International
Labour
Office

Geneva

Financial report and audited consolidated financial statements for the year ended 31 December 2012

and Report of the External Auditor

International Labour Organization

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1. Financial report on the 2012 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 his opinion thereon, is also submitted to the Governing Body in accordance with article 28 of the Financial Regulations. The 2012 consolidated financial statements have been prepared based upon the International Public Sector Accounting Standards (IPSAS).

2. The financial statements consolidate all of the operations under the direct authority of the Director-General including the regular budget, reserves, extra-budgetary funded activities, Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), International Occupational Safety and Health Information Centre (CIS), International Institute for Labour Studies (IILS) and the International Training Centre of the ILO (ITC) along with the Administrative Tribunal of the ILO and the portion of the Staff Health Insurance Fund (SHIF) activities related to ILO officials and retirees.

3. This is the first year in which the financial statements have been fully compliant with IPSAS. The ILO has been implementing IPSAS on a progressive basis since 2009. The significant changes in accounting policies and in the financial statements implemented in 2012 in order to be fully compliant with IPSAS concern segment reporting and accounting for equipment and intangible assets.

4. Financial statements prepared under IPSAS provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of the Organization’s total resources. Additional information on revenue and expense can better support decision-making and enhance strategic planning.

5. The financial statements prepared under IPSAS use full accrual-based accounting which is a significant change from the modified cash basis of accounting applied under the United Nations System Accounting Standards (UNSAS) previously in use. Accrual-based accounting requires the recognition of transactions and events when they occur. Under IPSAS, revenue from voluntary contributions to technical cooperation is recognized when the ILO delivers the services specified in the agreement with the donor, rather than when cash is received. Expenses are recognized when services or goods are received or delivered rather than when cash is paid. The value of future employee benefits, such as accumulated leave, repatriation grants and travel and after-service health insurance (ASHI), is now recognized in the financial statements for the period when these benefits are earned by ILO staff rather than, as previously under UNSAS, when they were paid.

6. In accordance with the amendments to the Financial Regulations approved by the International Labour Conference in 2009, the 2012 consolidated financial statements are presented on an annual basis. Although the ILO has adopted an annual financial

reporting period as stipulated in article 23 of the Financial Regulations, the financial (budgetary) period remains a biennium (Financial Regulation, article 1). Therefore, for the purposes of actual versus budget comparisons, in Statements V-A to V-D the annual budget amounts for 2012 represent one half of the biennial programme and budget. The implementation of IPSAS has no impact on the preparation of the budget, which is still presented on a modified cash basis. As the basis of the budget and the financial statements differ, a reconciliation between the budget and the IPSAS statement of financial performance is presented in note 22 to the financial statements.

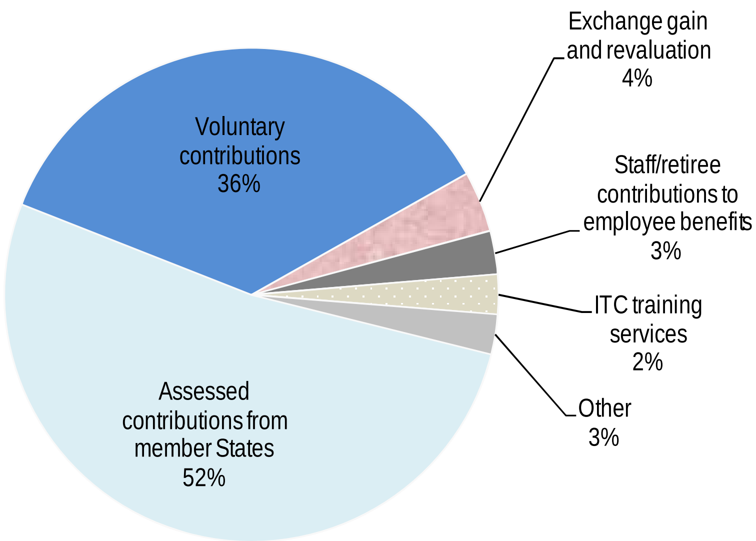
Financial results for 2012

7. The financial situation of the ILO remained positive in 2012 based upon financial results as follows:

2012 financial highlights (in millions of US dollars)

	2012	2011
Total revenue	735.2	753.5
Total expense	689.0	758.2
Surplus/(deficit)	46.2	(4.7)
Net assets	17.8	73.6

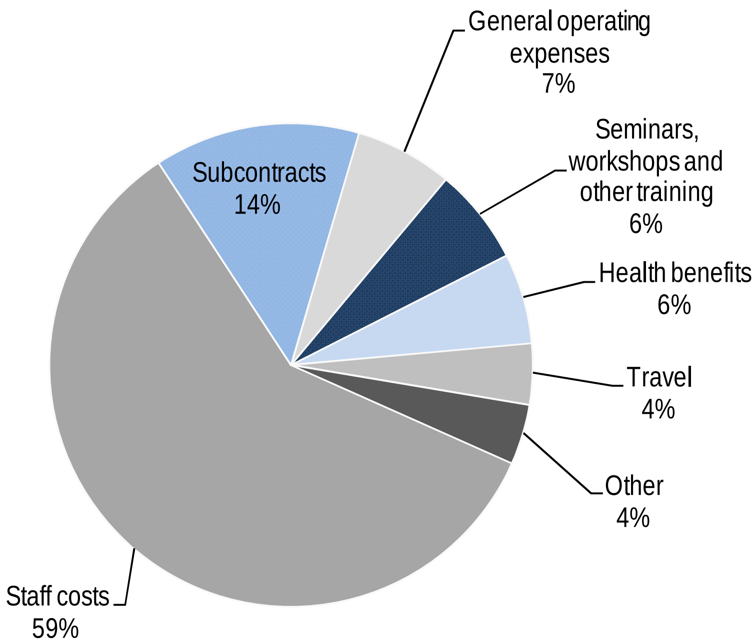
8. **Total revenue:** Revenue in 2012 totalled US$735.2 million (US$753.5 million in 2011) as follows:



9. The two principal sources of revenue were assessed contributions from member States of US$382.9 million and voluntary contributions of US$263.7 million. These represent 88 per cent of ILO sources of revenue. The decrease in total revenue of US$18.3 million, or 2.4 per cent, as compared to 2011 was mainly caused by:

- a reduction in the assessed contributions of US$25.9 million, due to the reduction in the US dollar value of the assessed contributions;
- a reduction in revenue earned from voluntary contributions and ITC training services of US$13.1 million;
- an increase in exchange gain of US$16.5 million, caused primarily by gains on the monthly purchases of US dollars through the forward purchase agreements; and
- an increase in revenue from sales and royalties and of investment earnings of US$4.3 million.

10. **Total expenditure:** Expenses in 2012 totalled US$689 million (US$758.2 million in 2011) as follows:

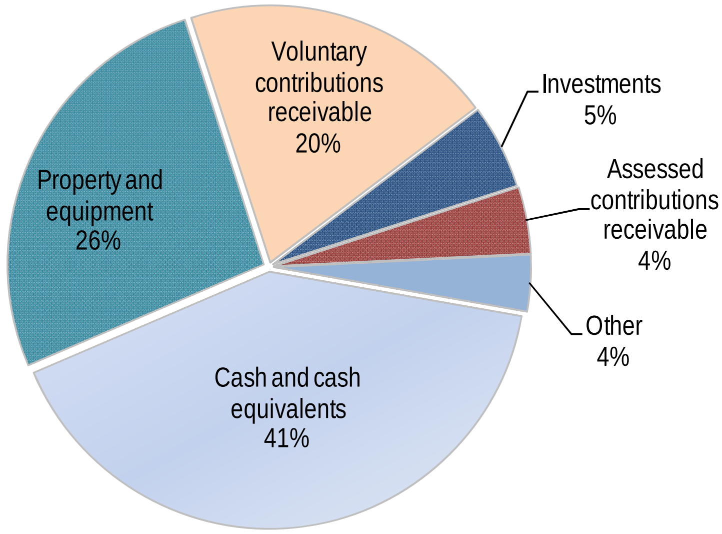


11. The main expense categories are staff costs of US$407.2 million, subcontracts of US$94.9 million, general operating expenses of US$45 million and seminars, workshops and other training activities of US$44.5 million. The decrease in total expenditure of US$69.2 million, or 9.1 per cent, as compared to 2011 was mainly due to:

- the ILO's historic pattern of lower expenditures in the first year of the biennium; and
- a reduction in Regular Budget Supplementary Account (RBSA) activities of US$10.3 million and US$10.7 million in ITC expenses.

12. **Operating result:** The consolidated surplus of revenue over expense in 2012, as measured under IPSAS, was US$46.2 million compared to an overall deficit of US$4.7 million in 2011, primarily as a result of lower expenditure levels in the regular budget.

13. **Assets:** Assets as of 31 December 2012 totalled US$1,646.8 million (US$1,583.3 million as at 31 December 2011) as follows:



14. The major assets at 31 December 2012 are cash, cash equivalents and investments totalling US$759.1 million and constitute 46.1 per cent of the total assets. Of this amount US$223.4 million, or 29.4 per cent, corresponds to funds held on behalf of donors for technical cooperation projects. The remaining assets consist principally of property and equipment totalling US$435.9 million, voluntary contributions receivable of US$324.2 million, net assessed contributions receivable of US$69.1 million.

15. **Cash, cash equivalents and investments:** Cash, cash equivalents (consisting of term deposits) and investments totalled US$759.1 million at 31 December 2012 with an increase of US$127.1 million over the balance held at the end of 2011.

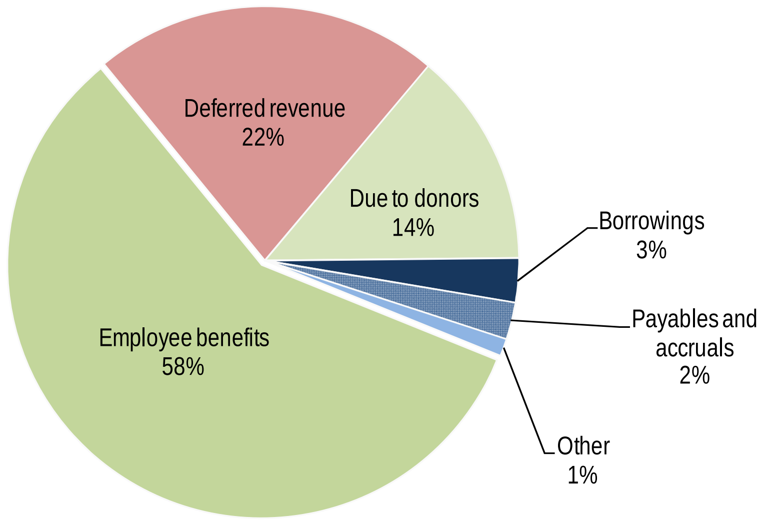
16. Cash and cash equivalents increased from US$548.4 million in 2011 to US$671.6 million in 2012. The increase of US$123.2 million was primarily the result of:

- the collection of arrears of assessed contributions by member States, reducing the net outstanding receivable by US$52.6 million;
- a lower rate of regular budget expenditure of US$38.6 million, typical in the first year of a biennium; and
- a higher level of funds held on behalf of technical cooperation project donors of US$13 million.

17. Investments, valued at market value, increased from US$83.6 million in 2011 to US$87.5 million in 2012. These investments include a fixed-income portfolio held on behalf of the SHIF, a fixed income and equity portfolio held on behalf of the IILS and the Nobel Prize fund, and an ILO short-term money market portfolio.

18. Total investment revenue, including interest on term deposits and current accounts, amounted to US$6.9 million (US$4 million in 2011). The increased revenue was the result of an increase in cash and cash equivalents held throughout 2012, increased duration of deposits which had been previously shortened in the wake of the financial crisis, and the negotiation of improved interest rates on certain investment accounts.

19. **Liabilities:** Liabilities as of 31 December 2012 totalled US$1,629 million (US$1,509.7 million as at 31 December 2011) as follows:



20. The most significant liabilities are the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total US$944.4 million, represent 58 per cent of ILO's total liabilities, and are explained in note 15 to the financial statements. Deferred revenue represents 22 per cent of liabilities and mainly consists of deferred voluntary contribution revenue of US$311.4 million, representing the amount receivable pending the completion of the performance required by agreements between the Organization and donor, and assessed contributions received in advance of US$38.1 million. The remaining liabilities consist of US$223.4 million of funds held on behalf of donors to technical cooperation projects, the balance of the Swiss franc loan due to the *Fondation des immeubles pour les organisations internationales* (FIPOI) of US$45.8 million, accounts payable and accruals of US$38.2 million and other liabilities.

21. **Net assets:** The movement in net assets during the year reflects a decrease from US$73.6 million in 2011 to US$17.8 million in 2012 as follows:

Movement in net assets (in millions of US dollars)

Net assets at 31 December 2011	73.6
Change in liability for after-service health insurance	-99.2
Operating surplus for 2012	46.2
Building revaluation	10.4
Forward purchase agreement value	-14.9
Other movements	1.7
Net assets at 31 December 2012	17.8

22. Details of net assets by fund are presented in the appendix to the financial statements.

Regular budget

23. The International Labour Conference, at its 100th Session (June 2011), approved an expenditure budget for the 2012–13 financial period, amounting to US$861,620,000 and an income budget for the period for the same amount, which at the budget rate of exchange for the period of 0.84 Swiss francs (CHF) to the US dollar, resulted in total assessed contributions of CHF723,760,800.

24. The regular budget continues to be prepared on a modified cash basis in accordance with the Financial Regulations. The overall budgetary results for the first 12 months of the 2012–13 financial period are summarized in Statement V-A with the details of contributions paid by member States shown in note 28 to the financial statements. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the Financial Regulations are explained in note 22.

25. Valued in US dollars at the budget rate of exchange and using the modified cash method of accounting, total budgetary income for 2012 amounted to US$430,810,000. Expenditure under the regular budget during 2012 amounted to US$388,977,373 resulting in a net surplus of US$41,832,627. When revalued at the rate of exchange in effect at the close of the financial period (CHF0.911 to the US dollar), the excess of income over expenditure amounts to US$38,572,345.These amounts represent the results for the first year of the biennium. The surplus is primarily due to the fact that the ILO historically spends less than one half of the biennial budget in the first year of the biennium.

26. Since the ILO does not prepare annual budgets, for the purpose of meeting the requirements of IPSAS, Statement V-A provides as a budget comparison one half of the approved biennial original budget. The results for 2012 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, that is 31 December 2013.

27. 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 contributions outstanding at 31 December 2012. Since the total contributions outstanding at 31 December 2012 amounted to CHF78,789,724, as compared with the total contributions outstanding at 31 December 2011 of CHF132,434,904, the provision required at 31 December 2012 was CHF53,645,180 less than the amount required at 31 December 2011. The net adjustment to income and expenditure was therefore a credit of US$58,886,037 (CHF53,645,180 at the 31 December 2012 rate of exchange).

28. In accordance with article 21.1, paragraph a, of the Financial Regulations, the Working Capital Fund was drawn upon to finance budgetary expenditure pending receipt of contributions due to the deficit that existed at the end of 2010–11. The deficit was financed utilizing the balance of the Working Capital Fund of CHF35,000,000 and internal borrowing for the balance of the shortfall of CHF14,763,441. In accordance with article 21.2, paragraph a, of the Financial Regulations, arrears of contributions received in 2012 of CHF49,763,441 (US$54,625,073 at the 31 December 2012 rate of exchange) were used to reimburse the Working Capital Fund and internal borrowings.

Non-General Funds managed by the ILO

29. The net assets of non-General Funds managed by the ILO amounted to US$32.2 million at 31 December 2012. They comprised funds belonging to units forming an integral part of the ILO, including the IILS, 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 covering 2012 are summarized in Statements V-B to V-D . Information on the overall budgetary results of the ITC, which has an annual budget approved by the ITC Board of Directors, are summarized in Statement V-E in euros (the functional currency of the ITC) and in US dollars. Information on the net assets of each fund is shown in the appendix to the financial statements. Significant variances between adopted budgets and actual expenditure for each of the 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$3,668,000 and expenses totalled US$3,434,000 for 2012. The net surplus was US$234,000 for 2012, a significant improvement over the deficit of US$625,000 anticipated in the adopted budget due primarily to lower than anticipated staff costs.
- CINTERFOR – The 2012 revenue of US$1,570,000 was US$8,000 lower than budgeted due primarily to lower than anticipated receipts from sales of publications and services and miscellaneous revenue. Expenses totalled US$1,636,000 or US$20,000 lower than anticipated, resulting in a net deficit for 2012 of US$66,000 which was financed from the Centre’s accumulated fund balance.
- CIS – Revenue of US$1,709,000 and expense of US$1,843,000 for 2012 resulted in a net deficit of US$134,000 which was financed from accumulated fund balances. The in-kind contributions from the regular budget amounted to US$1,631,000, US$298,000 lower than budgeted due to savings on costs of regular budget staff assigned to support the Centre. Extra-budgetary expenditures were US$163,000 lower than budgeted.
- ITC – Revenue for 2012 at €35.6 million (US$45.7 million) was significantly lower than the budget estimate due to lower than anticipated revenue from training activities and publication sales. Expenses totalled €34.3 million (US$44.1 million), €5.9 million (US$7.6 million) lower than budgeted, resulting in a surplus of €1 million (US$1.3 million) after adjustments to budgetary surplus for changes in provisions for doubtful debts and exchange gains and losses of €0.3 million (US$0.4 million). The resulting surplus of €975,000 compares favourably to the projected budget surplus of €35,000 (US$44,000).

Extra-budgetary funds

30. 2012 expenditure on extra-budgetary technical cooperation activities totalled US$240.6 million, of which US$3.8 million was financed by the United Nations Development Programme (UNDP) and US$236.8 million by other donors. Revenue from the Regular Budget Supplementary Account totalled US$13.9 million and expenditure US$12.4 million in 2012.

Ex gratia payments

31. During 2012, ex gratia payments of US$2,613 (US$1,981 in 2011) 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 2012

Auditor General of Canada
Vérificateur général du Canada

To the Governing Body of the International Labour Office

On 26 March 2007, at its 298th Session, the Governing Body of the International Labour Office (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 fourth audit conducted by the Auditor General of Canada on the ILO's financial statements. The following report contains the results of the audit and includes observations arising from the audit of the 2012 consolidated financial statements. It also contains observations and recommendations in three areas subject to performance audit work in 2012: after-service health insurance—long term funding strategy, headquarters building renovation project—governance, and information technology—governance. We would be pleased to elaborate on any of these points during the Governing Body meeting in June 2013.

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

Yours sincerely,

Michael Ferguson, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
30 April 2013

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 for the years ended 31 December 2012 and 31 December 2011 in accordance with International Public Sector Accounting Standards. This is the first year that the International Labour Organization is presenting its consolidated financial statements in accordance with the International Public Sector Accounting Standards.

We concluded that they present fairly, in all material respects, the ILO's consolidated financial position as at 31 December 2012 and 31 December 2011, its consolidated financial performance, consolidated cash flows, and the comparison of budget with actual amounts for the periods then ended in accordance with the International Public Sector Accounting Standards as set out in Note 2 to the consolidated 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 3. We also concluded that the transactions of the International Labour Organization (ILO) and its controlled entity, the International Training Centre (ITC), that have come to our notice have, in all significant respects, been in accordance with the Financial Regulations and their relevant legislative authority.

We examined the evaluations completed by the ILO of the last five standards in its gradual adoption of the International Public Sector Accounting Standards (IPSAS). Of these, two had an impact on the consolidated financial statements. We finished our review of the ILO's assessment of IPSAS 17—Property, Plant and Equipment started in 2011 as well as the implementation of IPSAS 18—Segment Reporting. For both of these standards, we agreed with management's proposed changes. We note that, going forward, it is vital for all administrative divisions to continue to be engaged in the redesign of the business processes and their impact on the accounting policies in the future as standards continue to evolve.

We continued to carry out audit work on the payroll application controls as well as follow-up on past work on human resources application and IT general controls of the ILO. We found control weaknesses in the segregation of duties and user access in the payroll application. We noted that progress has been made on addressing the control weaknesses identified in the past in both IT general controls and human resources application controls. We encourage management to continue their efforts in this area, and we will continue to monitor their progress.

Now that IPSAS has been fully adopted by the ILO, it is important for the organization to identify any lessons learned from this experience. IPSAS is an evolving reporting framework, and new standards are issued on a regular basis. ILO management should identify areas where improvements are still required, and what lessons can be drawn from this project in order to ensure that the difficulties encountered are not repeated in the future. This will help the ILO in its ongoing implementation of new standards starting in 2013.

The adoption of a new reporting framework resulted in a significant amount of new information being available and reported in the consolidated financial statements. The ILO should now assess how the IPSAS financial and non-financial information available could be used by management in carrying out its responsibilities.

In addition to the financial audit work, we examined the area of after-service health insurance (ASHI), in particular, its long-term funding implications to ILO. We assessed whether the ILO had a long-term funding strategy in place to address the future ASHI liability that takes into consideration the current budgetary constraints. We noted that the ILO should evaluate options for managing the long-term funding of its ASHI liability.

In 2012, we also examined the headquarters building renovation project, particularly in the area of governance. Our work focussed on determining whether the ILO has in place a sound governance framework for the overall renovation project. We found that the ILO has in place a governance framework; however, improvements are required. The project governance structure needs to be finalized, the roles and responsibilities need to be further clarified, and enhanced accountability reporting is required.

We also examined information technology, in particular, its governance. We examined at a high level whether the current IT governance structure, procurement process, and development standards were formalized and implemented in an efficient and effective manner. We found that with the current decentralized IT governance structure, there are duplicate services being provided by multiple departments. Portions of procurement are done independently, which is not the most efficient option in certain circumstances.

We followed up on our 2011 and previous years' recommendations in the areas of application controls—human resources, IT general controls—Oracle Enterprise Business Suite (IRIS), IPSAS—implementation, IPSAS—next steps, human resources—succession planning, human resources—training and development, performance measurement and reporting practices, and Internal Audit. We note that management has made further progress in addressing some of the recommendations, and we encourage them to continue their efforts.

2012 Annual Audit overview

Our mandate

1. The Office of the Auditor General of Canada (OAG) is an independent audit office and a world leader in legislative and environmental auditing. 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 OAG has more than 50 years of experience collaborating with international partners in developing professional standards, building capacity, sharing knowledge, and conducting audits of international institutions.

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

Scope and objectives of the audit

4. 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.

5. The objectives of the audit were to provide an independent opinion on whether

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

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

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

6. Our auditor's report addresses each of our audit objectives. We express an opinion on the ILO's consolidated financial statements as at 31 December 2012 and as at 31 December 2011, because the 2011 financial statements had been prepared based on the United Nations System Accounting Standards (UNSAS) and have since been modified to be IPSAS compliant. We conducted audit work to ensure that the 2011 comparative figures have been presented for in accordance with IPSAS.

Audit approach and auditor's responsibilities

7. 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.

8. 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.

9. 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.

10. A detailed report summarizing the business risks identified and other audit risks and our planned procedures to address each of these risks was prepared and discussed with ILO management and the Independent Oversight Advisory Committee (IOAC). We identified the key risks that could have an impact on the achievement of the fair presentation of the results of the ILO's consolidated operations and obtained an understanding of those risks that had implications for the consolidated financial statements. In identifying our audit risk, we considered the ILO risk register as presented in the Programme and Budget proposals for 2012–2013 as well as the internal auditor's risk register. We focused on areas with a higher risk of a material error or non-compliance with significant authority instruments, based on our understanding of the ILO and its controlled entity, the ITC, and their activities.

11. The audit plan was presented to ILO management and the IOAC at a meeting in September 2012 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: information technology—governance, after-service health insurance and its related funding, and headquarters building renovation project—governance. In its March 2013 report to the Governing Body, the IOAC reported that it was satisfied with the coverage of the external audit plan for 2012.

Audit results

12. We have issued an unqualified audit opinion on the ILO’s 2012 and 2011 consolidated financial statements. We concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the ILO and its controlled entity, the ITC, as at 31 December 2012 and as at 31 December 2011, and their consolidated financial performance, consolidated cash flows, and comparison of budget and actual amounts for the years then ended in accordance with the International Public Sector Accounting Standards (IPSAS) as set out in Note 2 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 3 to the consolidated financial statements.

14. We also concluded that the transactions of the ILO and its controlled entity, the ITC, that have come to our notice during our audits of the consolidated financial statements have, in all significant respects, been in accordance with the 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. We are pleased to report that there are no unresolved matters.

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, the provision for doubtful accounts relating to receivables, as well as the useful life of its property and equipment. When considering the reasonableness of these estimates, we reviewed the supporting working papers and documentation, performed recalculations, asked questions to experts, and performed other tests and procedures that we considered necessary in the circumstances. We relied on work of management’s valuation expert for the fair value of land and buildings and the actuary for the after-service health insurance liability. We accept management’s judgments and find them consistent with the corroborating evidence.

18. The ILO has reported in Statement V-A to the financial statements the comparison of the Regular Budget with the related actual revenues and expenditures for the first year of the 2012–2013 biennium. We are satisfied with the amounts and disclosures made in this statement.

Audit completion

19. This was the OAG Canada’s fourth audit of ILO financial statements. In 2012, we updated our description of the ILO financial reporting framework and its overall control environment. We acknowledge the investment of time afforded to us by the ILO and wish to express our appreciation to the Director-General, the Deputy Director-General, the Treasurer and Financial Comptroller, and their staff for the excellent cooperation we received throughout the audit.

Detailed report on audit results

20. 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 have also discussed this report with the Independent Oversight Advisory Committee. Significant issues identified during our audit and their resolutions are presented as follows.

21. 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 its staff. A management letter that summarizes these observations will be sent to management during the summer.

International Public Sector Accounting Standards—Full adoption in 2012

22. For 2012, the ILO is reporting for the first time under a new reporting framework—the International Public Sector Accounting Standards (IPSAS). In the past, the ILO was reporting under the United Nations System Accounting Standards (UNSAS) while gradually implementing specific IPSAS standards, which was permitted, under UNSAS. This year, the consolidated financial statements were prepared by applying all relevant IPSAS standards.

23. To complete the adoption in 2012, ILO management adopted the remaining five IPSAS, two of which had a significant impact on the consolidated financial statements.

24. The recognition of equipment and depreciation (IPSAS 17 – Property, plant and equipment) was adopted in 2012. This means that the ILO equipment excluding equipment purchased by technical co-operation funding now appears as an asset in the statement of financial position. Previously, ILO expensed all its equipment costs. The ILO has opted to apply the transition rules and as a result, only new purchases starting in 2012 are capitalized. This has resulted in additions in equipment of US$1.9 million being capitalized. In addition, depreciation is now calculated on all depreciable property and equipment. This change was adopted retrospectively in 2012; the impact was US$2.6 million in depreciation expense being reported for 2011 and US$1.9 million for 2012. We are satisfied with the presentation adopted by ILO management and that the required adjustments and disclosures under this IPSAS have been reflected in the notes.

25. ILO also adopted IPSAS 18 – Segment Reporting in the year. ILO identified 4 segments which are the activities used in the Biennial Programme and Budget: Policy making organs, Strategic objectives, Management services, and Other. The presentation of the segment information is reflected for both 2012 and 2011. We are satisfied with the disclosures and that the methodology applied by the ILO to derive the segment's information complies with the standard. These changes have been adequately explained in Note 3 of the ILO financial statements.

26. The ILO management prepared pro forma consolidated financial statements in late 2012, which permitted a timely review and feedback from the external auditors. We encourage the ILO to continue with this practice.

IT control environment

27. This year, we continued our review of IT application controls on the payroll process and also carried out a follow-up of our recommendations made to address internal control weaknesses found in the past on the IT application controls for human resources and IT general controls for the Oracle Enterprise Business Suite (known as IRIS). This work is being carried out with the objective of considering these IT controls for reliance on controls in future financial audits.

28. During our review, we noted control weaknesses in segregation of duties related to access rights for the payroll application controls in the payment area of Finance. We also noted inappropriate user access given to certain staff members within the payroll application; some of these could allow staff to update employee information without proper approval from human resources which could cause errors in employee pay.

29. We also followed up on our recommendations from our 2011 report on payroll controls within human resources as well as the IT general controls (see page 24 for follow-up). We assessed the progress management has made in addressing our recommendations, and we are satisfied with the actions taken to date and recognize that the changes to be put in place require a significant amount of efforts by IT and human resources staff.

30. The observations are communicated with the intention to improve internal controls and are areas of management processes that could affect the ILO's ability to ensure the integrity of data.

31. Until the control weaknesses identified in our IT audit work have been completely addressed, management cannot provide assurance that these controls are operating as designed and, as a result, we will not be able to rely on IT controls in our audit work.

32. Our review was to obtain an understanding of internal controls and assess them within the management processes and system configuration of IRIS for the purposes of the financial statement audit of the ILO. It should be noted that our review was not designed to and likely would not identify all of the weaknesses that might exist in these systems.

International Public Sector Accounting Standards—Lessons learned

33. In 2012, the ILO has fully adopted IPSAS as its reporting framework. The experience gained in the last four years of phased implementation will hopefully be useful to management moving forward. During the implementation phase, the ILO recognized in its consolidated financial statements many new assets, liabilities, revenues, and expenses. In particular, the following new financial items are now part of the statements:

   - assessed and voluntary contributions receivable;
   - inventories;
   - land and buildings at fair value as well as equipment; and
   - full accrual for revenues, expenses, and employee benefits.

   In addition, a significant amount of additional financial information is now included in the notes to the financial statements.

34. The ILO carried out a significant amount of work to identify the information required to meet the IPSAS. In certain cases, no information was available from the current systems and had to be built up. This was the case for many databases supporting various assumptions used in the actuarial valuation of ILO's after-service health insurance, as well as other employee benefits such as home leave, repatriation grant, and vacation leave balances. Adopting the IPSAS also required creating databases using information from various sources to derive the necessary information to recognized voluntary contributions. This required a significant amount of work, especially as some of this information came from the various field offices.

35. Discussions with management also revealed that during this process, they learned many new aspects about their own internal processes and internal controls, as well as their information systems. The implementation of IPSAS also had another benefit for the ILO, its departments and field offices started to understand that they are responsible for portions of the organizational processes leading to the completion of the financial statements. For example, before inventories were accounted for in the financial statements, the Publications section had never carried out an inventory and had never had to provide the Financial Services Department with any information on an annual basis. With the implementation of IPSAS, inventory counts are now part of the annual process of preparing the financial information that goes into the ILO financial statements. Another example relates to the voluntary contributions under the responsibility of PARDEV, which now has to work more closely with FINANCE to provide the information on its donor agreements in order for the voluntary contribution receivable to be recognized in the financial statements. The preparation of the financial statements is no longer just the business of finance.

36. In order for the ILO to understand the full benefits of the new reporting framework now being used and how the additional information gathered from the various departments can serve them in managing the organization, it is important to identify the lessons learned from the implementation of IPSAS.

37. This information on what went well and what did not go so well will be useful in assessing how the ILO did in comparison with what it expected and will highlight areas where further efforts might be required. It will also benefit them in implementing standards issued in the future or implementing changes to existing standards.

38. A lessons learned review can also highlight problems or limitations in obtaining information from the ILO's various information systems. This exercise may provide input in future work to streamline how the information is gathered. For example, the accrual of voluntary contributions currently requires a significant amount of manual effort to gather information available in the IT databases.

39. Now that each individual section of IPSAS has been implemented, it is important for the ILO to stand back and draw lessons learned from the exercise. The ILO also needs to assess whether the information it provides to the users, including the Governing Body in its consolidated financial statements, on an overall basis, conveys the messages and the financial information useful to the Governing Body in its governance role.

40. **Recommendation.** The ILO should conduct a lessons learned from the implementation of IPSAS, including how the implementation went. It should identify the benefits to the organization, the areas where improvements are still required, how the new information created for the financial statement can be used by management in decision making, and what lessons can be drawn from this project in order to ensure that difficulties encountered are avoided in the future.

ILO response. The recommendation is noted. We agree that a review of the IPSAS implementation process would be beneficial and this will be undertaken prior to the end of the current financial period.

International Public Sector Accounting Standards—Going forward

41. IPSAS standards are continually being reviewed by the accountancy profession. As a result, the reporting framework is evolving, and new standards or amendments to existing standards need to be reviewed and evaluated by the ILO and then adopted in its consolidated financial statements. Work will get under way shortly to evaluate the new standards that will be implemented in 2013. Three standards are anticipated to have a significant impact on the consolidated financial statements and relate to financial instruments presentation, recognition, measurement, and disclosure.

42. As the ILO's external auditor, we will continue to monitor the adoption of new standards and amendments to the already adopted IPSAS standards and proactively advise management and the Governing Body of our observations or concerns.

43. **Recommendation.** The ILO should continue to prepare for the new IPSAS standards that will be applied in 2013 and future years, including the preparation of pro forma financial statements, as required on a timely basis.

ILO response. The recommendation is noted. The assessment of new IPSAS to be implemented in 2013 has already commenced and the pro forma 2013 Financial Statements should be completed by the end of September 2013 for discussion with the External Auditor.

Other matters

44. In our performance audit work, we focus on areas where the ILO faces risks. For example, areas that represent significant cost that are financed by the Regular Budget, or areas that have the potential for improving results, such as financial management and controls, governance, or areas that are of interest to the Governing Body. In the current year, three areas were selected for review. Our observations are presented below.

After-service health insurance—Long-term funding strategy

45. The ILO provides health insurance to its active staff members, its retired officials, their dependents, and their survivors. This insurance is provided through the Staff Health Insurance Fund (SHIF).

46. SHIF was created in 1922 through a decision of a constitutive assembly of staff members. Its rules and regulations continue to centre on providing comprehensive worldwide health insurance coverage designed to substitute primary schemes associated with national social security systems. Initially, the Fund provided voluntary health insurance coverage to active staff members in Geneva only. This evolved into compulsory insurance coverage funded jointly—and equally—by the staff members themselves and by the ILO. Coverage was later extended to active staff members working in external offices, as well as to the dependants of active staff members.

47. In the early 1950s, retiring staff members were allowed the option of maintaining their SHIF coverage. Initially, they funded all of their own coverage, with no ILO participation. In 1965, the Governing Body approved the sharing of the cost of SHIF coverage for retired officials and their dependants. In 1952, the International Telecommunications Union (ITU) joined SHIF, with their staffs affiliated under the same terms and conditions as those applicable to the ILO staff. It should be noted that our review in 2012 is limited to the ILO insured group.

48. A management committee composed of eight titular members and eight substitute members, representing ILO and ITU insured persons and executive heads, manage the affairs of the Fund. The Committee's responsibilities include recommending SHIF policy with a view to ensuring that the Fund's financial viability is maintained.

49. As of 31 December 2012, the Fund provided coverage to about 11,000 people in the ILO insured group. Within this ILO insured group, some 70 percent—or about 7,650 people—are in the category of active staff members (and their dependants), and the remaining 3,350 people constitute the category of former officials (and their dependants). Over the 10-year period beginning 1 January 2002, the number of insured persons in the category of ILO former officials has risen by about 26 percent, while growth in the ILO active staff category has grown by 22 percent.

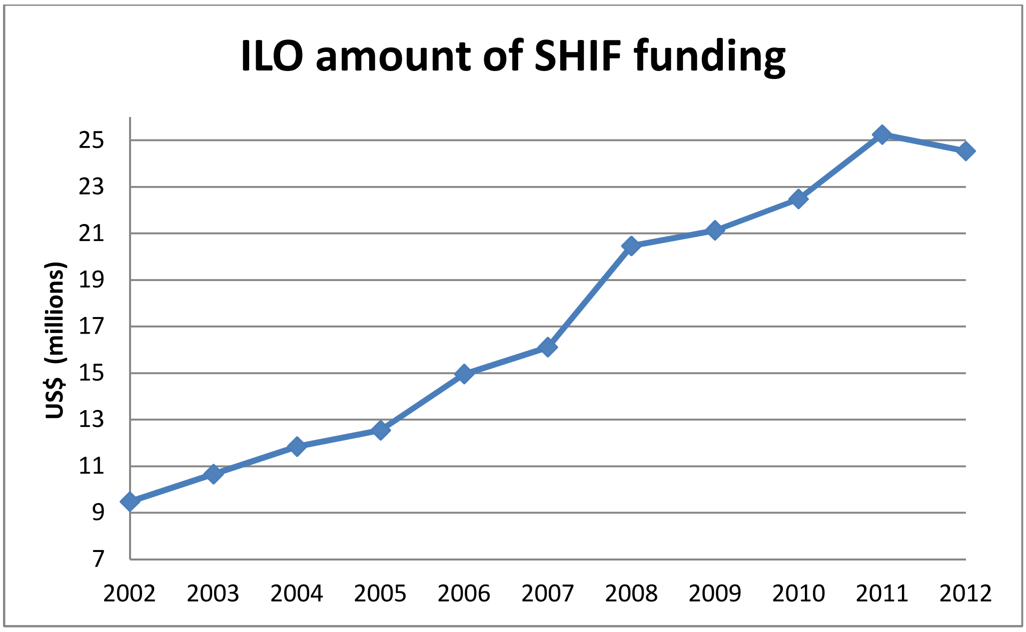
50. For the 2012 financial year, the ILO employer's share of SHIF funding was approximately US$24.5 million; that is, roughly 55 percent of total funding for the ILO insured group. The balance of the SHIF funding comes from the insured persons themselves.

51. The ILO's share of SHIF funding is an expenditure against the Organization's Regular Budget or extra-budgetary resources and is thus financed by the member States through their biennial assessed contributions or by donors through their voluntary contributions. In addition, as at 31 December 2012, the total liability associated with providing after-service health insurance (ASHI) coverage is estimated at US$857.6 million. This amount has significantly increased in the past 10 years as a result of changes in financial market conditions (that is, the discount rate and exchange rates) and increased life expectancy of the insured persons.

ILO's annual expenditure

52. In order to better understand the financial impact on the ILO, we reviewed the cost incurred and its impact on the ILO's share of SHIF funding from the Regular Budget. This amount represents one of the larger components of ILO staff costs. The following chart shows the growth, over the 10-year period beginning 1 January 2002, of the ILO share of the "pay as you go" SHIF funding. In any given year, the ILO follows a "pay as you go" funding method. This means that the premiums are set to cover the current service cost as well as to maintain the required balance in the SHIF Guarantee Fund.

53. To date, the cost of SHIF funding has increased as follows:



Source: Annual Reports on the Activities of the Fund

54. The ILO and staff currently fund the Staff Health Insurance Fund (SHIF) on a "pay as you go" basis, to cover its share of projected reimbursements of medical costs to insured persons (amounting to some US$41.6 million in 2012) and to maintain the Fund's solvency. Under the SHIF Regulations and Administrative Rules, its solvency is maintained in a dedicated Guarantee Fund, whose purpose is to ensure a minimum amount of operating cash is available to SHIF to fulfill short-term obligations should claims exceed income. As at 31 December 2012, the Guarantee Fund totalled approximately US$53.2 million, which is slightly below the mid-range of the required statutory Fund balance.

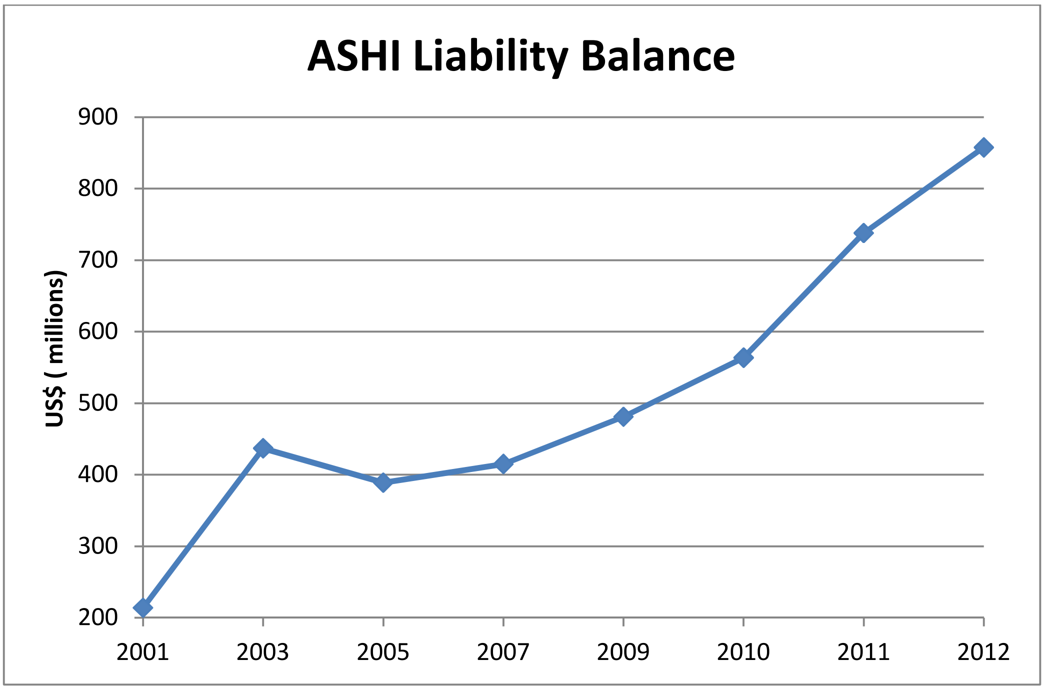
55. Over the past 10 years, SHIF's financial position has changed significantly. Over the 10-year period beginning 1 January 2002, the ILO's funding of SHIF has increased by approximately 165 percent for active staff and 153 percent for former officials. These increases are in part attributable to the rising number of insured persons (from 8,900 in 2002 to 11,000 in 2012), to funding rate adjustments made necessary by increasing medical cost reimbursements and to currency fluctuations.

56. Over this same 10-year period, reimbursements of medical expenses to insured persons have increased from US$17.1 million in 2002 to US$41.6 million in 2012. Again, taking into consideration medical inflation, the rising number of insured persons and currency fluctuations, this represents a 143 percent increase over 10 years.

ILO's after-service health insurance liability continues to increase

57. The ILO commissions an independent actuarial valuation of the estimated future cost associated with providing after-service health insurance (ASHI) to staff following retirement from the ILO, including to staff already retired. As at 31 December 2012, the actuarial valuation of these future costs was US$857.6 million.

58. As illustrated in the following chart, the ILO's liability for ASHI went from an estimated US$214 million at the beginning of 2002 to US$857.6 million at the end of 2012. In non-constant dollars, this represents a 301 percent increase over the period. Various factors affect the ASHI liability valuation that is carried out by the independent actuary. The main factors are the increase in the number of persons insured by SHIF, the increase in life expectancy, rising medical costs, and fluctuations in financial market conditions.



Source: Annual Reports on the Activities of the Fund

59. The ILO has commissioned a supplementary actuarial study covering the period from 2014 to 2023, aimed at projecting growth in SHIF's reimbursements of medical expenses to insured persons, as well as the funding rate required to maintain the Fund's solvency according to the SHIF Regulations and Administrative Rules.

60. In addition, as the percentage of staff costs associated with these benefits continues to increase, management has amended its policy to increase the annual charge to technical cooperation projects for these costs. The intent of this change was to ensure that there is adequate funding for both the current and long term costs of providing this insurance to staff working on these projects.

Future Impacts

61. With the current economic reality, the ILO is under pressure to maintain or decrease costs. With a “pay as you go” strategy for these health care benefits, there is unavoidable cost escalation within the Regular Budget. Management needs to evaluate the medium- and long-term impacts of maintaining this type of funding strategy and present alternatives to member States who are ultimately responsible for the payment of ILO’s portion of the costs through the Regular Budget.

62. **Recommendation.** The ILO should assess how its share of health insurance funding, charged annually to the Regular Budget, can be expected to escalate. The ILO should also evaluate options for alternative long-term funding of its ASHI liability that takes into consideration the budgetary constraints in the Biennial Programme and Budget, which mirror the fiscal constraints facing member States.

    ILO response. Through the SHIF Secretariat, the ILO commissions actuarial studies aimed at projecting growth in the SHIF’s reimbursements of medical expenses to insured persons, as well as the required funding rate to maintain SHIF’s solvency as required under the SHIF Regulations and Administrative Rules. The United Nations General Assembly is currently considering strategies with respect to the United Nations’ ASHI liability. The ILO will closely follow developments at the United Nations and, in the interest of harmonization, propose to the Governing Body an ASHI funding policy mirroring that adopted at the United Nations.

Conclusion

63. The ILO needs to assess how its annual share of SHIF funding can be expected to escalate. The ILO has yet to define a long-term strategy for funding its ASHI liability to ensure that after-service health insurance remains available to the growing number of retiring staff members.

Headquarters building renovation project—Governance

64. The ILO has undertaken a large renovation project of its headquarters building. This is a significant undertaking for the organization that involves risks that will have an impact on its staff members for several years, and that will require significant financial resources from member States. It is important that the project is delivered within an agreed-upon time frame as well as within the approved financial budget. In order to accomplish this, a sound project governance framework is critical to the project’s success.

65. In November 2006, the result of an independent study of the headquarters building undertaken by an international firm of surveyors was shared with the Governing Body. The study consisted of a comprehensive technical assessment of the building’s renovation needs, a proposal for a three-phase implementation plan, and an estimate of costs. Although the study found that the headquarters building, which was opened in 1974, was structurally sound, it concluded that some of the building’s technical installations, equipment, and materials had deteriorated, had come to the end of their useful lives, or would require replacement for reasons of safety and energy efficiency. A renovation plan was proposed consisting of three overlapping phases over a period of 10 years starting in 2007.

66. In March 2007, the Governing Body authorized the Office to enter into negotiations on the possible transfer or sale of land, with a view of submitting a comprehensive plan for the financing of the renovation of the headquarters building. The Office also requested from independent outside expertise a confirmation of the original renovation cost estimate. Although the expert concluded that the cost estimate was sound, in addition to adjusting for inflation, they put forward various recommendations including provisions for project and contract management as well as environmental efficiency, bringing the total estimated cost of the project to CHF 181.7 million. In March 2008, the Governing Body authorized the Director-General to develop a master plan for the renovation and upgrading of the headquarters building. In November 2010, the Governing Body approved the comprehensive plan for the renovation of the headquarters building to be undertaken in two phases that will span the period of 2011 to 2018 for an estimated total cost of CHF 203.3 million. In November 2011, the Office presented to the Governing Body, an information paper which included an overview of the governance structure and a risk register for the project.

67. The renovation project has been an item of discussion at the Governing Body since November 2004. Costs incurred since then (excluding urgent renovations) include the study by the structural engineers in 2004 to provide the renovation project’s estimated cost; the independent technical building survey in 2005; an assessment by two consultants for financial options and cost estimates in 2007; the engagement of an external consultant to support the internal project team in 2008; the engagement of an architect to explore the use of a temporary building in 2008; and a study on ways to develop the ILO land in 2009. The ILO has incurred costs of approximately US$1.6 million between 2004 and 2011. These costs have been charged in part to the Regular Budget and in part to the headquarters renovation project budget.

68. Our audit focused on determining whether the ILO has in place a sound governance framework for the overall renovation project.

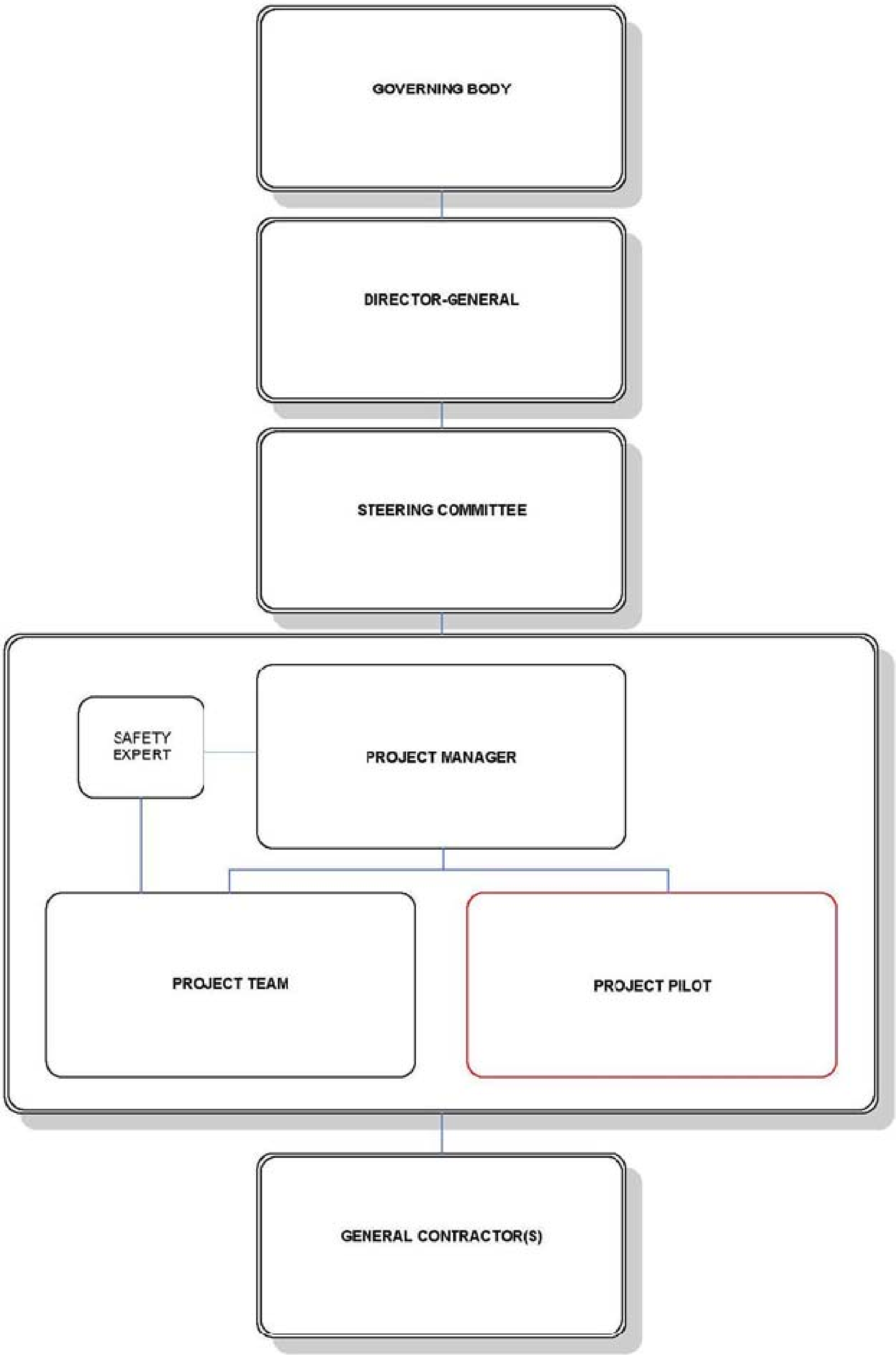
The ILO has identified the need to evaluate its governance framework

69. Governance refers to high-level decision making for the purpose of setting a direction. Good governance provides an effective decision-making process to define desired results, obtain and manage resources, and establish accountability relationships to achieve the results. Principles of best practice were presented in the Internal Audit of the Urgent Renovation Works and the Governance Structure of the HQ Building Renovation Project (2007 to 2010) issued to the Director-General on 15 February 2013. These included setting up a project structure, clear roles, responsibilities, and accountability; identifying stakeholders; and providing sufficient and timely information for decision making as well as clear lines of communication. The report then expanded that once these principles are put in place, they should be supported by appropriate methods and controls. We agree with the best practices put forward by the Chief Internal Auditor in his report that indicates that "the project governance structure should ensure that disciplined governance arrangements are put in place, which are supported by appropriate methods and controls, and applied throughout the project lifecycle."

Project governance structure needs to be finalized

70. As noted in the following chart, the ILO has in place an approved renovation project governance structure. In January 2013, a document was presented to the Governing Body that outlined the Project Manager's role and indicated that he would report directly to the Deputy Director-General for Management and Reform. Based on discussions with the Project Manager and the Deputy Director-General, we were informed that the governance structure is being revised to incorporate, among other things, an additional Governance Committee that would provide advice to the project decision makers.

ILO renovation project structure



Source: GB.312/PFA/5(&Corr)

Roles and responsibilities need to be further clarified

71. Establishing clear and well-understood roles and responsibilities for each stakeholder is key in project governance. While the Renovation Project Steering Committee's terms of reference cover many elements, we found that additional clarifications are required to provide committee members with a clearer understanding of their delegated decision-making authority. For example, the Steering Committee's terms of reference states that it will "approve any major technical changes to the project proposed by the Project Manager upon recommendation by the Renovation Project Team and the Project Pilot that have budgetary, scope, timing, or quality consequences within the approved budgetary envelopes." We did not find the definition of what is meant by "major" nor any examples to support the terminology used.

72. Another example of clarification required in the Renovation Project Steering Committee's terms of reference is the statement that the Committee will "communicate to the Director-General those matters that the Committee considers should be brought to his attention or require his approval, or that need to be communicated to the Governing Body, such as cost-overruns, major delays, and substantial technical changes as compared to the comprehensive plan approved by the Governing Body." We found that there is no further information regarding whether cost overruns that are below a certain dollar amount and that are considered unimportant would still be reported to the Director-General. Without a clear understanding of their delegated responsibilities, decisions may not be made when required by the appropriate level and could result in delays in the renovation work. This is especially important when dealing with the approval of changes during the project.

73. A review of the Steering Committee's terms of reference reveals that there is no timeline by which decisions must be made. The Committee is to meet at least monthly. As the renovation project progresses, some decisions must be made within a short timeline to avoid delaying the day-to-day renovation work. To ensure that the work progresses smoothly and that the necessary decisions are made by the ILO, it is important to set timelines for key decisions and to provide for a mechanism that would be followed if the set timelines are not respected.

Calendar of key deliverables needs to be put in place

74. We met with a number of stakeholders involved in the project to inquire whether the ILO had in place an approved project calendar outlining key decisions to be made, including key deliverables. We found that the ILO did not have in place a calendar that includes timelines for key milestones, such as the approval of the governance structure, which is a key deliverable required prior to starting the renovation work. We reviewed the information provided by the Project Manager to the Renovation Project Steering Committee in February 2013. We noted that limited information was included on items requiring decisions by the committee. Only three contractual tasks

were provided with a specific due date. Tasks such as “approval of procurement processes”, “review Contracts Committee involvement”, and “Contracts Committee involvement agreed” were included in the document with no specific dates.

75. We expected to find a list of other tasks such as the approval of the final renovation project structure, the approval of the final terms of reference of each stakeholder, and the final delegation of authority approval (with dollar figures involved). Each task would have a set date at which they would be reviewed, finalized, and approved.

Enhanced accountability reporting is required

76. In order for all stakeholders to be able to make well-informed decisions, as delegated to them, it is critical that they receive complete and accurate financial reports on the renovation project on a regular basis. We reviewed the information provided at the February 2013 meeting of the Renovation Project Steering Committee. We found that the project financial information is incomplete in that it does not provide sufficient details to permit the Committee members to carry out their oversight role. For example, the monthly report contains one page of financial information, which is a high-level summary. The information is provided for major categories; however, it has not been broken down by major component forming part of each category. A breakdown would permit the Steering Committee to monitor the spending of the budget in a more detailed manner, which will become critical as the project moves forward.

77. The reports provided to the Steering Committee should be comprehensive and include complete qualitative and quantitative information on the project. For example, the reports should include detailed information on the approved and revised budget by major component; actual expenses by section of work for the period presented as well as a cumulative total up to the period; forecasted costs for next reporting period and for the overall project with explanations on any variances; and a narrative report on the advancement of the project, with explanations of delays with the approved timelines.

78. It is important to provide the necessary level of detailed financial information so that each level of oversight is properly carried out. Without complete and accurate financial and non-financial information, the ILO will not be able to properly monitor the project’s progress compared with key milestones and monitor the costs compared with the approved budget. Providing qualitative information on the project’s progress against milestones challenges the stakeholders to question the progress of the renovation and assess whether it will be possible for the ILO to deliver this project within the approved budget and deadlines and in accordance with the approved plan. We were informed by the Project Manager that a review of the format and content of the financial reports to be provided to each stakeholder is under way.

79. Each stakeholder, including the Governing Body, requires different financial and non financial information to carry out its oversight responsibilities. In some cases, the information may be required in more detail than in others. Consultations with each stakeholder could provide useful guidance in the preparation of the progress reports regarding the renovation project and this would result in each stakeholder receiving the required information in the level of detail needed to exercise their due diligence.

80. The ILO is reviewing the oversight of change orders and its authority levels. According to the Renovation Project Steering Committee's terms of reference, the Committee will "approve any major technical changes to the project." Further elaboration of what ILO defines as "major technical changes" would be appropriate to ensure that the terms of reference are clear for everyone when change orders are received and when action is required. The current process would probably require change orders to be reviewed and approved by the Contracts Committee, when these are significant. Reviewing the process would also ensure that there is no duplication of efforts on the part of the Contracts Committee and the Steering Committee, which is also tasked with approving major change orders. The ILO needs to find the right balance between having in place sufficient and appropriate internal controls while ensuring that the renovation project activities are not delayed by onerous administrative processes.

81. **Recommendation.** The ILO should ensure that its renovation project governance framework is finalized and approved without further delay. At a minimum, it should include

- a final project organizational structure;
- clear roles and responsibilities for stakeholders;
- a documented calendar of key deliverables;
- clear and documented delegation of authority (who will approve what, dollar limits, and key decisions to be made within a certain timeframe); and
- defined and complete progress reports with both financial and non-financial information that meet stakeholders' needs.

ILO response. We fully endorse the auditor's findings. Further to an internal review and in collaboration with the Chief Internal Auditor a new Governance structure is being finalized. The current status of the project, i.e. conceptual and basic design, does not yet provide us with sufficient information to develop a comprehensive schedule or more detailed budget. The project team continues its work in accordance with the Governing Body's decisions from November 2010. All of the External Auditor's recommendations will be incorporated in the revised Governance structure and/or Project Quality Plan, which will be updated as required throughout the lifetime of the renovation project to meet the Office's needs.

Conclusion

82. The ILO has in place a project governance structure framework; however, improvements are needed to incorporate additional elements that are necessary to meet best practices. A sound structure will assist ILO’s headquarters building renovation project stakeholders in carrying out their oversight responsibilities in order to deliver its renovation project on time and on budget.

Information technology—Governance

83. IT governance refers to the oversight and decision making for information technology that supports the success of an organization. As the International Labour Organization (ILO) depends on IT, it is important that its IT assets and related processes are governed in a responsible, efficient, and cost-effective manner to support the realization of business objectives.

84. We examined at a high level whether the current IT governance structure including its procurement process, and development standards are formalized and implemented in an efficient and effective manner. Our audit work in this area was conducted in November 2012.

The current IT governance structure is decentralized

85. The Information Technology and Communications (ITCOM) Bureau, the department responsible for most IT functions within the ILO, does not have functional or line management over all areas of IT. ITCOM governs and manages the majority of IT functions at headquarters, but there are pockets of IT being managed outside of ITCOM at headquarters as well as in all offices in the field. This results in a lack of an overall unified IT architecture, duplication of effort, lack of adherence to standards, lack of integration, and higher operational costs.

86. The current model makes it difficult for IT to work with business owners to fully leverage technology in helping the ILO fulfil its mandate in the most cost-effective and efficient manner. For areas where functions have been centralized under ITCOM, such as the LAN Administration in the Human Resources Department and PROGRAM, benefits from both economy of scale and service delivery have been realized.

87. We noted that there were no formal reporting lines between ITCOM and staff that provide IT services in the field. The staff in the field report to their local management. ITCOM defines standards, policies, and procedures for managing IT operations and provides training and guidance to field IT staff but does not have authority and resources to enforce and support compliance. This can cause inconsistencies in the delivery and management of IT services between headquarters and the field, resulting in increased costs. We noted that when reporting lines were centralized, such as the consolidation of IT help desks at headquarters in ITCOM,

standards and processes were established, performance was measured, and efficiency gains could be quantified.

88. Although there are senior management committees that make strategic and operational IT decisions at headquarters, there is no governance mechanism in place that encompasses both headquarters and the field. Without an overarching IT governance that functions Office-wide, the proliferation of decentralized IT equipment, systems, and services can continue. An Office-wide IT governance structure would more effectively set the IT strategy and monitor performance against goals and objectives to ensure that

- the ILO's IT assets and investments are protected,
- IT priorities are aligned,
- IT value is realized, and
- risks can be mitigated when necessary.

89. **Recommendation.** The ILO should adopt an IT governance structure to oversee IT systems and services Office-wide.

ILO's response. The ILO agrees with External Auditor (EA) recommendations. The areas of decentralized IT functions that remain in Headquarters are being addressed as a part of the management reform initiatives announced by the Director General in February 2013. This includes strengthening of reporting lines and management responsibility of IT in the Field.

In the context of management reform, a new Information and Technology Management Department has been established which elevates and centralizes IT governance across the Office. The new department will be led by a Chief Information Officer (CIO), who will advise senior management on all aspects of information and technology management including strategic, architectural, governance, policy, resource allocation and operational matters.

A revised Office-wide IT governance framework has also been prepared and will take effect with the appointment of the CIO. The proposed IT governance structure will consist of a single, authoritative body responsible for all IT governance decisions. This body will be chaired by the Deputy Director General for Management and Reform and will include Field representation.

Procurement of some IT goods and services is not centralized

90. Some departments at headquarters as well as in the field have the ability to procure IT services and goods without consulting ITCOM. This has led to disparate systems being implemented that are not in compliance with the ILO's overarching IT enterprise architecture, resulting in lost economies of scale, increased IT security risks, lack of interoperability, and increased support costs.

91. ITCOM manages the centralized purchasing of personal computers and desktop software licenses for all ILO staff that are funded through the Regular Budget. Key agreements have also been established for major providers of hardware, software, and IT services. However, there are a number of IT assets not managed by ITCOM on behalf of the entire Office. Consolidating and coordinating licence acquisitions and equipment could bring additional savings in the field offices. We also noted that IT consultants are being hired directly by business units to carry out work outside of the control of ITCOM. Consolidation or centralized management of contracted and outsourced IT services would also improve quality control.

92. **Recommendation.** The ILO should have IT procurement controls and policies in place to ensure that the purchase of IT goods and services are compliant with approved strategies and standards.

    ILO's response. ILO agrees with the EA recommendation. In practice, there are policies and processes to ensure that IT standards and compliance is followed. For larger IT requirements this is overseen through the Contracts Committee. However the policies need to be reinforced for smaller valued transactions and requirements. This need will be addressed in the revised IT governance framework and with the issuance of the revised Procurement Manual.

Multiple departments provide IT services

93. Several departments provide IT services at headquarters. Some of these departments do not have IT as their core competency and are fulfilling IT roles such as server room management, network administration, mobile communications administration, printer management, and telecom services. There are also departments that have dedicated IT staff who provide services that duplicate those delivered by ITCOM. Decentralized IT functions and services performed outside of the ILO's central IT department result in

    - inconsistent service levels;
    - complexities for users of IT services;
    - lack of global visibility on IT costs; and

- independent decisions being made that may not be aligned with strategic priorities and the future direction of IT in the Office.

94. Several departments are using various software products that do not conform to ITCOM standards, making it difficult for the Office to maintain and support IT systems over the long term. For example, the ILO public internet site, intranet site, and key departmental applications are all managed outside of ITCOM and developed with various software products. Support for multiple software products results in increased license costs, increased integration costs, specialized training needs for IT staff, and high maintenance costs associated with software upgrades.

95. **Recommendation.** The ILO should inventory its IT functions and applications with the objective of streamlining standards, software products, IT systems, and associated software development functions.

    ILO's response. The ILO agrees with the recommendation. Management reform initiatives are under way to consolidate and streamline IT functions, systems, products, services, and resources highlighted in the paragraphs above. Management of the ILO's intranet, public website, LAN administration, telecommunications, mobile devices, printers, and decentralized software development will be consolidated in the new Information and Technology Management Department. Reform initiatives will also address staff performing IT functions outside of their core competency area.

Conclusion

96. The ILO is in the process of restructuring and reforming its management and administrative structures and processes, and we have noted that changes are planned for the governance of IT. IT governance should be seen as a strategic component that aligns IT with the business of the ILO. The ILO should take advantage of technology to help fulfil its mandate in a more cost-effective and efficient manner. Through proper governance of IT resources, the ILO will be able add to these services, which can enable the organization to achieve its goals.

Progress made on prior year's recommendations

97. In 2012, we conducted a follow-up of recommendations included in our 2011 report to the Governing Body. The recommendations covered five areas: Application controls – human resources, IT general controls – Oracle Enterprise Business Suite (IRIS), International Public Sector Accounting Standards – implementation, IPSAS – next steps and Human Resources – succession planning. In addition, we followed up on recommendations still in progress, which were also reported in our 2011 report on three areas: performance measurement and reporting, human resources—training and development, and internal audit.

98. In the application controls—human resources, we note that the ILO has made some progress in addressing the weaknesses identified in the human resources application controls. Modifications have been proposed to HR staff workflow roles, and these are expected to be delivered in May 2013. Automation of certain benefits has also been implemented, and others are presently under review.

99. In the area of IT general controls, IPSAS implementation and next steps, and internal audit, all recommendations have been addressed.

100. In the area of human resources—succession planning, work is still ongoing. Management has reported to us that a new Work Force Planning and Job Classification Specialist has been recruited and a work force planning module is being reviewed. HR is also evaluating e-tools for skills mapping and workforce planning. A learning management module has been launched at headquarters in March 2013 and is expected to be rolled-out to the field in the summer 2013. A task team on mobility has been put in place in January 2013 as part of the ongoing reform with the objective of reviewing the current mobility and developing a comprehensive set of proposals on staff mobility.

101. In the area of human resources—training and development, the learning management module is in progress as mentioned above and an internal governance e-learning program now requires mandatory e-learning for all staff. In addition to this tool as well as the purchase of a performance management system, ILO is planning the purchase of a workforce planning module to help the Office map the staff's skills in an integrated manner and to report on skill gaps.

102. In the area of performance measurement and reporting practices, progress is still ongoing. The ILO has undertaken a pilot exercise to supplement existing quantitative indicators reported to the Governing Body with additional data designed to better evaluate the quality and effectiveness of results achieved with ILO support. A sample of this information has already been submitted to the Governing Body in March 2013 and has also been acknowledged by the IOAC. The ILO expects that the application of this approach in preparing the 2012-13 programme implementation will enable the Office to provide the Governing Body with improved performance information allowing it to fulfil its oversight function.

103. In the area of Internal Audit, the Internal Auditor presented his 2013–14 audit plan to the Director-General in early February 2013, which included an analysis of the resources required to carry out his work. During the year, he also provided a progress report on his planned audit coverage in August 2012 for the period of January to July 2012 and on changes to the original 2013 audit plan in January 2013.

Recommendations Included in the Report to the Governing Body on the 2011 audit including past 2010 outstanding recommendations	Progress
Application controls – human resources • We recommend that ILO enforce greater segregation of duties in the system; perform independent reviews of the data entry and manual adjustments; and ensure that approval practices for all personnel actions follow the established workflow process.	◒
IT general controls – Oracle Enterprise Business Suite (IRIS) • We recommend that no user be allocated application development responsibilities in the production environment and that no developer have system administration access rights.	●
International Public Sector Accounting Standards – Implementation • As mentioned in the 2010 report, the ILO should identify issues to be addressed by the UN task force and continue to monitor the developments of the task force in order to ensure comparability as well as consistent and appropriate application of the PSAS across UN organizations.	●
International Public Sector Accounting Standards – next steps • The ILO should continue to plan and prepare for the IPSAS standards that will be applied in 2012 including the preparation of pro-forma consolidated financial statements.	●

Human resources – succession planning	
• The ILO should develop the capacity to conduct workforce analyses, and pursue its efforts to increase the response rate to the skills-mapping exercise so it can identify the skills of its workforce and determine its current and future workforce needs.	◒
• The ILO should develop a succession planning process that identifies what its key positions are; includes a mechanism for informing employees what the key positions are and what skills are needed for those positions; and includes a system for preparing employees for higher-level management positions.	◒
• The ILO should consider increasing mobility, to allow staff to gain the necessary experience to take on higher-level positions.	◒
Human resources—training and development	
• The ILO should formalize its learning evaluation and measurement mechanisms to assess effectiveness at the organizational level and improve training programmes.	◒
• 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.	●
• 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.	◒
• The ILO should clarify the roles and responsibilities of learning coordinators to promote common understanding across the Organization.	●
Performance measurement and reporting practices	
• The ILO should make performance information available to the Governing Body when this information can best be used to consider future budget allocations.	◒

Internal Audit	
• 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.	
• 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.	
Number of recommendations made	Number of recommendations fully implemented
14	7

Legend of progress:

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

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

3. Approval of the consolidated financial statements for the year ended 31 December 2012

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

Approved by:

Greg Johnson

Treasurer and Financial Comptroller

30 April 2013

Approved by:

Guy Ryder

Director-General

30 April 2013

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

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board 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 statements of financial position as at 31 December 2012 and 31 December 2011, and the consolidated statements of financial performance, consolidated statements of changes in net assets, consolidated statements of cash flow and consolidated statements of comparison of budget and actual amounts for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits 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 in my audits 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 2012 and 31 December 2011, and their financial performance, their cash flows and the comparison of budget and actual amounts for the years then ended in accordance with International Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Regulations* of the International Labour Organization, I report that, in my opinion, the accounting principles in International Public Sector Accounting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

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

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

Michael Ferguson, FCA
Auditor General of Canada

30 April 2013
Ottawa, Canada

5. Consolidated financial statements for the year ended 31 December 2012

International Labour Organization

Statement I

Consolidated statement of financial position as at 31 December 2012 (US$ millions)

	Note	2012	2011 restated
Assets			
Current assets			
Cash and cash equivalents	4, 20	671.6	548.4
Assessed contributions receivable	5	52.5	104.7
Voluntary contributions receivable	6	250.5	215.5
Derivative assets	20	15.4	15.4
Other receivables	7	8.9	12.7
Inventories	8	8.1	8.9
Other current assets	9	14.2	13.0
		1 021.2	918.6
Non-current assets			
Assessed contributions receivable	5	16.6	17.0
Voluntary contributions receivable	6	73.7	120.6
Investments	10, 20	87.5	83.6
Investments held for ITU	10, 20	11.5	11.4
Property and equipment	11	435.9	416.4
Intangible assets	12	0.4	–
Derivative assets	20	–	15.7
		625.6	664.7
Total assets		1 646.8	1 583.3
Liabilities			
Current liabilities			
Payables and accruals	–	38.2	50.7
Deferred revenue	13	285.4	231.8
Due to donors	14	223.4	210.4
Employee benefits	15	28.8	31.0
Current portion of long-term borrowings	16, 20	4.1	3.9
Due to member States	17	8.6	0.4
Derivative liabilities	20	–	0.9
Other current liabilities	19	0.6	1.1
		589.1	530.2
Non-current liabilities			
Deferred revenue	13	73.7	120.6
Employee benefits	15	915.6	799.0
Long-term borrowings	16, 20	41.7	42.6
Due to member States	17	2.4	10.4
Funds held on behalf of ITU	18	6.5	6.9
		1 039.9	979.5
Total liabilities		1 629.0	1 509.7
Net assets			
Total reserves		195.1	185.3
Total accumulated funds		(177.3)	(111.7)
Total net assets		17.8	73.6

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

International Labour Organization

Statement II

Consolidated statement of financial performance for the year ended 31 December 2012 (US$ millions)

	Note	2012	2011 restated
Revenue			
Assessed contributions from member States	27	382.9	408.8
Change in provision for assessed contributions receivable	27	–	(0.3)
Voluntary contributions	27	263.7	271.9
ITC training services	27	19.1	24.0
Staff/retiree benefit contributions	27	20.9	21.4
Sales and royalties	27	8.4	7.0
Investment income	27	6.9	4.0
Exchange gain (loss) and revaluation, net	27	29.3	12.8
Other income	27	4.0	3.9
Total revenue		735.2	753.5
Expenses			
Staff costs	27	407.2	428.6
Travel	27	28.1	34.0
Subcontracts	27	94.9	107.0
General operating expenses	27	45.0	50.3
Supplies, materials and small equipment	27	10.0	22.9
Depreciation and amortization	27	2.0	2.5
Seminars, workshops and other training	27	44.5	48.6
Staff development	27	4.2	5.0
Health benefits	27	41.6	42.4
Contributions and grants in aid	27	6.1	8.6
Finance costs	27	1.8	3.8
Other expenses	27	3.6	4.5
Total expenses		689.0	758.2
Net surplus (deficit)		46.2	(4.7)

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

Statement III

Consolidated statement of changes in net assets for the period ended 31 December 2012 (US$ millions)

	Accumulated funds					Reserves	Total net assets
	Employee liabilities	Revaluation surplus	Value of outstanding derivatives	Other balances	Subtotal accumulated fund balances		
Balance as at 31 December 2010	(625.0)	416.4	(14.3)	320.3	97.4	174.2	271.6
Recognition of leasehold improvement accumulated depreciation (note 3)	–	–	–	(1.6)	(1.6)	–	(1.6)
Restated balance as at 1 January 2011	(625.0)	416.4	(14.3)	318.7	95.8	174.2	270.0
Surplus (deficit) of period 2011	–	–	–	(15.8)	(15.8)	11.1	(4.7)
Change of reserve for derivatives of period 2011	–	–	44.5	–	44.5	–	44.5
Change of revaluation surplus of land and buildings	–	(66.8)	–	–	(66.8)	–	(66.8)
Actuarial gain (loss) of ASHI liability incurred in period 2011	(158.8)	–	–	–	(158.8)	–	(158.8)
Transfer to liabilities due to member States of period 2011	–	–	–	(9.9)	(9.9)	–	(9.9)
Translation difference from consolidation of ITC period 2011	–	–	–	(0.7)	(0.7)	–	(0.7)
Restated balance as at 31 December 2011	(783.8)	349.6	30.2	292.3	(111.7)	185.3	73.6
Surplus (deficit) of period 2012	–	–	–	36.4	36.4	9.8	46.2
Adjustment to cost of ITC leasehold improvement (note 3)	–	–	–	1.6	1.6	–	1.6
Change of reserve for derivatives of period 2012	–	–	(14.9)	–	(14.9)	–	(14.9)
Change of revaluation surplus of land and buildings	–	10.4	–	–	10.4	–	10.4
Actuarial gain (loss) of ASHI liability incurred in period 2012	(99.2)	–	–	–	(99.2)	–	(99.2)
Translation difference from consolidation of ITC period 2012	–	–	–	0.1	0.1	–	0.1
Balance as at 31 December 2012	(883.0)	360.0	15.3	330.4	(177.3)	195.1	17.8

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 ended 31 December 2012 (US$ millions)

	2012	2011 restated
Cash flows from operating activities		
Surplus (deficit) for the period	46.2	(4.7)
Non-cash movements:		
Depreciation and amortization	2.0	2.5
(Increase) decrease in assessed contributions receivable	52.6	(55.1)
Increase in provision for assessed contributions receivable	–	0.3
Decrease in voluntary contribution receivables	11.9	40.8
Decrease in other receivables	3.8	0.3
(Increase) decrease in inventories	0.8	(1.0)
(Increase) decrease in other assets	(1.2)	0.1
Increase (decrease) in payables and accruals	(12.5)	16.7
Increase (decrease) in deferred revenue	6.7	(35.3)
Increase (decrease) in due to donors	13.0	(2.4)
Increase in employee benefits	15.2	18.7
Increase (decrease) in due to member States	0.2	(6.8)
Increase (decrease) in other liabilities	(1.3)	0.8
Increase in investment portfolios	(3.9)	(4.7)
Increase in borrowings	3.3	4.1
Transfer to liabilities due to member States	–	(9.9)
Net cash flows from operating activities	136.8	(35.6)
Cash flows from investing activities		
Sale of investments	–	4.9
Additions of property and equipment	(9.1)	(0.3)
Additions of intangible assets	(0.4)	–
Net cash flows from investing activities	(9.5)	4.6
Cash flows from financing activities		
Repayment of borrowings	(4.0)	(4.0)
Net cash flows from financing activities	(4.0)	(4.0)
Translation difference from consolidation of ITC	(0.1)	(0.9)
Net increase (decrease) in cash and cash equivalents	123.2	(35.9)
Cash and cash equivalents, beginning of period	548.4	584.3
Cash and cash equivalents, end of period	671.6	548.4

US$2.7 million of interest received is included in the net cash flows from operating activities (2011 = US$2.2 million).

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

International Labour Organization

Statement V-A

Statement of comparison of budget and actual amounts [1]
Regular budget for the year ended 31 December 2012 (US$ thousands)

	Original and final budget [2]	Actual	Difference [3]
Revenue			
Assessed contributions	430 810	430 810	–
Expense			
Part I – Ordinary budget			
A. Policy-making organs	46 646	43 675	(2 971)
B. Strategic objectives	324 044	285 139	(38 905)
C. Management services	37 869	34 257	(3 612)
D. Other budgetary provisions	23 567	22 111	(1 456)
Adjustment for staff turnover [4]	(3 651)	–	3 651
Total Part I	428 475	385 182	(43 293)
Part II – Unforeseen expenditure	438	–	(438)
Part IV – Institutional investments and extraordinary items	1 897	3 795	1 898
Total Parts I, II and IV	430 810	388 977	(41 833)
Surplus at budgetary rate of exchange		41 833	
Revaluation of the budgetary surplus		(3 260)	
Surplus at UN operational rate of exchange [5]		38 573	
Surplus resulting from the receipt of contributions in an amount higher than approved regular budget		58 886	
Reimbursement of 2010–11 deficit financing [6]		(54 625)	
Net surplus [7] (note 22)		42 834	

[1] Budget and actual information calculated at budgetary rate of exchange of US$1 = CHF0.84.
[2] Original budget represents one half of the biennial budget adopted by the International Labour Conference.
[3] Significant differences between budget and actual are explained in the accompanying financial report on the 2012 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(2) of the Financial Regulations.
[6] As at 31 December 2011, in accordance with article 21.1(a) of the Financial Regulations, the deficit of CHF49.763 million was covered by the Working Capital Fund and internal borrowings. In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2012 were used to reimburse the Working Capital Fund and internal borrowings.
[7] The ILO financial period for budgetary purposes consists of two consecutive calendar years. At the mid-point in a biennium, the surplus/deficit reflected in this statement is notional and no transfers as described in footnote 5 above are processed.

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

International Labour Organization

Statement V-B

Statement of comparison of budget and actual amounts International Institute for Labour Studies (IILS) for the year ended 31 December 2012 (US$ thousands)

	Original and final budget [1]	Actual	Difference [2]
Accumulated fund balance, beginning	2 618	2 417	(201)
Revenue			
Contribution from ILO regular budget	3 564	3 661	97
Interest	5	14	9
Sales of publications and miscellaneous receipts	5	–	(5)
Other income	–	(7)	(7)
Total revenue	3 574	3 668	94
Expenditure	4 199	3 434	(765)
Total expenses	4 199	3 434	(765)
Net surplus (deficit)	(625)	234	859
Accumulated fund balance, ending	1 993	2 651	658

(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 2012 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 Centre for Knowledge Development in Vocational Training (CINTERFOR) for the year ended 31 December 2012 (US$ thousands)

	Original and final budget [1]	Actual	Difference [2]
Accumulated fund balance, beginning	487	584	97
Revenue			
Contribution from ILO regular budget	1 068	1 068	–
Contribution from host country and other countries in the region	475	498	23
Sales of publications and services	30	4	(26)
Miscellaneous income	5	–	(5)
Total revenue	1 578	1 570	(8)
Expenditure	1 656	1 636	(20)
Total expenses	1 656	1 636	(20)
Net surplus (deficit)	(78)	(66)	12
Accumulated fund balance, ending	409	518	109

[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 2012 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 2012 (US$ thousands)

	Original and final budget [1]	Actual	Difference [2]
Accumulated fund balance, beginning	502	547	45
Revenue			
Contribution from ILO regular budget	1 929	1 631	(298)
Extra-budgetary income:			
Contributions and copyright payments	80	71	(9)
Sales of information services	90	6	(84)
Interest and net gains from exchange rate fluctuations	–	1	1
Total revenue	2 099	1 709	(390)
Expenses			
Expenditure related to the ILO contribution	1 929	1 631	(298)
Expenditure related to the extra-budgetary account	375	212	(163)
Total expenses	2 304	1 843	(461)
Net surplus (deficit)	(205)	(134)	71
Accumulated fund balance, ending	297	413	116

[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 2012 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 (ITC) for the year ended 31 December 2012

Title	2012 Budget	2012 Actual	Budget variance (2)	2012 Budget	2012 Actual	Budget variance (2)
	(in € thousands)			(in US$ thousands)		
REVENUE						
Voluntary contributions						
International Labour Organization	3 057	3 385	328	3 929	4 351	422
Government of Italy	7 850	7 850	–	10 090	10 090	–
Government of France	36	37	1	46	48	2
Piedmont Region	400	200	(200)	514	257	(257)
Government of Portugal	250	250	–	321	321	–
Total voluntary contributions (Chapter I)	11 593	11 722	129	14 900	15 067	167
Earned revenue						
Revenue from training activities	25 250	21 026	(4 224)	32 455	27 026	(5 429)
Revenue from publications	1 100	990	(110)	1 414	1 272	(142)
Other revenue	1 300	1 114	(186)	1 671	1 432	(239)
Total earned revenue	27 650	23 130	(4 520)	35 540	29 730	(5 810)
Use of surplus	1 000	701	(299)	1 285	901	(384)
Total Chapter II	28 650	23 831	(4 819)	36 825	30 631	(6 194)
TOTAL BUDGET REVENUE	40 243	35 553	(4 690)	51 725	45 698	(6 027)
EXPENDITURE						
Fixed expenses						
Regular budget staff costs	15 631	14 682	(949)	20 091	18 871	(1 220)
Project-based staff costs	3 400	3 083	(317)	4 370	3 963	(407)
Total staff costs (Chapter III)	19 031	17 765	(1 266)	24 461	22 834	(1 627)
Non-staff costs						
Fixed expenses						
Consultants	588	418	(170)	756	537	(219)
Facilities	1 993	1 875	(118)	2 561	2 410	(151)
Security	390	361	(29)	501	464	(37)
General operating expenses	906	705	(201)	1 165	906	(259)
Missions and representation	255	207	(48)	328	266	(62)
Governance	373	168	(205)	479	216	(263)
Information technology	1 703	1 388	(315)	2 189	1 784	(405)
Depreciation of property and equipment	349	234	(115)	449	301	(148)
Total fixed expenses (Chapter IV)	6 557	5 356	(1 201)	8 428	6 884	(1 544)

Title	2012 Budget	2012 Actual	Budget variance [2]	2012 Budget	2012 Actual	Budget variance [2]
	(in € thousands)			(in US$ thousands)		
Variable expenses						
External collaborators	5 210	4 172	(1 038)	6 696	5 362	(1 334)
Missions	840	584	(256)	1 080	751	(329)
Participants' costs	5 060	4 568	(492)	6 504	5 871	(633)
Books, training aids and materials	800	400	(400)	1 028	514	(514)
Training facilities and services outside Turin	830	502	(328)	1 067	645	(422)
Other variable costs	830	107	(723)	1 067	138	(929)
Costs related to income from publications	750	650	(100)	964	835	(129)
Other costs related to other income	300	177	(123)	386	228	(158)
Total variable expenses	14 620	11 160	(3 460)	18 792	14 344	(4 448)
TOTAL OPERATING EXPENSES	40 208	34 281	(5 927)	51 681	44 062	(7 619)
BUDGET SURPLUS [1]	35	1 272	1 237	44	1 636	1 592
Other items						
Provision for doubtful accounts	–	(28)	–	–	(36)	–
Exchange gain (loss) and revaluation, net	–	(269)	–	–	(346)	–
TOTAL OTHER ITEMS	–	(297)	–	–	(382)	–
NET BUDGET SURPLUS [1]	35	975	–	44	1 254	–

[1] As referred to in Financial Regulations 7(4) of the ITC.
[2] Budget variances are explained in the accompanying financial report on the 2012 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 (UN) system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs.

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 financial statements consolidate all of the operations under the direct authority of the Director-General including the regular budget, reserves, extra-budgetary funded activities, Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), International Occupational Safety and Health Information Centre (CIS),

International Institute for Labour Studies (IILS) and the International Training Centre of the ILO (ITC) along with the Administrative Tribunal of the ILO.

7. Also included are the following reserves – Terminal Benefits Fund (established by the Governing Body in 1964) to finance payments of repatriation grants and end-of-service benefits, Fidelity Guarantee Fund (established in 1986) to finance losses due to theft or misappropriation), Working Capital Fund (set at CHF35 million per the ILO Financial Regulations, article 19) to finance budgetary expenditure pending receipt of assessed contributions and with Governing Body approval advances to meet emergencies, Income Adjustment Account (established by ILO Financial Regulations, article 11) available for temporary funding of budgetary deficits pending receipt of contributions when the Working Capital Fund proves insufficient and the extra-budgetary reserve to finance costs incurred in connection with technical cooperation projects not reimbursed by donor, the portion of the Staff Health Insurance Fund (SHIF) activities related to ILO officials and retirees and the International Training Centre of the ILO (ITC) Working Capital Fund established in accordance with the Financial Regulations of the Centre.

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

Note 2 – Accounting policies

9. The consolidated financial statements of the ILO have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and fully comply with all effective standards applicable as at 31 December 2012.

10. The transitional provisions on Property and equipment (IPSAS-17) have been applied in the initial recognition of equipment purchased before 1 January 2012. Equipment acquired prior to 1 January 2012 was expensed at the date of purchase and its value has not been recognized as an asset in 2012. The ILO also utilizes transitional provision in IPSAS-31 providing for prospective recognition of intangible assets.

11. *Financial period:* The Organization’s financial period for budgetary purposes is a biennium consisting of two consecutive calendar years. The consolidated financial statements are prepared annually.

12. *Consolidated financial statement presentation:* The consolidated financial statements are expressed in millions of United States (US) dollars unless otherwise indicated. The accounts of the ITC, a controlled entity, have been consolidated into the consolidated financial statements of the ILO.

13. *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.

14. *Cash and cash equivalents:* Cash comprises cash on hand and demand deposits; cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

15. *Contingent asset:* At the end of the first year of each biennium, the amount receivable from assessed contributions related to the second year of the biennium is disclosed as a contingent asset; at the end of the second year of each biennium, the amount receivable from assessed contributions related to the following biennium is disclosed as a contingent asset. In addition, revenue from voluntary ITC training services and contributions to the Regular Budget Supplementary Account (RBSA) covering future periods is disclosed as a contingent asset if the inflow of contribution to the ILO is probable at the reporting date.

16. *Contingent liability:* Provisions are recognized for contingent liabilities when the ILO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where the ILO has a present obligation but cannot reliably measure the possible outflow of resources. 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.

17. *Depreciation and amortization:* Depreciation of property and equipment and amortization of intangible assets are recognized over the estimated useful life of the assets using the straight line method, except for land which is not subject to depreciation. The estimated useful lives for property, equipment and intangible assets classes are as follows:

Class	Estimated useful life (years)
Buildings	
ILO headquarters	90
Field offices	20–85
Equipment	
Office equipment	5
Furnishings and fixtures	5–10
Information technology equipment	5
Motor vehicles	5
Other equipment	5–10
Leasehold improvements	
Internal improvements/renovations	Lower of 15–30 and term of lease
Intangible assets	
Software acquired externally	3–5
Software internally developed	3–5

Depreciation of buildings is calculated based on the fair value at the beginning of the reporting year. When a building is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the building and the net amount restated to the revalued amount.

18. *Derivatives:* Derivative financial instruments in the form of forward purchase agreements have been acquired for the purpose of ensuring that the amount of Swiss francs receivable from member States for their assessed contributions for the biennium are sufficient to meet 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.

19. *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. At the end of the second year of each biennium the amount is distributed to member States in accordance with the provisions of the Financial Regulations.

20. *Employee benefits:* Provisions have been established for the actuarially determined liability for the After Service Health Insurance (ASHI) defined benefit obligation, 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 has been established to cover the estimated liability in respect of 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 liability as well as all other employee benefit expenses are recognized on the consolidated 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 at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the ILO. For non-accumulating compensating absences an expense is recognized when the absence occurs.

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

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

23. *Expenses:* Expenses are recorded on an accrual basis. 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 expense accruals. Expenses are reported in Statement II based on the nature of the expense. The following definitions provide a general description of each expense category.

- *Staff costs:* cover all entitlements for active officials of all grades as authorized by the Staff Regulations. Also included the current period interest cost and current service cost related to the ASHI liability.
- *Travel:* includes expenses related to official travel for staff and delegates to meetings.
- *Subcontracts:* expenses related to externally provided services for the delivery of outputs.
- *General operating expenses:* includes all charges for the operation, maintenance and security of ILO premises (owned, leased and donated); communication costs including postage, telephone and internet services; freight expense and insurance.
- *Supplies, materials and small equipment:* covers the costs of consumables used in ILO day-to-day operations including office supplies, paper, books and other publications, computer and printer supplies, equipment and intangible assets which do not meet the capitalization policy and vehicle fuel.
- *Seminars, workshops and other training:* covers the costs of delivery of training, including the costs of facilities, consultants, materials, subsistence payments and travel of officials and attendees to training-related events.
- *Staff development:* expenses related to staff training and development including rental of space, participant travel, and lecturer fees and travel costs.
- *Health benefits:* all payments made by the Staff Health Insurance Fund on behalf of active or former ILO officials or dependants.
- *Contributions and grants in aid:* covers expenses under regular budget technical cooperation activities and contributions made to jointly funded bodies.
- *Finance costs:* includes bank charges and custody fees paid in connection with the management of ILO bank accounts, disbursements and investments together with adjustments relating to discounting of non-current receivables and borrowings.
- *Other expenses:* expenses that cannot be reported under the classifications above.

24. *Functional currency and foreign exchange:* The functional and presentation currency of the Organization is the US dollar. Balances of monetary assets and liabilities maintained in currencies other than the US dollar are converted to US dollars at the UN operational rate of exchange applicable at the reporting date, which approximates the market rate. 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. Balances carried at historical cost are converted using the UN 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 derivatives at the reporting date (reserve for derivatives) and from the revaluation of land and buildings which are recorded to net assets.

25. Transactions carried out during the financial period in currencies other than the US dollar are converted to US dollars using the UN operational rate of exchange in effect on the date of each transaction. These rates approximate market rates. 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 is reflected at a budgetary rate of exchange fixed by the ILC of US$1 = CHF0.84 for the 2012–13 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 (US$) at the UN operational rate of exchange as at 31 December 2012 of US$1 = €0.754 (US$1 = €0.774 as at 31 December 2011). The revenue and expense of the ITC has been consolidated using an average rate for the period 1 January to 31 December 2012 of US$1 = €0.778 (US$1 = €0.72 for 2011). Gains and losses on exchange resulting from the consolidation of ITC euro-based accounts into the ILO's US dollar-based consolidated financial statements are recognized in net assets.

27. *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, equipment, intangible assets and leasehold improvements are not held for future sale. Impairment reviews are undertaken for all assets at least annually to determine if there is any impairment in their value.

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

29. *Intangible assets:* Costs of intangible assets including software developed and utilized internally by the ILO in its operations are recognized as assets at historical cost.

30. *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.

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

- *Reserves:* represent the balances of special funds established by the Governing Body, the ILC or the Financial Regulations for the purpose of temporary funding for operating deficits, managing cash flow, financing employee benefit liabilities such as staff health insurance and terminal benefits and self-insured fidelity guarantee fund.
- *Employee liabilities:* represents initial recognition of the employee liabilities and subsequent impact of changes in actuarial assumptions.
- *Revaluation surplus:* represents the accumulated difference between the historic cost of land and buildings and the fair value as determined by the independent valuation.
- *Reserve for derivatives:* represents the unrealized gain or loss on the change in value of the forward purchase agreement and hedging agreements held by the SHIF Guarantee Fund.
- *Accumulated fund balances:* represent the accumulated surpluses and deficits from the Organization's operations after deducting funds returned to member States in accordance with the Financial Regulations.

32. *Property and equipment:*

- *Equipment:* equipment is recorded at historical cost and presented at depreciated cost.
- *Heritage assets*: the value of heritage assets, including donated works of art, is not recognized as an asset on the Statement of Financial Position.
- *Land and buildings:* land and buildings are valued at fair value based upon an external and independent valuation conducted annually.

  The net difference between historical cost and fair value for land and buildings is accounted for in a revaluation surplus which forms a separate component of net assets. Any gain or loss resulting from the disposal of property valued at fair value will be recorded as revenue or expense in the consolidated statement of financial performance. External valuations are conducted when there is evidence that the carrying amount might differ materially from fair value.
- *Leasehold improvement:* leasehold improvements are recorded at historical cost and presented at depreciated cost.
- *Leases:* lease agreements entered into for equipment are classified as operating leases unless they substantially transfer all of the risk and reward of ownership. Lease charges for operating leases are recognized on the consolidated statement of financial performance as general operating expense, based on the terms of the agreements for the period concerned so as to reflect the time pattern of benefit to the ILO.

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

- *Assessed contributions:* revenue from assessed contributions utilized to finance the biennial budget adopted by the ILC is recognized as one half of the total on 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.
- *Voluntary contributions:* voluntary contributions with no conditions are recognized as receivables and as revenue upon the signature of the agreement. Voluntary contributions to technical cooperation projects are normally subject to conditions related to performance. Upon signature of the agreement, a receivable and a liability (deferred revenue) are recognized. Funds received from donors subject to conditions are carried as a liability (due to donor). 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 voluntary contribution revenue when an agreement is signed between the ILO and a donor or on the receipt of cash if no agreement is signed by both parties.
- *Training services:* the ITC provides training services under contracts to governments and organizations including the ILO. The services are subsidized by non-conditional voluntary contributions which provide support to the ITC's operations. The services are considered conditional non-exchange transactions 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. 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 is disclosed in the notes to the consolidated financial statements. In-kind contributions of goods are recognized at fair value at the date of receipt. In-kind contributions of services are not recognized.

34. *Revenue from exchange transactions is recognized as follows:*

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

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

35. *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.

36. *Measurement uncertainty:* the preparation of consolidated financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Accruals, investments, property and plant and employee benefit liabilities are the most significant items where estimates are used. Actual results could differ significantly from these estimates.

37. The ILO has not adopted the following IPSAS that have been issued but are not yet effective:

IPSAS	Title	Effective date
IPSAS-28	Financial instruments: Presentation	1 January 2013
IPSAS-29	Financial instruments: Recognition and measurement	1 January 2013
IPSAS-30	Financial instruments: Disclosures	1 January 2013
IPSAS-32	Service concession arrangements: Grantor	1 January 2014

38. The ILO intends to implement these standards on the effective date of each standard.

39. IPSAS-28, 29 and 30 establish principles for the presentation of an entity’s financial instruments in its financial statements, as well as the recognition methods to be applied. Measurement principles are provided to value the financial instruments. In addition, the standards require entities to provide disclosures that enable users to evaluate the significance of financial instruments and the nature and extent of risks arising from them to which the entity is exposed during the period at the end of the reporting period, and how the entity manages those risks. IPSAS-32 is a standard that will prescribe the recognition and measurement of service concession arrangements by the grantor. Additional disclosures in the notes will also be required.

40. The impact of each standard on the ILO's consolidated financial statements is not yet known and cannot be reliably estimated at the date of these statements.

Note 3 – Changes in accounting policies

41. As part of the adoption of IPSAS, the ILO has implemented certain changes to its accounting policies.

42. In 2012, in order to fully adopt IPSAS-17 – Property, plant and equipment, the ILO recognized equipment as well as depreciation on buildings, leasehold improvements and equipment.

43. Equipment will be recognized in accordance with the transitional provision which provides entities with five years to recognize its equipment on the Statement of financial position. Only equipment purchased in 2012 is recognized and its related depreciation.

44. In the past, the ILO capitalized its leasehold improvements and those of the ITC, its controlled entity. As the ITC had a different accounting policy, the ILO estimated the cost of leasehold improvements, which was included in its statements. As a result the estimated amount previously used was increased in 2012 by US$1.6 million in the consolidated Statement of financial position and consolidated Statement of net assets to recognize these additional costs as part of leasehold improvements.

45. In addition, the Statement of financial position has been retrospectively restated to recognize the opening accumulated depreciation of US$1.6 million as of 1 January 2011. A depreciation expense for leasehold improvements of US$0.5 million has been retrospectively restated in the Statement of financial performance in 2011.

46. The Statement of financial performance has also been restated retrospectively to include a depreciation expense on ILO-owned buildings of US$2.1 million in 2011. Its counterpart, accumulated depreciation, has been recognized as a reduction of the revaluation surplus in the Statement of changes in net assets.

47. The ILO also implemented IPSAS-21 – Impairment of non-cash generating assets, IPSAS-18 – Segment reporting, and IPSAS-31 – Intangible assets. There was no impact resulting in the adoption of IPSAS-21 as no impairment was required. Segment reporting information is now disclosed in note 27. The value of intangible assets has been recognized prospectively starting in 2012 and this has resulted in intangibles of US$0.4 million being recognized. Comparative information for 2011 has not been restated in accordance with the provisions of the standard, which prohibit recognition of amounts previously expensed.

Note 4 – Cash and cash equivalents

48. 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$308.8 million was in the functional currency US dollar (US$275.4 million as at 31 December 2011) and the balance held in other currencies, primarily Swiss francs, was US$362.8 million (US$273 million as at 31 December 2011).

(US$ millions)	US dollar	Swiss franc	Euro	Other	2012 total	2011 total
Current accounts and cash on hand	68.6	333.1	9.2	7.7	418.6	258.6
Short-term deposits	240.2	–	12.8	–	253.0	289.8
Total cash and deposits	308.8	333.1	22.0	7.7	671.6	548.4

49. The rating of banks in which cash is deposited is as follows:

(US$ millions)	AAA [1]	AA [1]	A [1]	BBB [1]	<BBB [1]	Not rated	Total
Cash and cash equivalents	69.4	52.2	541.8	3.1	2.7	2.4	671.6
Per cent	10.3%	7.7%	80.7%	0.5%	0.4%	0.4%	100.0%

[1] The rating is based on long-term credit ratings by Fitch, where unavailable equivalent ratings by Standard and Poors and Moodys were utilized. A rating category includes A+ and A-, AA rating category includes AA+ and AA-.

Note 5 – Assessed contributions receivable

50. Prior to the beginning of each financial period the ILO assesses each member State in accordance with article 13 of the ILO Constitution for its share of the regular budget. Contributions are calculated and payable in Swiss francs equal to the total amount of the Organization's regular budget for the biennial financial period, payable one half at the beginning of each year of the biennium. The amount of current contributions receivable at the reporting date was CHF78.8 million equal to US$86.5 million at US$1 = CHF0.911 (CHF132.4 million equal to US$140.1 million at US$1 = CHF0.945 at 31 December 2011). From this amount, US$0.9 million has been deducted representing the advance payments received from member States with financial arrangements, leaving a net assessed contribution receivable of US$85.6 million.

	2012 (US$ millions)	2011 (US$ millions)
Assessed contribution receivable (note 28)	85.6	138.8
Less discounting of long-term financial arrangements	(2.5)	(3.1)
Less provision for doubtful collection of contributions	(14.0)	(14.0)
Total net receivable	69.1	121.7
Assessed contribution receivable – Current	52.5	104.7
Assessed contribution receivable – Non-current	16.6	17.0

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

Type of receivable (US$ millions)	Less than 1 year	1–2 years	Over 2 years	Less provision for doubtful debts and discount	Total
Assessed contributions receivable	49.0	2.2	34.4	(16.5)	69.1

52. The provision reflects the amounts due from former member States and member States without financial arrangement owing more than the previous two years' assessed contributions at the reporting date.

53. 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. The non-current receivable has been discounted to represent the present value of the receivable using a rate of 2.5 per cent (2.67 per cent in 2011) based on high-yield corporate bonds. The impact of the discounting was to reduce the total asset by US$2.5 million (US$3.1 million in 2011).

Note 6 – Voluntary contributions receivable

54. The ILO has recognized receivables reflecting amounts due from donors that have signed binding agreements with the ILO in connection with technical cooperation projects and unrestricted grants. Binding agreements are those signed by the donor and the ILO for which an inflow of resources to the ILO 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) is recognized until the ILO carries out the conditions imposed by the donor.

	2012 (US$ millions)	2011 (US$ millions)
Technical cooperation projects	310.9	314.8
ITC training services	12.6	20.6
Unrestricted grants to ITC	0.7	0.7
Total voluntary contribution receivable	324.2	336.1
Voluntary contribution receivable – Current	250.5	215.5
Voluntary contribution receivable – Non-current	73.7	120.6

55. Of the total technical cooperation projects receivable of US$310.9 million, US$72.2 million represents receivables due in 2014 and later years. Of the total ITC training services receivable, US$1.5 million represents receivables due in 2014 and later years.

Note 7 – Other receivables

56. Other receivables are as follows:

	2012 (US$ millions)	2011 (US$ millions)
US income taxes	4.9	6.4
Receivable from UNDP	0.5	2.2
Other receivables	3.5	4.1
Total other receivables	8.9	12.7

57. An ageing of other receivables is as follows:

Type of receivable (US$ millions)	Less than 1 year	1–2 years	Over 2 years	Less provision for doubtful debts and discount	Total
Other receivables	5.8	1.7	1.4	–	8.9

Note 8 – Inventories

58. The movement of inventories during the year is as follows:

Reconciliation of inventories (US$ millions)	Production supplies 2012	Publications 2012	Total 2012	Total 2011
Balance at 1 January	0.5	8.4	8.9	7.9
Produced and purchased	0.7	12.9	13.6	14.8
Inventory available	1.2	21.3	22.5	22.7
Less: expensed	(0.8)	(9.6)	(10.4)	(9.6)
Less: write-down	–	(1.1)	(1.1)	(1.4)
Less: write-off	–	(2.9)	(2.9)	(2.8)
Balance at 31 December	0.4	7.7	8.1	8.9

Note 9 – Other current assets

59. Other current assets are as follows:

	2012 (US$ millions)	2011 (US$ millions)
Staff advances	7.8	7.4
Advance to implementing partners	1.9	1.5
Other	4.5	4.1
Total other current assets	14.2	13.0

Note 10 – Investments

60. The Organization maintains several investment portfolios managed by external investment managers consisting principally of bonds and some equities as follows:

	2012 (US$ millions)		2011 (US$ millions)	
	Fair value	Cost	Fair value	Cost
Cash	0.3	0.3	2.3	2.3
Fixed income				
Bonds	58.8	55.5	55.4	54.6
Floating rate notes	8.4	8.4	6.0	6.1
Money market	19.2	19.1	21.0	20.9
Subtotal fixed income instruments	86.4	83.0	82.4	81.6
Securities				
Fiduciary Trust Investments	12.3	6.2	10.3	6.2
Subtotal securities	12.3	6.2	10.3	6.2
Total investment	99.0	89.5	95.0	90.1

Rating of investments (fair value)
Year 2012 (US$ thousands)

	AAA [1]	AA [1]	A [1]	Not rated	Total
Cash	–	–	–	344	344
Bonds	38 365	3 303	17 150	–	58 818
Floating rate notes	3 500	3 865	1 003	–	8 368
Securities	–	–	–	12 278	12 278
Money market	–	–	19 190	–	19 190
Total investment	41 865	7 168	37 343	12 622	98 998

[1] The rating is based on long-term credit ratings by Fitch, where unavailable equivalent ratings by Standard and Poors and Moodys were utilized. A rating category includes A+ and A-, AA rating category includes AA+ and AA-. For money market funds, where only short-term credit ratings are available (F1 to F1+ by Fitch), a long-term credit rating of A was utilized.

Note 11 – Property and equipment

(US$ thousands)	Land	Buildings	Leasehold improvements	Equipment	Total
Gross carrying amount at 31 December 2010	212 658	266 146	8 421	–	487 225
Restated accumulated depreciation at 31 December 2010	–	–	(1 659)	–	(1 659)
Restated net carrying amount 1 January 2011	212 658	266 146	6 762	–	485 566
Additions	–	294	–	–	294
Disposals	–	–	–	–	–
Depreciation	–	(2 068)	(492)	–	(2 560)
Exchange adjustment depreciation	–	–	53	–	53
Exchange adjustment cost	–	–	(133)	–	(133)
Net revaluation recognized in net assets	(7 173)	(59 612)	–	–	(66 785)
Subtotal 2011 movement	(7 173)	(61 386)	(572)	–	(69 131)
Restated closing balance at 31 December 2011	205 485	204 760	6 190	–	416 435
Restated gross carrying amount at 31 December 2011	205 485	204 760	8 288	–	418 533
Restated accumulated depreciation	–	–	(2 098)	–	(2 098)
Restated net carrying amount at 31 December 2011	205 485	204 760	6 190	–	416 435
Additions	–	7 058	215	1 894	9 167
Disposals	–	–	–	–	–
Depreciation	–	(1 366)	(468)	(118)	(1 952)
Exchange adjustment depreciation	–	–	(54)	(2)	(56)
Exchange adjustment cost	–	–	204	–	204
Net revaluation recognized in net assets	7 673	2 774	–	–	10 447
Adjustment to cost of ITC leasehold improvements			1 625		1 625
Subtotal 2012 movement	7 673	8 466	1 522	1 774	19 435
Closing balance at 31 December 2012	213 158	213 226	7 712	1 774	435 870
Gross carrying amount at 31 December 2012	213 158	213 226	10 332	1 894	438 610
Accumulated depreciation	–	–	(2 620)	(120)	(2 740)
Net carrying amount at 31 December 2012	213 158	213 226	7 712	1 774	435 870

Land and buildings

61. 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 a nominal cost.

(US$ thousands)	Fair value 2012	Fair value 2011	Historical cost 2012	Historical cost 2011
Land				
Headquarters – Geneva	208 550	201 318	–	–
Lima	2 835	2 381	–	–
Abidjan	400	413	–	–
Santiago	1 373	1 373	–	–
Subtotal	213 158	205 485	–	–
Buildings				
Headquarters – Geneva	193 858	186 640	57 276	50 218
Lima	9 102	8 413	2 881	2 881
Brasilia	711	627	406	406
Abidjan	2 268	2 342	2 417	2 417
Dar es Salaam	2 192	2 331	1 797	1 797
Buenos Aires	645	600	677	677
Islamabad	308	363	1 918	1 918
Santiago	3 314	2 637	1 939	1 939
Brussels	828	807	449	449
Subtotal	213 226	204 760	69 760	62 702
Total land and buildings	426 384	410 245	69 760	62 702

62. In order to more accurately reflect the value of its land and buildings, an independent appraiser reviewed and updated the fair value of all of its properties as at 31 December 2012 based on international valuation standards as promulgated by the International Valuation Standards Committee. The increase of US$16.1 million in the fair value in 2012 of the land and buildings includes US$14.9 million in revaluation gain due to exchange. The net difference between historical cost and land and buildings valued at fair value is recognized as a separate component of the net assets as shown in Statement III.

Leasehold improvements

63. The Organization has also constructed improvements on leasehold property in New Delhi, India, and the Piedmont Pavilion at the ITC. Leasehold improvements are valued at historic cost and are capitalized and recognized as an asset if their cost exceeds or is equal to a threshold of US$50,000.

Equipment

64. Equipment is recognized as an asset if its cost is greater or equal to US$5,000, is under the control of the ILO and if the ILO anticipates receiving future economic benefits or service potential.

(US$ thousands)	Office equipment and furniture	IT and communication	Machinery and equipment	Vehicles	Total
Opening balance 1 January 2012	–	–	–	–	–
Additions	158	788	584	364	1 894
Disposals	–	–	–	–	–
Depreciation	(3)	(47)	(47)	(21)	(118)
Net exchange differences arising from translation	–	(1)	(1)	–	(2)
Impairment	–	–	–	–	–
Closing balance 31 December 2012	155	740	536	343	1 774
Gross carrying amount	158	788	584	364	1 894
Accumulated depreciation	(3)	(48)	(48)	(21)	(120)
Net carrying amount	155	740	536	343	1 774

Note 12 – Intangible assets

65. 2012 is the first year in which the value of intangible assets is recognized on the Statement of Financial Position. Intangible assets are capitalized and recognized as assets if their cost per user equals or is greater than US$5,000 for externally acquired software and US$200,000 for internally developed software.

66. The capitalized value of the internally developed software excluding those costs related to research, maintenance and internal training was US$0.4 million in 2012.

67. Amortization is nil in 2012 as the intangible assets were in development phase as at 31 December 2012.

Note 13 – Deferred revenue

	2012 (US$ millions)	2011 (US$ millions)
Deferred revenue – Current		
Assessed contributions received in advance	38.1	18.1
Voluntary contributions receivable relating to signed agreements	239.2	199.8
Receivables relating to signed agreements on ITC training services	7.0	12.8
SHIF contributions received in advance	0.6	0.6
Other deferred revenue	0.5	0.5
Subtotal current deferred revenue	285.4	231.8
Deferred revenue – Non-current		
Voluntary contributions receivable relating to signed agreements	72.2	117.5
Receivables relating to signed agreements on ITC training services	1.5	3.1
Subtotal non-current deferred revenue	73.7	120.6
Total deferred revenue	359.1	352.4

68. Assessed contributions received in advance represent amounts received from member States for contributions related to future financial periods. The deferred voluntary contribution revenue represents the amount receivable pending the completion of the performance required by agreements between the Organization and the donor.

Note 14 – Due to donors

69. 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.

70. The total amount of funds held on behalf of donors was US$223.4 million at the reporting date (US$210.4 million as at 31 December 2011).

Note 15 – Employee benefit liabilities

71. The employee benefit liabilities are unfunded unless otherwise indicated below.

	2012 (US$ millions)	2011 (US$ millions)
Current liabilities		
Education grant	0.6	2.2
Accumulated leave	3.4	3.9
Home leave	0.6	0.6
Repatriation grant and travel	4.3	3.7
ASHI liability	19.9	20.6
Subtotal current liabilities	28.8	31.0
Non-current liabilities		
Accumulated leave	32.1	31.6
Repatriation grant and travel	45.9	50.0
ASHI liability	837.6	717.4
Subtotal non-current liabilities	915.6	799.0
Total employee benefits liabilities	944.4	830.0

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

73. *Accumulated leave:* In accordance with ILO Staff Regulations, ILO officials may accumulate annual leave of up to 60 working days which is payable on separation from service.

74. *Repatriation grant and travel:* In accordance with 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. General Service staff of the ITC are also eligible for an end-of-service benefit.

75. In addition, ILO officials, spouse and dependent children are entitled to reimbursement of travel and transport of personal effects on separation.

76. 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 2012 was US$4.8 million (US$4.6 million in 2011). An amount of US$32 million has been reserved by the ILO in the Terminal Benefits Fund (US$31.6 million at 31 December 2011) to partially cover the repatriation grant.

77. *Home leave:* 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. The liability recorded relates to the value of home leave entitlements that have been earned by officials but not taken at the reporting date.

78. *Education grant:* Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). Expenses for education grant amounted to US$9.2 million in 2012 (US$10.6 million in 2011).

United Nations Joint Staff Pension fund

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

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

81. The latest actuarial valuation was performed as of 31 December 2011. The valuation revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57 per cent of pensionable remuneration compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. As of 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

82. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly had not invoked the provision of article 26.

83. In July 2012, the Pension Board noted in its report of the 59th Session to the General Assembly that an increase in the normal age of retirement for new participants in the fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012 the General Assembly authorized the United Nations Joint Staff Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014 unless the General Assembly has not decided on a corresponding increase in the mandatory age of separation.

84. During 2012, expenses related to UNJSPF amounted to US$51.9 million (US$52.6 million in 2011). Expected expenses for 2013 total US$53 million.

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

After Service Health Insurance Plan (ASHI)

86. 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 UNJSPF. An actuarial valuation carried out in 2012 determined the ILO's estimated liability for after-service medical benefits at the reporting date.

87. 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 2012 valuation, the assumptions and methods used are as described below.

Key financial assumptions	2012 (%)	2011 (%)
Discount rate at beginning of period	2.67	3.50
Discount rate of end of period	ILO: 2.50 ITC: 3.56	2.67
Rate of future compensation increases at beginning of period	3.80	2.50
Rate of future compensation increases at end of period	ILO: P staff 3.51, G staff 3.49 ITC: P staff 3.60, G staff 2.41	3.80
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	5.025 from 2012 decreasing by 0.275 per year to 3.00	5.30 from 2011 decreasing by 0.275 per year to 3.00

88. The discount rate is determined by reference to market yields at the reporting date on high-quality corporate bonds. Based on the plan duration, the discount rate has been determined for each major currency in which the SHIF incurs liabilities (CHF, GBP, US$, €). The final 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)	2012	2011
1 per cent increase in health-care trend rate – Effect on service and interest costs	18 182	14 338
1 per cent decrease in health-care trend rate – Effect on service and interest costs	(13 648)	(10 748)
1 per cent increase in health-care trend rate – Effect on defined benefit obligation (DBO)	174 006	151 687
1 per cent decrease in health-care trend rate – Effect on DBO	(137 587)	(119 592)

	2012	2011	2010	2008–09 (24 months)
	(US$ thousands)			
Defined benefit obligation, beginning of year	738 049	563 558	481 061	448 947
Net service cost	20 800	16 943	12 761	26 688
Interest cost	19 430	19 416	20 069	36 124
Net benefits paid	(19 946)	(20 657)	(17 670)	(29 901)
Liability (gain)/loss due to experience	4 815	(26 077)	3 798	18 297
Liability (gain)/loss due to assumption changes	94 354	184 866	63 539	(19 094)
Defined benefit obligation, end of year	857 502	738 049	563 558	481 061
Statement of financial position asset/(liability), beginning of year	(738 049)	(563 558)	(481 061)	(448 947)
Total (charge)/credit for interest cost and net service cost	(40 230)	(36 359)	(32 830)	(62 812)
Employer contributions	19 946	20 657	17 670	29 901
Total (charge)/credit recognized in statement of financial performance	(20 284)	(15 702)	(15 160)	(32 911)
Total (charge)/credit recognized in net assets	(99 169)	(158 789)	(67 337)	797
Statement of financial position asset/(liability), end of year	(857 502)	(738 049)	(563 558)	(481 061)

89. Expense related to interest cost and current services costs for 2012 has been recognized in the statement of financial performance as staff costs. Cumulative actuarial loss of US$325.3 million (cumulative actuarial loss of US$226.1 million at 31 December 2011) 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$53.2 million is available in a SHIF Guarantee Fund (US$48.5 million at 31 December 2011) to cover ongoing liabilities of the SHIF.

91. The estimated contributions expected to be paid to the After-Service Health Insurance Plan during the 2013 financial year is US$19.9 million (US$20.6 million at 31 December 2012).

Note 16 – Borrowings

92. Borrowings consist of an interest-free 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. The loan is repayable in annual instalments and the final payment will be due in 2025. The loan is unsecured.

	2012 (US$ millions)	2011 (US$ millions)
Payments due next year	4.1	3.9
Payments due from second to fifth year (CHF3.7 million per year)	16.3	15.7
Payments due after five years	32.5	35.3
Subtotal of non-current borrowings	48.8	51.0
Less discounting of non-current borrowings	(7.1)	(8.4)
Total borrowings	45.8	46.5

93. In order to more accurately reflect the time value of money, the non-current balance has been discounted using the discount rate for high-grade corporate bonds of 2.5 per cent for 2012 (2011 – 2.67 per cent) established in Swiss francs by the independent actuary. No additional borrowing occurred in 2012.

Note 17 – Due to member States

94. In accordance with article 11 of the ILO Financial Regulations the net premium due to member States is determined on a biennial basis at the end of the second year of the biennium. The 2012 amount 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 as at 31 December 2013. The amount due to member States at 31 December 2012 and the amount included in the separate element of accumulated fund balance for 2012 has been is calculated as follows:

	2012 (US$)	2011 (US$)
Undistributed surpluses of prior periods	183 193	549 022
Undistributed net premium of prior periods	287 162	285 644
Undistributed 50 per cent of net premium (2011)	5 112 385	4 928 447
Subtotal	5 582 740	5 763 113
Incentive Fund	5 383 470	5 116 519
Total payable to member States	10 966 210	10 879 632

Calculation of net premium and Incentive Fund

95. 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 at 31 December 2012. The amount shown will be consolidated with the calculations made at as 31 December 2013 to reflect the balance due to member States for the 2012–13 biennium as follows:

Exchange Equalization Account (EEA) calculation	2012 (12 months)	2010–11 (24 months)
Premium earned on the forward purchase of US dollars	891 504	3 723 872
Exchange gains (losses) from revaluation from budgetary to UN operational rate of exchange:		
Revenue	(43 563 657)	65 878 903
Expense	23 485 756	(43 553 299)
Forward purchase of US dollars	14 623 254	(30 838 665)
Revaluation of assets, liabilities, reserves and fund balances at UN operational rate of exchange	(2 599 806)	8 494 249
Revaluation of provision for contribution arrears	4 977 273	7 479 339
Revaluation of regular budget surplus	3 260 282	(1 327 502)
Total EEA	1 074 606	9 856 897

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 or second year of the financial period during which the net premium was earned.

Calculation of Incentive Fund	2012 (12 months)	2010–11 (24 months)
Interest earned in year 2012 (year 2011)	166 580	100 744
Interest earned in year 2011 (year 2010)	104 504	87 327
Total interest earned	271 084	188 071
50 per cent of net premium	5 112 386	4 928 448
Total available in Incentive Fund	5 383 470	5 116 519

Note 18 – Funds held on behalf of the ITU

97. Funds held on behalf of the ITU include the value of the investments and other assets of the ILO–ITU Staff Health Insurance Fund held on behalf of the ITU as follows:

	2012 (US$ millions)	2011 (US$ millions)
Cash and cash equivalents	(0.2)	0.2
Investments	11.5	11.4
Derivative assets	0.2	–
Other receivables	0.1	0.1
Less:		
Payables and accruals	(5.1)	(4.7)
Derivative liabilities	–	(0.1)
Net funds held on behalf of the ITU	6.5	6.9

Note 19 – Other current liabilities

98. Provisions of US$0.3 million (US$0.7 million at 31 December 2011) 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 measured.

Note 20 – Financial instruments

Financial risk management

99. 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 SHIF 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).

100. *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.

101. *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.

102. *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.

103. The ILO's investments include US$86.4 million in fixed-term investments of which US$8.4 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.

104. *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$95 million at the end of 2011 to US$99 million at the end of 2012. Fluctuations do not impact on requirements for financing the ILO’s current operations which are financed mainly by assessed contributions and voluntary contributions.

105. *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 2012 is the carrying value of these assets.

106. *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.

107. *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. Of the ILO’s anticipated cash flow, 94 per cent is derived from assessed contributions and voluntary contributions. Mandatory assessed contributions paid by its member States provide 57 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 88 per cent of these funds are received in the year invoiced and over 99 per cent within a two-year period. Voluntary contributions provided by donors provide 37 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 cash received for ITC training services, interest and dividends, sales and royalties and other income comprise 6 per cent of the total required cash resources.

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, except where local banking conditions require the use of banks with a lower international rating but a good record of performance locally.

Investments

110. Investments are made in government bonds, commercial paper, pooled investment funds and floating rate notes.

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 2012–13 biennium is US$305.1 million of which US$161.3 million is outstanding at 31 December 2012 (2010–11 US$253.2 million), purchased at an average rate of US$1 = CHF0.83 (US$1 = CHF1.05 for 2010–11). 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 2012 was US$14.1 million (US$31.1 million as at 31 December 2011). The total asset of US$14.1 million relates to contracts that mature within the next 12 months (US$15.4 million as at 31 December 2011 along with US$15.7 million relating to contracts with maturity dates greater than 12 months).

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$1.3 million at the reporting date (negative US$0.6 million as at 31 December 2011). The total of the reported asset relates to contracts that mature within the next 12 months.

114. A major resource of the ITC's funding comes from a voluntary contribution provided by the ILO from funds appropriated in the ILO's regular budget. These funds are provided in US dollar which is the ILO's functional currency. In order to limit the risk of loss on conversion of the US dollar contribution to the euro, the ITC's functional currency, the ITC purchased foreign exchange forward agreements in order to hedge a portion of the euro value of the 2012 voluntary contribution. The face value of the agreement is US$3 million, purchased at an average rate of US$1 = €0.705. The agreements matured on 12 January 2012 with a realized loss of US$0.3 million. The ITC had no outstanding forward purchase agreement as at 31 December 2012.

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

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

Capital management

117. 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.

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

Note 21 – Operating leases

119. The ILO enters into operating lease arrangements for the use of field and regional office premises and for the use of photocopying and printing equipment. Some of these leases contain renewal and escalation clauses based generally on local inflationary indices. The total amount paid by the ILO to other UN agencies under cost-sharing agreements, based on the reimbursement of actual cost incurred, was US$1.4 million in 2012 (US$1.6 million in 2011). The total amount of lease and sublease expense recognized in 2012 was US$8.5 million (US$9.8 million in 2011).

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

	2012 (US$ millions)	2011 (US$ millions)
Within one year	0.5	1.3
Later than one year and not later than five years	2.2	2.4
Later than five years	3.0	2.2
Total operating lease commitments	5.7	5.9

121. The total amount of rent earned under contingent lease agreements in 2012 was US$0.5 million (US$0.8 million in 2011), comprising an ITC cost-sharing agreement with other UN agencies with the rent based on reimbursement of actual cost incurred and a profit-sharing agreement with the catering operator in the Geneva premises based on a percentage of revenue.

Note 22 – Statement of comparison of budget and actual amounts

122. 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 = CHF0.84 for the 2012–13 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. The information on Statement V-A includes only the portion of the General Fund for which a budget is adopted by the ILC.

123. 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. These budgets are adopted for

the biennial period of 1 January 2012–31 December 2013, and 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.

124. 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 2012. The budget is prepared on a modified accrual basis. Revenue is recognized on an accrual basis.

125. 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 the ILC (for the regular budget), the ILO Governing Body (for IILS, CINTERFOR and CIS) and the ITC Board of Directors for the ITC. There were no changes to the approved budgets during 2012.

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

127. 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, including the expensing of all capital acquisitions and the consolidated financial statements are prepared on a full accrual basis.

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

129. Presentation differences occur due to differences in the format and classification adopted for the presentation of the consolidated Statement of cash flow and statements of comparison of budget and actual amounts.

130. Financing activities are related to the repayment of the ILO's net borrowings.

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

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

133. The funds of the Office and the determination of budgetary surplus are governed by the Financial Regulations.

134. The following table provides a reconciliation of the result in accordance with the Financial Regulations and the result under the progressive implementation of IPSAS.

Reconciliation of surplus on budgetary and IPSAS basis

In US$ thousands	Regular budget	ITC	IILS	CINTERFOR	CIS	Total
Net result per budgetary basis (Statement V)	42 834	1 254	234	(66)	(134)	44 122
Reconciling items from budgetary basis to IPSAS basis:						
Reimbursement of deficit financing of 2011	54 149	–	–	–	–	54 149
Treatment of exchange differences	1 075	–	–	–	–	1 075
Provision for assessed contributions receivable	(53 703)	–	–	–	–	(53 703)
Discount of receivable from member States with financial arrangement	565	–	–	–	–	565
Recognition of inventory	(669)	–	–	–	–	(669)
Recognition of equipment	334	(134)	–	–	–	200
Recognition of intangible assets	155	–	–	–	–	155
Accrual of employee benefits	(660)	–	17	(19)	2	(660)
Provision for contingencies	409	–	–	–	–	409
Entity difference	–	51	–	–	–	51
Presentation differences	–	(1 259)	–	–	–	(1 259)
Net result per IPSAS basis	44 489	(88)	251	(85)	(132)	44 435
Plus: Net movement in subsidiary funds						1 738
Net result in the consolidated statement of financial performance						46 173

Reconciliation between Statement V and Statement IV

	2012			
	Operating	Investing	Financing	Total
	(US$ thousands)			
Regular budget net result (Statement V-A)	42 834	–	–	42 834
ITC net result (Statement V-E)	1254	–	–	1 254
IILS net result (Statement V-B)	234	–	–	234
CINTERFOR net result (Statement V-C)	(66)	–	–	(66)
CIS net result (Statement V-D)	(134)	–	–	(134)
Total surplus on budgetary basis	44 122	–	–	44 122
Total net result on basis comparable to the adopted budgets:				
Basis difference	1 166	355	–	1 521
Presentation difference	(1 259)	–	–	(1 259)
Entity differences	92 668	(9 856)	(3 981)	78 831
Net cash flows	136 697	(9 501)	(3 981)	123 215
Effect of exchange rates on cash and cash equivalents	(52)	–	–	(52)
Actual amount in the statement of cash flow (Statement IV):	136 645	(9 501)	(3 981)	123 163

Note 23 – Related party disclosures

135. Key management personnel during the period were the Director-General, Deputy Directors-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 ILC who serve without compensation from the ILO and are not considered key management personnel.

136. 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 2012. Key management personnel are members of the UNJSPF to which the personnel and the ILO contributes and are also eligible for participation in the SHIF including the after-service medical insurance if they meet the eligibility requirements in the SHIF Regulations and Administrative Rules.

Category	2012		2011	
	Individuals	Remuneration (US$)	Individuals	Remuneration (US$)
Key management	14	5 134 528	15	5 482 861

137. 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.

138. There were related party transactions involving key management personnel in 2012 totalling US$131,310 (US$135,503 in 2011). All such transactions are under terms and conditions that would apply in the normal course of operations.

Note 24 – Revenue from non-exchange transactions

139. 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.

Revenue from non-exchange transactions	2012 (US$ millions)	2011 (US$ millions)
Assessed contributions from member States	382.9	408.8
Change in provision for assessed contribution receivable	–	(0.3)
Voluntary contribution to technical cooperation projects, RBSA and gifts and grants	263.7	271.9
ITC training services	19.1	24.0
Total revenue from non-exchange transactions	665.7	704.4
Receivables from assessed contributions	69.1	121.7
Receivables from voluntary contributions	324.2	336.1
Total receivables from non-exchange transactions	393.3	457.8
Liabilities recognized for conditional voluntary contributions	311.4	317.3
Liabilities recognized for ITC training services	8.5	15.9
Advance receipts from assessed contributions	38.1	18.1

Note 25 – Contingent assets and liabilities and commitments

140. *Contingent assets:* At the ILC held in June 2011, the Conference adopted the 2012–13 biennium budget including total assessed contributions payable by member States in accordance with article 13 of the ILO Constitution totalling CHF723.8 million (US$861.6 million at the budget rate of exchange of US$1 = CHF0.84 fixed by the ILC for the 2012–13 biennium). Half of the assessed contributions were due and payable on 1 January 2012 and the other half on 1 January 2013. The amount due in 2013 has not been recognized as an asset as it does not meet the definition of an asset as at 31 December 2012. A voluntary contribution to the ITC of US$10.7 million covering future periods is considered probable as are voluntary contributions to the RBSA due in 2013 and future periods totalling US$13.9 million.

141. *Contingent liabilities:* The ILO has contingent liabilities for claims or legal actions related to the ILO Administrative Tribunal estimated at US$0.2 million (US$0.4 million at 31 December 2011) 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. During 2012, the ILO Administrative Tribunal delivered judgements which resulted in settlements of US$0.2 million for existing claims and new claims of US$0.1 million were submitted. The ILO expects the claims to be settled over the next 24 months. Other possible obligations exist which could lead to a significant future outflow of resources. These possible obligations may become an actual liability by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the ILO. The ILO is not currently in a position to determine whether a present obligation exists nor to reliably measure the likely outflow of resources and therefore no further amount is recorded or disclosed in the consolidated financial statements.

142. *Commitments:* The ILO has multi-year contracts to provide for hosting and technical support to the ILO's Oracle-based systems, cleaning services and technical building maintenance at its headquarters in Geneva and catering and travel agent services at the ITC. The estimated outstanding commitments are estimated at US$22.9 million at 31 December 2012 (US$9.9 million at 31 December 2011). Outstanding contracts for renovation of the headquarters building totalled US$16.1 million at 31 December 2012 (US$1 million as at 31 December 2011).

Note 26 – In-kind contributions

143. 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 consolidated Statement of financial position nor has the annual value of the right to use been recognized on the consolidated Statement of financial performance.

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

- The campus and facilities of the ITC made available by the City of Turin, Italy, including facilities constructed with funds provided by the Government of Italy.
- Land in Islamabad, Brasilia and Dar es Salaam, is provided by the Government of Pakistan, the Government of Brazil and the Government of the United Republic of Tanzania respectively.
- 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 – Segment reporting

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

- Policy-making organs – the International Labour Conference, Governing Body, major Regional Meetings, legal services and the Relations, Meetings and Document Department.
- Strategic objectives – the technical programmes, regional and country offices, cross-cutting programmes and ITC, IILS, CIS and CINTERFOR and support services such as information technology, facilities and security and protocol.
- Management Services – Director-General's Office, human resources, financial services, programme and management and oversight.

- Other – such as retiree health-care costs, contributions to UN system entities and extraordinary items.
- Unallocated (not distributed) – Compensation Fund, Terminal Benefits Fund, Staff Health Insurance Fund, change in provision for after-service health insurance (ASHI), investment revenue and expense, depreciation of property and equipment and amortization of intangible assets and the Administrative Tribunal.
- Eliminations – inter-segment transfers are eliminated, including contributions made by each segment to the ILO Staff Health Insurance Fund in accordance with the regulations of the Fund; contributions to the Terminal Benefits Fund (at 3.5 per cent of basis salary for the regular budget expatriate staff, 6.0 per cent for expatriate staff of the ITC and extra-budgetary-funded activities and 7.5 per cent for ITC General Service staff); and contributions to the Compensation Fund covering premiums for accident insurance and short-term staff insurance.

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

International Labour Organization

Consolidated statement of financial performance by segment

For the year ended 31 December 2012 (US$ millions)

	Policy-making organs		Strategic objectives		Management services		Other		Unallocated		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Assessed contributions from member States	41.0	44.1	285.6	305.5	33.3	34.6	23.0	24.6	–	–	–	–	382.9	408.8
Change in provision for assessed contributions receivable	–	(0.1)	–	(0.2)	–	–	–	–	–	–	–	–	–	(0.3)
Voluntary contributions	0.1	–	262.7	270.9	0.9	1.0	–	–	–	–	–	–	263.7	271.9
ITC training services	–	–	26.4	33.6	–	–	–	–	–	–	(7.3)	(9.6)	19.1	24.0
Programme support income	0.4	0.7	16.7	16.9	5.1	3.2	–	–	–	–	(22.2)	(20.8)	–	–
Staff/Retiree employee benefit contributions	–	–	–	–	–	–	–	–	20.9	21.4	–	–	20.9	21.4
Sales and royalties	1.6	1.5	4.2	2.6	1.2	1.5	–	–	2.5	2.5	(1.1)	(1.1)	8.4	7.0
Investment income	–	–	–	–	–	–	–	–	6.9	4.0	–	–	6.9	4.0
Contribution inter-segment	–	–	7.3	6.2	–	–	3.8	–	40.8	34.8	(51.9)	(41.0)	–	–
Exchange gain (loss) and revaluation, net	–	–	–	–	–	–	–	–	29.3	12.8	–	–	29.3	12.8
Other income	–	–	2.4	3.3	–	–	–	–	1.6	0.6	–	–	4.0	3.9
Total revenue	43.1	46.2	605.3	638.8	40.5	40.3	26.8	24.6	102.0	76.1	(82.5)	(72.5)	735.2	753.5

	Policy-making organs		Strategic objectives		Management services		Other		Unallocated		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Staff costs	34.2	39.6	335.6	347.9	32.5	35.3	2.0	2.7	19.8	21.0	(16.9)	(17.9)	407.2	428.6
Travel	1.6	2.0	25.1	29.9	0.9	1.0	–	0.5	0.5	0.6	–	–	28.1	34.0
Subcontracts	1.4	1.7	90.5	102.0	1.6	2.8	0.7	1.0	1.5	–	(0.8)	(0.5)	94.9	107.0
General operating expenses	2.0	2.3	41.4	44.9	0.6	1.0	0.1	1.2	1.0	1.1	(0.1)	(0.2)	45.0	50.3
Supplies, materials and small equipment	0.1	0.6	9.8	21.9	0.1	0.3	–	0.3	–	(0.2)	–	–	10.0	22.9
Depreciation and amortization	–	–	–	–	–	–	–	–	2.0	2.5	–	–	2.0	2.5
Seminars, workshops and other training	0.1	–	50.9	57.6	0.5	0.5	–	0.1	–	–	(7.0)	(9.6)	44.5	48.6
Staff development	0.1	0.5	1.9	3.6	2.2	0.9	–	–	–	–	–	–	4.2	5.0
Health benefits	–	–	–	–	–	–	–	–	41.6	42.4	–	–	41.6	42.4
Contributions and grants in aid	–	–	11.6	12.4	0.2	0.2	29.1	19.1	0.4	0.4	(35.2)	(23.5)	6.1	8.6
Programme support cost	–	–	22.3	20.8	–	–	–	–	0.2	–	(22.5)	(20.8)	–	–
Finance costs	–	–	–	–	–	–	–	–	1.8	3.8	–	–	1.8	3.8
Other expenses	–	–	–	0.2	–	–	–	–	3.6	4.3	–	–	3.6	4.5
Total expense	39.5	46.7	589.1	641.2	38.6	42.0	31.9	24.9	72.4	75.9	(82.5)	(72.5)	689.0	758.2
Net result	3.6	(0.5)	16.2	(2.4)	1.9	(1.7)	(5.1)	(0.3)	29.6	0.2	–	–	46.2	(4.7)

Note 28

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO
Summary for the year ended 31 December 2012

(in Swiss francs)

Details	Balance due as at 1.1.2012 [(1)]	Assessed Contributions 2012	Total amounts due	Amount received or credited [(2)] 31.12.2012	Balance due as at 31.12.2012
A. Assessed contributions for 2012:					
2012 – Assessed with the budget		361 880 400	361 880 400	317 274 744	44 605 656
Total assessed contributions for 2012		361 880 400	361 880 400	317 274 744	44 605 656
B. Assessed contributions for previous financial periods due from member States	125 819 215		125 819 215	98 250 836	27 568 379
C. Amounts due by States for prior periods of membership in the ILO	6 615 689		6 615 689	-	6 615 689
Total assessed contributions and other amounts due for previous financial periods	132 434 904	-	132 434 904	98 250 836	34 184 068
Total 2012	132 434 904	361 880 400	494 315 304	415 525 580	78 789 724
Total 2010–11	71 933 033	777 592 898	849 525 931	717 091 027	132 434 904

Balance in US dollars at the United Nations rate of exchange for 31 December 2012 (0.911 Swiss francs to the dollar)	86 487 074
Less: prepayments of financial arrangements	(853 861)
Assessed contributions receivable in US dollars	85 633 213

[(1)] Excludes assessed contributions for 2012.

[(2)] Includes credits to member States in respect of:	in Swiss francs
The incentive scheme for 2010	82 524
Cash surpluses for previous financial periods	351 937
50 per cent of the net premium for previous financial periods	8 329
Total credits	442 790

Note 29

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO
Details for the year ended 31 December 2012

(in Swiss francs)

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions %	Assessed contributions Amount	Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
Afghanistan	0.004	14 475	13	14 462	7	–	7	*2011–12*	14 469
Albania	0.010	36 188	10	36 178	22 708	21 000	1 708	*2011–12*	37 886
Algeria	0.128	463 207	463 207	–	–	–	–		–
Angola	0.010	36 188	36 188	–	–	–	–		–
Antigua and Barbuda [2]	0.002	7 238	342	6 896	98 607	–	98 607	*2000–12*	105 503
Argentina	0.287	1 038 597	–	1 038 597	510 545	242 800	267 745	*2011–12*	1 306 342
Armenia [1]	0.005	18 094	18 094	–	1 527 666	72 000	1 455 666	*1994–2004*	1 455 666
Australia	1.934	6 998 767	6 998 767	–	–	–	–		–
Austria	0.852	3 083 221	3 083 221	–	–	–	–		–
Azerbaijan [1]	0.015	54 282	54 282	–	3 220 660	70 784	3 149 876	*1993–2005*	3 149 876
Bahamas	0.018	65 138	65 138	–	–	–	–		–
Bahrain	0.039	141 133	141 133	–	–	–	–		–
Bangladesh	0.010	36 188	36 188	–	–	–	–		–
Barbados	0.008	28 950	28 950	–	–	–	–		–
Belarus [1]	0.042	151 990	151 990	–	946 479	157 746	788 733	*1996–97*	788 733
Belgium	1.076	3 893 833	3 893 833	–	–	–	–		–
Belize	0.001	3 619	3 619	–	11 675	11 675	–		–

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions %	Assessed contributions Amount	Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
Benin	0.003	10 856	2	10 854	649	–	649	*2011–12*	11 503
Bolivia, Plurinational State of	0.007	25 332	25 332	–	–	–	–		–
Bosnia and Herzegovina	0.014	50 663	50 663	–	–	–	–		–
Botswana	0.018	65 138	65 138	–	–	–	–		–
Brazil	1.612	5 833 512	–	5 833 512	–	–	–	*2012*	5 833 512
Brunei Darussalam	0.028	101 326	101 326	–	–	–	–		–
Bulgaria	0.038	137 515	137 515	–	–	–	–		–
Burkina Faso	0.003	10 856	10 856	–	–	–	–		–
Burundi (2)	0.001	3 619	9	3 610	12 023	3 222	8 801	*2009–12*	12 411
Cambodia (1)	0.003	10 856	10 856	–	81 180	27 062	54 118	*1993–94*	54 118
Cameroon	0.011	39 807	39 807	–	–	–	–		–
Canada	3.208	11 609 123	11 609 123	–	–	–	–		–
Cape Verde	0.001	3 619	–	3 619	5 501	–	5 501	*2010–12*	9 120
Central African Republic (1)	0.001	3 619	3 619	–	98 958	8 846	90 112	*1996–2000+2004–07*	90 112
Chad	0.002	7 238	–	7 238	11 514	4 014	7 500	*2011–12*	14 738
Chile	0.236	854 038	854 035	3	35 235	35 235	–	*2012*	3
China	3.190	11 543 985	11 543 985	–	3 030 076	3 030 076	–		–
Colombia	0.144	521 108	260 681	260 427	169 818	169 818	–	*2012*	260 427
Comoros (2)	0.001	3 619	–	3 619	503 058	2 838	500 220	*1983–2012*	503 839
Congo	0.003	10 856	8 162	2 694	1 280	1 280	–	*2012*	2 694
Costa Rica	0.034	123 039	414	122 625	86 809	47 653	39 156	*2011–2012*	161 781
Côte d'Ivoire (2)	0.010	36 188	–	36 188	143 667	–	143 667	*2008–12*	179 855
Croatia	0.097	351 024	351 024	–	–	–	–		–

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
	%	Amount							
Cuba	0.071	256 935	116 307	140 628	149 391	149 391	–	*2012*	140 628
Cyprus	0.046	166 465	166 465	–	–	–	–		–
Czech Republic	0.349	1 262 963	1 262 963	–	–	–	–		–
Democratic Republic of the Congo	0.003	10 856	–	10 856	32 039	29 812	2 227	*2011–12*	13 083
Denmark	0.736	2 663 440	2 663 440	–	–	–	–		–
Djibouti (2)	0.001	3 619	272	3 347	102 371	–	102 371	*1996+1998–2012*	105 718
Dominica (2)	0.001	3 619	–	3 619	22 645	–	22 645	*2006–12*	26 264
Dominican Republic	0.042	151 990	–	151 990	254 038	151 990	102 048	*2011–12*	254 038
Ecuador	0.040	144 752	28 221	116 531	93 829	93 829	–	*2012*	116 531
Egypt	0.094	340 168	340 168	–	–	–	–		–
El Salvador	0.019	68 757	259	68 498	8 355	–	8 355	*2011–12*	76 853
Equatorial Guinea	0.008	28 950	–	28 950	34 829	34 829	–	*2012*	28 950
Eritrea	0.001	3 619	3 619	–	–	–	–		–
Estonia	0.040	144 752	144 752	–	–	–	–		–
Ethiopia	0.008	28 950	28 950	–	–	–	–		–
Fiji	0.004	14 475	14 475	–	–	–	–		–
Finland	0.566	2 048 243	2 048 243	–	–	–	–		–
France	6.126	22 168 793	22 168 793	–	–	–	–		–
Gabon	0.014	50 663	49 151	1 512	–	–	–	*2012*	1 512
Gambia (2)	0.001	3 619	89	3 530	45 430	–	45 430	*1999–2012*	48 960
Georgia (1)	0.006	21 713	21 713	–	2 657 195	153 595	2 503 600	*1994–2004*	2 503 600
Germany	8.021	29 026 427	29 026 427	–	–	–	–		–
Ghana	0.006	21 713	57	21 656	–	–	–	*2012*	21 656

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
	%	Amount							
Greece	0.691	2 500 594	7 705	2 492 889	3 743 762	3 616 600	127 162	*2011–12*	2 620 051
Grenada	0.001	3 619	–	3 619	7 626	–	7 626	*2010–12*	11 245
Guatemala	0.028	101 326	101 326	–	–	–	–		–
Guinea	0.002	7 238	6 721	517	6 538	6 538	–	*2012*	517
Guinea-Bissau (2)	0.001	3 619	–	3 619	256 965	–	256 965	*1992–2012*	260 584
Guyana	0.001	3 619	3 619	–	–	–	–		–
Haiti	0.003	10 856	10 856	–	19 403	19 403	–		–
Honduras	0.008	28 950	26 037	2 913	8 088	8 088	–	*2012*	2 913
Hungary	0.291	1 053 072	1 053 072	–	7	7	–		–
Iceland	0.042	151 990	151 990	–	–	–	–		–
India	0.534	1 932 441	1 932 441	–	–	–	–		–
Indonesia	0.238	861 275	861 275	–	–	–	–		–
Iran, Islamic Republic of	0.233	843 181	–	843 181	1 212 844	–	1 212 844	*2010–12*	2 056 025
Iraq (1)	0.020	72 376	72 376	–	4 876 319	304 770	4 571 549	*1993–2007*	4 571 549
Ireland	0.498	1 802 164	1 802 143	21	7	7	–	*2012*	21
Israel	0.384	1 389 621	1 256 920	132 701	132 701	132 701	–	*2012*	132 701
Italy	5.001	18 097 639	18 097 639	–	–	–	–		–
Jamaica	0.014	50 663	50 663	–	38 545	38 545	–		–
Japan	12.535	45 361 708	45 361 708	–	–	–	–		–
Jordan	0.014	50 663	50 663	–	–	–	–		–
Kazakhstan (1)	0.076	275 029	275 029	–	2 316 022	257 335	2 058 687	*1996–99*	2 058 687
Kenya	0.012	43 426	–	43 426	43 733	30 091	13 642	*2011–12*	57 068
Kiribati	0.001	3 619	13	3 606	6 235	–	6 235	*2010–12*	9 841

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions %	Assessed contributions Amount	Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
Korea, Republic of	2.261	8 182 116	6 035 985	2 146 131	5 467 978	5 467 978	–	*2012*	2 146 131
Kuwait	0.263	951 745	951 745	–	–	–	–		–
Kyrgyzstan (2)	0.001	3 619	–	3 619	1 143 979	–	1 143 979	*1992–2012*	1 147 598
Lao People's Democratic Republic	0.001	3 619	3 619	–	3 853	3 853	–		–
Latvia	0.038	137 515	137 515	–	–	–	–		–
Lebanon	0.033	119 421	439	118 982	137 008	118 961	18 047	*2011–12*	137 029
Lesotho	0.001	3 619	3 619	–	–	–	–		–
Liberia (1)	0.001	3 619	3 619	–	107 268	11 919	95 349	*1996–99*	95 349
Libya	0.129	466 826	466 826	–	878 900	878 900	–		–
Lithuania	0.065	235 222	235 222	–	–	–	–		–
Luxembourg	0.090	325 692	325 692	–	–	–	–		–
Madagascar	0.003	10 856	–	10 856	1 221	1 207	14	*2011–12*	10 870
Malawi	0.001	3 619	–	3 619	7 422	–	7 422	*2010–12*	11 041
Malaysia	0.253	915 557	915 557	–	–	–	–		–
Maldives, Republic of	0.001	3 619	–	3 619	–	–	–	*2012*	3 619
Mali	0.003	10 856	10 856	–	7 647	7 647	–		–
Malta	0.017	61 520	61 520	–	–	–	–		–
Marshall Islands	0.001	3 619	3 619	–	–	–	–		–
Mauritania	0.001	3 619	3 619	–	2 807	2 807	–		–
Mauritius	0.011	39 807	39 807	–	–	–	–		–
Mexico	2.357	8 529 521	8 529 521	–	–	–	–		–
Moldova, Republic of (1)	0.002	7 238	7 238	–	1 910 538	136 467	1 774 071	*1994–2004*	1 774 071
Mongolia	0.002	7 238	7 105	133	57	57	–	*2012*	133

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
	%	Amount							
Montenegro	0.004	14 475	14 475	–	–	–	–		–
Morocco	0.058	209 891	209 891	–	–	–	–		–
Mozambique	0.003	10 856	10 856	–	7	7	–		–
Myanmar	0.006	21 713	21 713	–	708	708	–		–
Namibia	0.008	28 950	28 950	–	–	–	–		–
Nepal	0.006	21 713	21 637	76	–	–	–	*2012*	76
Netherlands	1.856	6 716 500	6 716 500	–	–	–	–		–
New Zealand	0.273	987 933	987 933	–	–	–	–		–
Nicaragua	0.003	10 856	10 856	–	4 107	4 107	–		–
Niger	0.002	7 238	44	7 194	3 301	3 301	–	*2012*	7 194
Nigeria	0.078	282 267	5	282 262	291 430	–	291 430	*2011–12*	573 692
Norway	0.872	3 155 597	3 155 597	–	–	–	–		–
Oman	0.086	311 217	311 212	5	–	–	–	*2012*	5
Pakistan	0.082	296 742	293 807	2 935	186 545	186 545	–	*2012*	2 935
Palau	–	–	–	–	–	–	–		–
Panama	0.022	79 614	79 614	–	–	–	–		–
Papua New Guinea	0.002	7 238	–	7 238	23 422	15 646	7 776	*2011–12*	15 014
Paraguay (2)	0.007	25 332	553	24 779	610 360	42 946	567 414	*1937+1986–90+1998–2003+2011–12*	592 193
Peru	0.090	325 692	281 451	44 241	945 488	945 488	–	*2012*	44 241
Philippines	0.090	325 692	325 692	–	–	–	–		–
Poland	0.828	2 996 370	2 996 370	–	–	–	–		–
Portugal	0.511	1 849 209	812	1 848 397	1 922 364	1 922 364	–	*2012*	1 848 397
Qatar	0.135	488 539	488 539	–	–	–	–		–

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
	%	Amount							
Romania	0.177	640 528	640 528	–	–	–	–		–
Russian Federation	1.603	5 800 943	5 800 943	–	–	–	–		–
Rwanda	0.001	3 619	3 619	–	3 697	3 697	–		–
Saint Kitts and Nevis	0.001	3 619	3 619	–	20	20	–		–
Saint Lucia	0.001	3 619	3 619	–	–	–	–		–
Saint Vincent and the Grenadines	0.001	3 619	15	3 604	38	–	38	*2011–12*	3 642
Samoa	0.001	3 619	3 619	–	–	–	–		–
San Marino	0.003	10 856	10 856	–	–	–	–		–
Sao Tome and Principe (2)	0.001	3 619	342	3 277	215 265	–	215 265	*1994–2012*	218 542
Saudi Arabia	0.831	3 007 226	3 007 226	–	–	–	–		–
Senegal	0.006	21 713	–	21 713	6 616	–	6 616	*2011–12*	28 329
Serbia	0.037	133 896	133 896	–	–	–	–		–
Seychelles	0.002	7 238	7 238	–	–	–	–		–
Sierra Leone (2)	0.001	3 619	–	3 619	414 095	2 070	412 025	*1986–2012*	415 644
Singapore	0.335	1 212 299	1 212 299	–	–	–	–		–
Slovakia	0.142	513 870	513 870	–	–	–	–		–
Slovenia	0.103	372 737	372 737	–	–	–	–		–
Solomon Islands (2)	0.001	3 619	–	3 619	19 221	–	19 221	*2004–2007+2010–12*	22 840
Somalia (2)	0.001	3 619	–	3 619	389 514	–	389 514	*1988–2012*	393 133
South Africa	0.385	1 393 240	1 393 240	–	–	–	–		–
South Sudan	–	–	–	–	–	–	–		
Spain	3.178	11 500 559	4 296	11 496 263	8 111 865	8 111 865	–	*2012*	11 496 263
Sri Lanka	0.019	68 757	68 757	–	–	–	–		–

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions		Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
	%	Amount							
Sudan	0.010	36 188	129	36 059	44 677	28 937	15 740	*2011–12*	51 799
Suriname	0.003	10 856	10 856	–	504	504	–		–
Swaziland	0.003	10 856	10 856	–	–	–	–		–
Sweden	1.065	3 854 026	3 854 026	–	–	–	–		–
Switzerland	1.131	4 092 867	4 092 867	–	–	–	–		–
Syrian Arab Republic	0.025	90 470	207	90 263	14 228	–	14 228	*2011–12*	104 491
Tajikistan (2)	0.002	7 238	–	7 238	575 713	7 238	568 475	*1994–2012*	575 713
Tanzania, United Republic of	0.008	28 950	–	28 950	6 328	–	6 328	*2011–12*	35 278
Thailand	0.209	756 330	756 330	–	–	–	–		–
The former Yugoslav Republic of Macedonia	0.007	25 332	–	25 332	45 846	45 846	–	*2012*	25 332
Timor-Leste	0.001	3 619	3 618	1	–	–	–	*2012*	1
Togo (1)	0.001	3 619	3 619	–	74 643	56 658	17 985	*2000–04*	17 985
Trinidad and Tobago	0.044	159 227	159 227	–	–	–	–		–
Tunisia	0.030	108 564	108 564	–	–	–	–		–
Turkey	0.617	2 232 802	2 232 802	–	–	–	–		–
Turkmenistan	0.026	94 089	94 089	–	1 097 683	1 097 683	–		–
Tuvalu	0.001	3 619	3 619	–	–	–	–		–
Uganda	0.006	21 713	21 713	–	14 808	14 808	–		–
Ukraine (1)	0.087	314 836	314 836	–	3 164 719	316 472	2 848 247	*1998–99+2009*	2 848 247
United Arab Emirates	0.391	1 414 952	1 414 839	113	113	113	–	*2012*	113
United Kingdom	6.607	23 909 438	23 909 438	–	–	–	–		–
United States	22.000	79 613 688	63 975 376	15 638 312	68 534 944	68 534 944	–	*2012*	15 638 312
Uruguay	0.027	97 708	10	97 698	–	–	–	*2012*	97 698

State	2012 Assessed contributions				Amounts due for previous financial periods			Calendars years of assessment	Total due as at 31.12.2012
	Assessed contributions %	Assessed contributions Amount	Amount received or credited	Balance due as at 31.12.2012	Balance due as at 01.01.2012	Amount received in 2012	Balance due as at 31.12.2012		
Uzbekistan (2)	0.010	36 188	–	36 188	1 527 210	36 188	1 491 022	*1997–2012*	1 527 210
Vanuatu	0.001	3 619	9	3 610	8 609	3 888	4 721	*2010–12*	8 331
Venezuela, Bolivarian Republic of	0.314	1 136 304	21 845	1 114 459	1 252 393	1 252 393	–	*2012*	1 114 459
Viet Nam	0.033	119 421	119 421	–	–	–	–		–
Yemen	0.010	36 188	21 161	15 027	53 024	53 024	–	*2012*	15 027
Zambia	0.004	14 475	–	14 475	–	–	–	*2012*	14 475
Zimbabwe	0.003	10 856	10 856	–	–	–	–		–
Total	100.000	361 880 400	317 274 744	44 605 656	125 819 215	98 250 836	27 568 379		72 174 035
Amounts due by States for prior periods of membership in the ILO									
Former Socialist Fed. Rep. of Yugoslavia (3)	–	–	–	–	6 370 623	–	6 370 623	1989–01	6 370 623
Paraguay (4)	–	–	–	–	245 066	–	245 066	1937	245 066
Total – Amounts due by States for prior periods of membership in the ILO	–	–	–	–	6 615 689	–	6 615 689		6 615 689
TOTAL	100.000	361 880 400	317 274 744	44 605 656	132 434 904	98 250 836	34 184 068		78 789 724

[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)
Liberia	88th	(2000)
Moldova, Republic of	93rd	(2005)
Togo	93rd	(2005)
Ukraine	99th	(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 (2010–11). Each of these member States had therefore lost the right to vote in accordance with the provisions of paragraph 4 of article 13 of the Constitution of the Organization.

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

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

6. Appendix

Additional unaudited information

Detail of net assets, revenue and expense by fund for 2012 (US$ thousands)

Net assets by fund	Net assets at 31 Dec. 2011 (restated)	Revenue 2012	Expense 2012	Reimbursement of deficit financing	Adjustments to net assets	Net assets at 31 Dec. 2012
Regular budget	130 524	409 846	(365 357)	(54 150)	(16 894)	103 969
Land and buildings	363 770	9 075	(2 658)	–	10 448	380 635
Building accommodation	89 542	7 467	(7 584)	–	–	89 425
RBSA	30 523	13 945	(12 428)	–	–	32 040
Programme support income	44 353	22 408	(17 661)	–	–	49 100
Publications	1 251	578	(908)	–	–	921
ITS	1 649	3	–	–	–	1 652
Gifts, grants and reimbursable costs	4 293	4 552	(3 921)	–	–	4 924
Prior period surplus	4 435	124	(770)	–	–	3 789
Special Programme Accounts	27 297	928	(5 166)	–	–	23 059
Working Capital	–	334	–	38 085	–	38 419
Income Adjustment Account	48 424	3 340	(489)	16 065	–	67 340
Terminal benefits	(13 001)	4 816	(385)	–	–	(8 570)
SHIF	47 984	46 430	(41 799)	–	1 686	54 301
ASHI liability	(738 049)	–	(20 284)	–	(99 169)	(857 502)
Other General Fund	2 045	1 272	(1 221)	–	–	2 096
Subtotal General Fund	45 040	525 118	(480 631)	–	(103 929)	(14 402)
ITC	16 012	43 965	(44 053)	–	2 024	17 948
IILS	11 722	3 777	(1 670)	–	–	13 829
CINTERFOR	420	1 570	(1 641)	–	–	349
CIS	539	78	(210)	–	–	407
Administrative Tribunal	(162)	2 544	(2 674)	–	–	(292)
Subtotal Non-General Funds	28 531	51 934	(50 248)	–	2 024	32 241
UNDP	–	3 774	(3 774)	–	–	–
TC Project	–	236 807	(236 807)	–	–	–
Subtotal extra-budgetary	–	240 581	(240 581)	–	–	–
Inter-segment elimination	–	(82 479)	82 479	–	–	–
Total	73 571	735 154	(688 981)	–	(101 905)	17 839