



Governing Body

317th Session, Geneva, 6–28 March 2013

GB.317/PFA/8

Programme, Financial and Administrative Section
Audit and Oversight Segment

PFA

Date: 25 February 2013

Original: English

EIGHTH ITEM ON THE AGENDA

Report of the Independent Oversight Advisory Committee (IOAC)

Purpose of the document

This paper transmits the 2013 report of the Independent Oversight Advisory Committee, for debate and guidance.

Relevant strategic objective: Not applicable.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Follow-up action required: The Office will report to the Committee on Office follow-up to recommendations contained in the attached report.

Author unit: Independent Oversight Advisory Committee (IOAC).

Related documents: GB.300/PFA/5(Add.); GB.310/PFA/5/3; GB.312/PV, para. 735; GB.313/PFA/6/1(Rev.); GB.316/PFA/6/1; GB.316/PFA/6/2; dec-GB.316/PFA/6/1; GB.316/PV/Draft, para. 650; dec-GB.316/PFA/6/2; and GB.316/PV/Draft, para. 657.

1. In November 2007, the Governing Body approved the establishment, on a trial basis, of an Independent Oversight Advisory Committee (IOAC) to provide advice to the Governing Body and the Director-General, including on the effectiveness of internal control, financial management and reporting, and internal and external audit outputs.¹
2. At its 301st Session (March 2008), the Governing Body appointed the following members of the IOAC:²
 - Mr Gil BELTRAN (Philippines)
 - Mr Denys CHAMAY (Switzerland)
 - Mr Reckford KAMPANJE (Malawi)
 - Mr Arto KUUSIOLA (Finland)
 - Mr Oscar MAFFE (Argentina)
3. In November 2011, the Governing Body decided, inter alia, to establish the IOAC as a permanent advisory body reporting to the Governing Body and to extend the mandate of the Committee's five members until 16 November 2012 under the terms of reference as approved by the Governing Body at its 300th Session (November 2007).³ The Committee met in Geneva from 26 to 28 September 2012.
4. At its 316th Session (November 2012), the Governing Body revised the terms of reference of the Committee⁴ and appointed the following members:⁵
 - Mr Denys CHAMAY (Switzerland)
 - Mr Luis Guillermo CHINCHILLA (Peru)
 - Ms Bushra Naz MALIK (Pakistan)
 - Ms Hilary WILD (United Kingdom)
 - Ms Jeya WILSON (South Africa)
5. In accordance with its revised terms of reference, the Committee met in Geneva from 30 January to 1 February 2013.
6. The Director-General herewith transmits the report of the Committee to the Governing Body for its consideration.

¹ GB.300/PV, para. 285; and GB.300/PFA/5(Add.).

² GB.301/PV, para. 212.

³ GB.312/PFA/10; GB.312/PV, para. 735.

⁴ GB.316/PFA/6/1; dec-GB.316/PFA/6/1; GB.316/PV/Draft, para. 650.

⁵ GB.316/PFA/6/2; dec-GB.316/PFA/6/2; GB.316/PV/Draft, para. 657.

Appendix

Report of the Independent Oversight Advisory Committee (Fifth annual report)

1. In accordance with its approved terms of reference, the Committee met in Geneva from 26 to 28 September 2012. This was the final meeting of the Committee as it was then constituted.
2. The newly appointed members of the Committee ¹ met in Geneva from 30 January to 1 February 2013 under the revised terms of reference approved by the Governing Body in November 2012. The Committee elected Ms Hilary Wild (United Kingdom) as Chairperson for a term of three years.
3. During the meetings, the Committee met with senior officials of the Office, including the Deputy Director-General for Management and Reform, the Treasurer and Financial Comptroller, the Director of the Bureau of Programming and Management, the Officer-in-Charge of the Human Resources Development Department (HRD), the Chief Internal Auditor, the Director of the Department of Central Services, Security and Protocol, the Chief of the Information Technology and Communications Bureau (ITCOM) and the Ethics Officer, to follow up on matters from its previous sessions and to receive information on items within the Committee's mandate.
4. In September 2012, the Committee met with representatives of the External Auditor, the Auditor General of Canada. It also met with Members of the Governing Body, providing an opportunity to discuss the work of the Committee.
5. The findings and recommendations of the Committee are based on information made available to it by officials of the Office and the External Auditor.
6. This is a transitional report that reflects the work of both the former and the new members of the Committee. At its January 2013 meeting, the Committee was briefed on the previous work of the Committee. With additional information to be received at its May and September 2013 and January 2014 meetings, more detailed recommendations may follow. The January 2013 meeting also presented an opportunity for the in-depth orientation of the new Committee members to the work of the ILO.

Follow-up to the report of the Committee to the Governing Body (March 2012) ²

7. The six recommendations made by the Committee in its March 2012 report to the Governing Body and the follow-up to those recommendations are discussed below.

Recommendation 1 (2012): The Committee recommended that the approval of IT projects include complete consideration of the total cost of ownership, including staff costs of involvement of the user community and business units in implementation and support of these projects.

8. The Office reported that ITCOM had established and staffed a formal Project Management Office (PMO). The PMO had been fully functional by the end of 2012.

¹ GB.316/PFA/6/2.

² GB.313/PFA/6/1(Rev.).

9. The PMO was responsible for validating the business case underpinning proposed IT-related investments. This consisted of evaluating the benefits, potential alternatives, total cost of ownership, long-term sustainability and associated risks of proposed projects.
10. The Office reported that the costing model used to calculate total cost of ownership included all direct and indirect costs to implement, maintain, upgrade and replace IT hardware and software; licence costs; hosting costs; operating costs; support costs; and end-user training.
11. The PMO provided estimated costs of proposed initiatives to the Office's IT Governance Board to facilitate decision-making on the selection, approval and prioritization of proposed IT projects across the Office. The PMO also tracked and monitored the portfolio of approved IT-related projects and escalated risks where necessary.
12. The Committee expressed its satisfaction with the follow-up by the Office.

Recommendation 2 (2012): The Committee recommended that the Office embark on a formal exercise to collect skills mapping data on all ILO staff more promptly than the current target date of 80 per cent completion by 31 December 2015.

Recommendation 3 (2012): The Committee further recommended that the Office consider implementing an integrated IT solution for skills mapping (Integrated Resource Information Management System (IRIS), Job Shop and Learning Management) to support the initial collection and ongoing maintenance of skills data.

13. The Office reported that it had completed a global learning needs report for the current biennium (2012–13). The results had been communicated to all regions and sectors in October 2012, and followed up by HRD with training initiatives to bridge possible gaps. The data used for the analysis had come from the Performance Management Framework, which included all submitted beginning-of-cycle forms received by HRD. An analysis of future leadership capabilities had been conducted as part of the Leadership Development Initiative (LDI), and HRD had already taken action to bridge identified gaps.
14. HRD reported that it had identified the need to implement a new skills mapping system, which it planned to purchase and begin implementing during 2013. The new tool, more aligned to the needs of the ILO and integrated with IRIS, would improve the quality and usefulness of data and encourage greater staff participation. The new system was required to provide reliable data on the skills and competencies of staff, in particular in areas key to future programme delivery. Once fully implemented, this approach would provide skills data for a large number of ILO officials and provide clear indications of skills gaps.
15. The Committee reiterated the importance of collecting data on skills for all staff. The Committee supported HRD's plans, including the target to complete skills data collection before 31 December 2015.
16. The Office reported that steps had been taken to implement an integrated IT solution to support the mapping of the skills and competencies needed to support the strategic outputs as well as the skills and competencies of staff. This included the implementation of a Learning Management System (LMS), a Performance Management System (PMS) and enhancements to the e-recruitment system, all of which would be linked with core human resources data (staff and positions) in IRIS.
17. The launch of the LMS by 31 March 2013 would assist in preserving data on training activities completed, as well as skills gaps identified through the Performance Management Framework. The procurement process for a PMS was being completed, with a view to the system being operational for the 2014–15 biennium, in time to support that biennium's performance reviews and the skills data collection process. The e-recruitment system would be enhanced during the course of 2014–15, taking into consideration its linkages with IRIS, the LMS and the PMS. These integrated modules would serve as a management tool for workforce planning and talent management, of which skills mapping was a part.

18. The Committee noted that the recommendations had yet to be fully implemented and encouraged the Office to proceed as quickly as possible, resources permitting. The Committee requested that a status report be presented at the Committee's September 2013 meeting. The expected status report should provide clear objectives for the data collection and its usage, a better definition of what data was to be collected by when in order to achieve the established objectives, linkages and interrelationships between the four projects³ and clear estimated completion dates.

Recommendation 4 (2012): Given the importance of management and leadership in ensuring sound management, the Committee was pleased to note that a revised leadership training programme had been developed and piloted in 2011. The Committee recommended that continuing support and resources be allocated to this programme.

19. The Office reported that approximately 25 per cent of the staff development resources had been allocated within the current biennium for leadership training and to support continuation of the LDI launched in 2011. The ILO continues to focus its efforts on developing the management and leadership skills of officials in managerial positions Organization-wide. In the context of the LDI, by January 2013, 66 managers had attended the training, and 31 of those managers had participated in follow-up workshops focused on building executive communication and negotiation skills.
20. The Committee noted that the recommendation had been fully implemented.

Recommendation 5 (2012): In order to further improve quality and timeliness of implementation of the internal audit recommendations, the Committee recommended a formal sign off of the Implementation Report (IR) by the executive director or regional director of the audited unit.

21. The Office reported that it did not consider that a requirement for a formal sign-off by the regional director or executive director would improve the quality or timeliness of the responses to audit recommendations. The revised version of the appropriate documents under the Internal Governance Documents System (IGDS), issued in August–September 2011, had reinforced the responsibilities of regional and executive directors for follow up and the Office would monitor compliance with the established procedures before making further changes.
22. The Office also reported that the Director-General had, in January 2013, sent a minute to the executive directors and regional directors reinforcing their responsibility to ensure the timely implementation of internal audit recommendations and the timely reporting of such implementation. The revised structure and functioning of the Transitional Senior Management Team now supported status reporting on the implementation of recommendations. The Treasurer and Financial Comptroller reported that all such measures were expected to result in improved compliance with targets for implementation and reporting.
23. The Committee took note of the Office response. It expressed its ongoing concern with the quality and timeliness of responses but welcomed the initiatives taken. The Committee noted that the Chief Internal Auditor had reported that follow-up audits had shown that a disappointing number of recommendations had not been fully implemented. Regional directors and executive directors should be held accountable for ensuring that all accepted recommendations are fully implemented.
24. Although, at its September meeting, the Committee's majority view was that formal sign-off would reinforce this responsibility, the Committee would wait to see whether recent Office actions would lead to an improvement in implementation and reporting by the Committee's September 2013 meeting.

³ Skills mapping, LMS, PMS and e-recruitment.

Recommendation 6 (2012): The Committee recommended that the Office consider reducing the time frame for the implementation of audit recommendations once a higher level of compliance has been achieved.

25. The Office reported that the time frame for the implementation of audit recommendations had been established in the biennial programme and budget. In the Programme and Budget proposals for 2014–15, management had reduced the target date for completion of implementation of all accepted recommendations to within six months of the date of the audit report. The programme and budget proposals had been submitted to the Governing Body for consideration at its March 2013 meeting.
26. Since the Committee had reinforced that the rapid implementation of internal audit recommendations and the timely reporting of implementation were very important, the Committee appreciated the proposed change and would wait to see improved results.

Internal audit

27. The Committee discussed the risk-based internal audit workplan for 2012–13 that had been endorsed by the Director-General. The Committee was satisfied with the methodology used to prepare and manage the workplan.
28. Following the recommendation of the External Auditor, the Committee took note of the high-quality semi-annual report on progress in the delivery of the audit plan submitted by the Chief Internal Auditor to the Director-General. The Committee reviewed a progress report on delivery of the approved risk-based audit plan for 2012–13 and the internal audit budget included in the Programme and Budget for 2012–13. The Committee anticipated a status report at its September 2013 meeting.
29. The Committee was assured by the Chief Internal Auditor that, barring unforeseen events, the resources included in the approved budget for 2012–13 should be adequate to achieve the planned audit coverage. The Committee received a report on internal audit resources to be included in the proposed Programme and Budget for 2014–15.
30. The Chief Internal Auditor summarized the Office follow-up to the audits of offices in Abuja, New York, Washington DC, Yaoundé, Port-of-Spain, Kathmandu and Dakar. The Committee noted that the Chief Internal Auditor had no material issues with the reported implementation of the recommendations, although he had drawn the Committee's attention to the fact that audits had identified many areas in the Abuja and Dakar offices that needed improvement.
31. The Committee noted that the Chief Internal Auditor continued to conduct follow-up audits and that these had been incorporated in the revised audit plan for 2012–13. The follow-up audit reports would be submitted to the Director-General and the IOAC. The Committee expressed its support for this practice.
32. The Committee discussed the Chief Internal Auditor's plans to introduce performance indicators for internal audit. The Committee supported this initiative, took note of the three proposed performance indicators: (i) completion of planned audit coverage; (ii) final audit reports being issued within four months of the completion of field work; and (iii) results of an annual client questionnaire, and looked forward to a progress report on the achievement of these indicators.
33. The Committee took note of the Office follow-up to the Chief Internal Auditor's report for 2011, which would be presented to the Governing Body in March 2013. The Committee noted the Chief Internal Auditor's satisfaction with Office follow-up to the recommendations.
34. The Committee discussed the Chief Internal Auditor's report to the Governing Body for 2012. The Committee looked forward to a preliminary report from the Office on follow-up to recommendations contained therein at its September 2013 meeting.

35. The Committee also reviewed the status of follow-up to all internal audit reports issued as at 29 January 2013. The Committee established new reporting procedures which would allow the Committee to monitor ongoing Office follow-up to internal audit recommendations more effectively.
36. The Committee was informed that an independent evaluation of the internal audit function was in progress. The Committee looked forward to receiving a copy of the report for discussion at its September 2013 meeting.

External audit

37. At its September 2012 meeting, the Committee received a briefing by the External Auditor on the long-form report, recommendations on succession planning and the International Public Sector Accounting Standards (IPSAS) and progress made in the implementation of the previous year's recommendations. The Committee explored these recommendations and the Office responses with the relevant units.
38. The Committee encouraged the Office and the External Auditor to review and improve the understandability of the financial statements, including by considering the inclusion of a comparison of key financial indicators over a five-year period to enable users to see important trends. The financial statements should include not only the key financial indicators but also a narrative report on the development of the finances of the ILO.
39. The Committee was satisfied with the coverage of the External Audit plan for 2012.
40. The Committee noted that its mandate now included a review of the annual financial statements and the External Auditor's report thereon before they were presented to the Governing Body for adoption. A meeting of the Committee had been scheduled for May 2013 for this purpose.

Results-based management (RBM)

41. The Committee received a progress report by the Office on the use of RBM and discussed the impact of the use of RBM methodology with department users. The Committee recognized the evolution and continuous improvement of application of RBM based on the Strategic Policy Framework for 2010–15.
42. The Office reported its desire to add data designed to evaluate the quality and effectiveness of results to supplement existing quantitative indicators reported to the Governing Body. This was piloted with five outcomes. The Committee was briefed on the results of the pilot. The Committee recognized progress and encouraged the Office to continue.
43. A report on further progress would be provided to the Committee at its September 2013 meeting.

International Public Sector Accounting Standards (IPSAS)

44. The Committee reviewed the status of the implementation of IPSAS and was satisfied with progress, including implementation of new standards. The Committee also noted the External Auditor's satisfaction with the progress of IPSAS implementation through 2011, as expressed in the September 2012 meeting.

Financial and administrative systems

45. In September 2012, the Committee discussed user experiences with IRIS with two headquarters units. Positive user feedback was noted. The Committee considered that it was impressive that, within existing resources and without disrupting existing

implementation and progress on field roll-out, IRIS hardware had been upgraded, and an improved travel module had been implemented.

46. On the recurring topic of the field roll-out of IRIS, the Office reported that the Regional Office in Lima had gone live in September 2012. ITCOM reported that, based on lessons learned (including business process reviews and using teams of designated focal points), the preparation for the roll-out phase 2 to the Regional Office in Bangkok had started in October 2012 with completion planned for June 2013. If the recent results of connectivity testing were confirmed, preparation for the further implementation of IRIS in the Regional Office in Addis Ababa would begin in the second quarter of 2013, with completion of implementation planned for December 2013.
47. The Office reported that an Accelerated IRIS Roll-out Task Team had been established. A proposal for an operating model to expand regional deployment was explained. The proposal included broad costing estimates for implementation and maintenance, based on the “total cost of ownership” (TCO) approach.
48. At its September 2013 meeting, the Committee requested an update on the roll-out of IRIS to the final two regional offices and the field offices roll-out plan. As the methodology was still unclear, the Committee expected more specifics on TCO estimates and cost-benefit analysis based on the strategy for funding that had been approved by the Governing Body.
49. The Committee noted that the full benefits of the implementation could not be realized using the current funding approach, which drove the phased implementation plan. The Committee noted that the Office had indicated that it was not possible to follow a full TCO approach where projects were funded only from existing resources. It was the Committee’s opinion that IT governance based on TCO required a full understanding of the costs and benefits in order to effectively prioritize which projects should be implemented and which should be deferred.
50. The Office briefed the Committee on proposed changes in the IT governance structure. After the approval of the structure, the Committee expected a report from the Office on experience and lessons learned.

Recommendation 1 (2013): IRIS should have a business owner/champion. The Committee recommends that the Office consider appointing the Deputy Director-General for Management and Reform to this role.

Management reform

51. The Committee was briefed by the Deputy Director-General for Management and Reform on changes made to the structure and role of the Transitional Senior Management Team in decision-making. Given the recommendations made in the past by the Committee and the External Auditor, such a development was encouraging. The Committee requested a further briefing, in September 2013.
52. The Committee was encouraged that the Office had embarked on a project to develop new manuals for administrative procedures, which were intended, inter alia, to replace the outdated *External Offices Manual*. The project was being coordinated by HRD. The Committee felt that there was still a need to establish clear ownership in order to ensure that all the manuals were completed according to a project plan, adequately maintained and fully supported by a training programme.

Recommendation 2 (2013): Management reform includes establishing priorities, assigning resources and managing projects. The Office should consider implementing an internal management process to facilitate realistic resourcing and planning for all reform projects, with a focus on identifying the consequences of delays and conflicting priorities. These projects should be budgeted so that adequate resources are available to implement the project according to the approved project plan.

Enterprise risk management (ERM)

53. Based on a briefing by the Office, the Committee was encouraged by progress now being made to implement effective risk management Office-wide. The workshop planned for February 2013 was an indication of the inclusiveness of the process now being followed. The Committee noted the importance of an effective risk assessment process in ensuring effective ERM. The Committee observed that senior management commitment to embedding ERM across the Office was essential.
54. The Committee noted the plan to establish a risk management function under the responsibility of the Treasurer and Financial Comptroller. The Office confirmed that such a plan did not imply that risks were limited to financial matters, recognizing that ERM was an Office-wide responsibility. The Committee expected a briefing on progress at its September 2013 meeting.
55. The Committee was further encouraged by a presentation on business continuity management from the United Nations expert who was providing advice to the Office in that regard. The Committee noted that progress was being made to establish a crisis management team and standard operating procedures for business continuity management in the ILO. The Committee looked forward to a report on progress in September 2013.

Recommendation 3 (2013): The Director-General should consider where to place responsibility for managing enterprise risks, including business continuity management, in order that enterprise risk management receive the highest visibility. Managing enterprise risks should be adequately resourced with a full-time risk management officer reporting to a senior-level official, who is not the manager of a line unit.

Compliance and probity

56. The Committee was briefed on the ethics policy and procedures in the ILO, the functioning of the Accountability Committee and the use of financial disclosures. The Committee noted that the Office had a number of well-designed mechanisms which appeared to be working effectively in a coordinated manner. The Committee welcomed the extension of the annual procurement declaration beyond officials working in the Procurement Bureau.

Human resources

57. As a follow-up to IOAC recommendation 4 (March 2011) on workforce planning and the External Auditor's recommendation on the issue (June 2012), the Committee noted that progress had been made, including the recruitment of a workforce planning specialist. Given the reform process that was under way, the Committee decided to defer further discussion of the topic until its September 2013 meeting.

58. The Committee called for a clear and detailed plan for HRD reporting to the Committee on progress in the area of skills audits and on improvements to the Performance Management Framework.

Recommendation 4 (2013): Given the importance of an effective performance management system, the Office should consider:

- (a) using the PMS for the evaluation of ILO senior officials as a means to set the tone for senior management's commitment; and***
- (b) holding all managers accountable for ensuring compliance with PMS deadlines by including appropriate indicators and targets in each manager's performance evaluation.***

General

59. The Committee decided on the dates and preliminary agenda items for its next meetings, as follows:

29–30 May 2013

- 2012 financial statements and External Auditor's report
- Review of progress on IPSAS implementation
- Update on the management reform process
- IT governance

25–27 September 2013

- Review of progress on business continuity management
- Review of progress on results-based management
- Review of field roll-out of IRIS and business model for field offices
- Office follow-up to the Chief Internal Auditor's report for 2012
- Update on the internal audit plan for 2012–13
- External audit plan for 2013
- Human resources

27–29 January 2014

- Briefing on the extra-budgetary funding market, project approval process, cost recovery methods and the budget funding process

60. The Committee expressed its appreciation to the Director-General and staff of the Office for their assistance and the complete, detailed and transparent presentations made on all items on the agenda.

Geneva, 1 February 2013

(Signed) Ms H. Wild
Chairperson