



## Governing Body

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Programme, Financial and Administrative Section

PFA

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**FOR INFORMATION**

## Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2013

**Summary:** This paper provides details of actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2013.

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**Related documents:** GB.320/PFA/10(Rev.), GB320/PV, para. 714.

1. At its 320th Session (March 2014), the Governing Body considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2013. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2013 recommendations.
2. The Chief Internal Auditor's recommendations for improvements in the areas covered by the report are set out in Appendix I, together with the Office's responses and details of follow-up action taken. Appendix II contains a list of internal audit reports issued in 2013 and the status of the Office's follow-up.
3. ILO management continues to work in close liaison with the Office of Internal Audit and Oversight (IAO) in order to derive full benefit from its recommendations, and to ensure that these are followed up and effectively implemented.

Geneva, 23 January 2015

## Appendix I

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Summary of audit results	The IAO's analysis of audit findings in 2013 by region and at headquarters and by significance is shown in figure 2. The IAO identified 70 (or 46 per cent) audit findings of high significance in 2013, which highlights that there is an opportunity to enhance the control environment at the entity level. In this regard, the IAO recommends that the Office should investigate ways to share the lessons learned from control issues identified during audits of the regional offices and headquarters departments, and communicate specific initiatives to implement recommendations during Regional Meetings. As appropriate, the IAO can work with management to take this recommendation forward.	<p>The Office took note of this suggestion. The Office has updated and reissued the IGDS Office Directive and Office Procedure on <i>Follow-up on Recommendations of the Office of Internal Audit and Oversight</i> reiterating the responsibilities for prompt and effective implementation of internal audit recommendations and where applicable, communication and implementation of these recommendations region-, portfolio- or Office-wide.</p> <p>In addition, the following three specific measures have been implemented to move this recommendation forward: (a) the Chief Internal Auditor periodically attends Senior Management Team and Global Management Team meetings to share lessons learned with members of these teams; (b) the Chief Internal Auditor has also begun participating in regional meetings of office directors to exchange with them common audit findings; (c) biennial meetings of regional administrative staff will continue to be used as a vehicle for sharing lessons learned.</p>	Fully implemented	Early 2014
Business continuity planning	The IAO's field office audits in 2013 highlighted seven instances where business continuity plans were either incomplete or not formally finalized, or where staff were inadequately prepared to deal with emergency situations. Pending the completion of the phase of the project concerning field locations, the Office should encourage the directors of those field offices susceptible to a high risk of natural disasters or civil unrest to develop, test and document basic business continuity plans to ensure that core functions and communications can be re-established with headquarters and external partners as required in the event that their office becomes inaccessible or key information system services are unavailable; for example, the Regional Office for Africa developed a basic business continuity box. In addition, field offices should communicate to the business continuity planning team at headquarters any lessons learned from having to manage a major event that had a severe impact on operations, to	<p>The ILO appointed a Senior Risk Officer (SRO) in September 2014. Oversight of Business Continuity Planning (BCP) falls under the SRO, who is supported by a part-time Business Continuity Coordinator.</p> <p>Regular contact continues between the Business Continuity Coordinator at headquarters and the focal points in each of the ILO external offices. To ensure that all offices have basic preparedness measures in place, the Office has taken a scalable approach whereby larger offices are required to develop more comprehensive response plans (playbooks) than smaller offices (wallet cards). Both the playbook and wallet card templates document business continuity measures, while the playbook contains a very detailed annex with critical business processes and mitigation strategies and includes also the Business Continuity Box containing essential records that would allow the Office to undertake basic functions in the event</p>	Implementation in progress	End of 2015

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	ensure that these lessons are considered in a timely manner for possible inclusion into the ILO's business continuity plan and shared with other ILO offices as appropriate.	of a crisis. In 2015, the focus will shift from developing and implementing crisis management and business continuity to testing preparedness measures.		
Information technology	As the ILO's highest level IT governance committee, the Information Technology Governance Committee (ITGC) has an essential role in developing strategy and establishing priorities for mobilizing information technology resources effectively; the IAO therefore suggests that the Secretary of the ITGC should prepare a meeting schedule and hold regular meetings as soon as is practical.	The Information Technology Governance Committee membership was finalized in January 2014 and the ITGC held four meetings (February, April, July and October) in 2014. The ITGC will continue to meet on a regular basis and hold ad hoc meetings as necessary to address pressing issues.	Fully implemented	Feb. 2014
The Pension Unit and Voluntary Thrift Benefit Fund	The IAO recommends that the Office should reassess the investment strategy in order to guide the managers of the Voluntary Thrift Benefit Fund in taking investment decisions, including by carrying out an assessment as to the future viability of the Fund and of what actions, if any, may need to be taken. The Pension Unit should also set investment objectives for the Fund and should periodically monitor its performance against the established objectives.	The Voluntary Thrift Benefit Fund is a long-term investment scheme that provides voluntary participants a lump sum payment upon retirement or separation from service based upon their contributions and investment returns. There is no ongoing financial commitment by the Office to this Fund. Pursuant to the provisions of articles 5 and 6 of the Voluntary Thrift Benefit Fund Statute, the investments of the Fund are entrusted to a financial institution and the responsibility for the supervision of the investment is included in the terms of reference of its Management Committee and not directly with the Office. The Management Committee met most recently in November 2014 and reviewed the investment strategy together with the financial institution managing the Voluntary Thrift Benefit Fund investments. It also considered the past performance and future viability of the Fund and other administrative matters raised by the Chief Internal Auditor. The Management Committee will continue its review of the viability of the Fund, and options and procedures for dissolution, at its next meeting.	Implementation in progress	End of 2015

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Project formulation and approval	<p>PARDEV informed the IAO that, as a result of the reform process, a new unit – the Development Cooperation Support Unit – had been established to facilitate quality control and communication when projects are in the inception stage, to reduce the risk of a recurrence of the events in one field office that led to a project closing sooner than anticipated. To support this new unit, the IAO suggests that the process of project approval should be formalized in a workflow, include provisions for securing funding for the whole project lifetime, and be consolidated in a Procedure issued by the Office through the Internal Governance Documents System.</p>	<p>The roles, responsibilities and workflows for the design, appraisal and approval of technical cooperation projects are clearly established and formally set out in Office Procedures.</p> <p>The introduction of the appraisal mechanism, which is managed by the Development Cooperation Support Unit (DCSU), and the provision of project design support by the DSCU, have already improved the quality of project proposals, enhanced project implementation and improved communication.</p> <p>As stated in the Chief Internal Auditor's report, this recommendation arose from an isolated incident where the specific funding policy and economic situation of the donor government resulted in the premature closure of the project, which could not have been anticipated at the approval stage. Nevertheless, the Office has reviewed the workflow in place for project approval and determined that the current step-by-step processes as defined in the Office Procedure and detailed in the Technical Cooperation Manual are sufficient to address this recommendation.</p>	Fully implemented	Aug. 2014
Payment of value added tax	<p>In September 2013, the Office issued a Procedure establishing the ILO policy for the accounting of VAT and the steps that should be taken to implement it. In order to facilitate communication of this policy to field office finance staff and managers, the IAO suggests that the Procedure should be included in the agenda of regional meetings of finance and administration staff to raise their awareness of its contents and the actions that need to be taken to secure VAT refunds when eligible.</p>	<p>The recommendation was acted upon in the meeting of Chiefs of Regional Administrative Services (C/RAS) which took place in November 2013, where the issue of VAT was discussed, as was the issue of diplomatic privileges. The regional representatives of each region have taken note of this information and shared it with the respective administrative and finance staff in their regions during the course of 2014.</p>	Fully implemented	Nov. 2013

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Authorized bank signatories	The ILO's Treasury and Accounts Branch is currently investigating ways to streamline the ILO's banking structure, to reduce the reliance on local bank accounts. This would go some way towards minimizing the risk of bank signatory lists becoming obsolete. Until such times as this review has been completed, the IAO encourages the regional offices to continue with their annual exercise to review bank account signatories in field offices, to ensure that they are kept up to date and, more importantly, are valid.	Regional offices have continued the annual review of bank signatories. In addition, they have been instructed to implement more regular monitoring within the region and not rely only on the annual review exercise.  The Office is actively involved in an UN-wide treasury harmonization project that includes a review of local banking arrangements at individual duty stations.	Fully implemented	Apr. 2014
Performance cycle	HRD has taken steps to ensure that the performance objectives of staff with managerial responsibilities include completing the performance cycle for staff under their responsibility, and is about to introduce a new web-based tool to support managers in monitoring completion of each component of the appraisal system. This presents a good opportunity for the line-management hierarchy in the regional offices to make use of the new tools to establish a system that enables regular monitoring of completion rates and thus makes it possible to actively follow-up with those offices that do not fully complete the performance cycle in a timely manner.	The Performance Management (PM) module of the ILO People e-Talent Management Suite was made available to all ILO staff worldwide in February 2014 and all appraisals with cycles starting on or after 1 January 2014 are being completed online.  HRD has further strengthened accountability with regard to performance management by including a mandatory output, with specific measures related to timely completion of appraisals, within the online appraisal forms for staff having supervisory responsibilities. The online system facilitates the appraisal process by electronically routing the forms between the parties involved in the drafting and approval steps and providing e-mail notifications, and automated reminders. The system also supports real-time monitoring of the status of individual forms and compliance rates by department or office. The status (process step and current owner) of an individual form can be viewed by anyone involved in the process via their in-box. Dashboards and reports allow managers, HR assistants and HRD to have an overview of all the appraisals in their area of responsibility, and actively follow-up on any that are overdue.	Fully implemented	Feb. 2014

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External collaboration contracts	Field offices should implement more stringent monitoring of all external collaboration contracts to ensure that all contracts with external collaborators are fully justified and supported with relevant documentation in accordance with the Office Directive on the subject. As necessary, regional offices should provide support to the field offices to ensure that they comply with the requirements of the Office Directive, to reduce financial, legal and reputational risk.	Policy guidance on all aspects concerning the use of external collaboration contracts is provided in an Office Directive. The responsibility for implementation of this directive is decentralized to Department and Office directors.  Based on the audit findings, a communication was sent by DDG/MR to all regional offices reiterating the requirements of the Directive and providing a checklist as reference to be used by external offices.	Fully implemented	May 2014
Information technology in field offices	In order to help reduce IT risks in the field, INFOTEC conducted a workshop at headquarters in the last quarter of 2013 involving key IT staff from all regions. In addition, INFOTEC actively participated in the regional IT workshop for Latin America and the Caribbean. Building on these good initiatives, INFOTEC should consider participating in regional workshops on a regular basis to raise awareness of the need for IT practices to be strictly followed and enforced by regional and local office management.	Further regional workshops have been held by INFOTEC in Asia and Africa in 2014. Another workshop has been scheduled in Latin America for May 2015. As the Office rolls out Microsoft Windows 7, Exchange Server and Outlook Email applications globally, much of the existing decentralized IT infrastructure located in external offices will be decommissioned. The physical IT infrastructure supporting these products will be physically located and managed at HQ, ensuring IT infrastructure and systems supporting the field more coherently comply with established IT standards, policies and procedures.  In conjunction with regional workshops and the further roll-out of IRIS to the field, INFOTEC conducts regular verification activities of IT practices in the field.  As a further measure, a training programme on IT security awareness has been rolled out in September 2014 to help educate all staff on the importance of protecting the ILO's information assets. This training module is available in the ILO's learning management system (ILO People) to all ILO staff.	Fully implemented	Sep. 2014

## Appendix II

### List of internal audit reports issued in 2013

Title	IAO reference	Date	Implementation status	Completion date
Report on the internal audit of the urgent renovation works and the governance structure of the Headquarters Renovation Project (2007–10)	IA 7-1 (2013)	15 March 2013	Complete	10 May 2013
Report on the internal audit of the ILO Country Office for the Philippines in Manila	IA 5-46 (2013)	29 April 2013	Complete	17 February 2014
Report on the internal audit of the ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe in Budapest	IA 5-88 (2013)	13 May 2013	Complete	4 March 2014
Report on the internal audit of the use of IRIS by the ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe in Budapest	IA 5-88 IRIS (2013)	13 May 2013	Complete	3 March 2014
Report on the internal audit of the Pension Unit and the Voluntary Thrift Benefit Fund	IAO/4/2013	2 July 2013	Complete	3 March 2014
Report on the internal audit of the ILO Country Office for Madagascar, Comoros, Djibouti, Mauritius and Seychelles in Antananarivo	IA 5-10 (2013)	2 July 2013	Complete	4 March 2014
Report on the internal audit of the “Haute Intensité de Main d’oeuvre (HIMO)” projects in Madagascar	IA 5-10A (2013)	9 July 2013	Complete	11 March 2014
Follow-up on the internal audit report for the ILO Office for Nigeria, Gambia, Ghana, Liberia and Sierra Leone in Abuja, issued in April 2011	IAO/63/2013	18 July 2013	Complete	20 February 2014
Report on the internal audit of the ILO Country Office for Zambia, Malawi and Mozambique in Lusaka	IA 5-7 (2012)	29 July 2013	Complete	18 February 2014
Report on the internal audit of the ILO Country Office for Pakistan in Islamabad	IAO/74/2013	11 October 2013	Complete	2 April 2014
Internal audit report of the ILO Country Office for Algeria, Libyan Arab Jamahiriya, Morocco and Tunisia in Algiers	IAO/72/2013	7 November 2013	Complete	2 April 2014