Director-General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets, other than arrears of contributions. A statement of all such losses written off during the financial period shall be submitted to the External Auditor with the financial statements.

(o) Paragraph 1 of article 38 shall read as follows:

1. The External Auditor shall issue a report on the audit of the financial statements and relevant schedules reflecting the position of the final accounts for each calendar year, which shall include such information as he deems necessary in regard to matters referred to in article 36, paragraph 2, and in the additional terms of reference.