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Programme, Financial and Administrative Section

PFA

FOR INFORMATION

Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2015

Summary: This paper provides details of actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2015.

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Related documents: GB.326/PFA/9(Rev.) and GB.326/PV, paragraph 633.

1. At its 326th Session (March 2016), the Governing Body considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2015. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2015 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 2015 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.

Appendix I

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Summary of recommendations	The IAO recommends that the Office continues to assess ways to share lessons learned from control issues identified during audits of regional offices and headquarters departments, and communicates specific initiatives to implement recommendations during regional staff meetings. The IAO shall continue to work with management, as appropriate, to take this recommendation forward.	<p>The Office has continued its efforts on the follow-up of internal audit recommendations through multiple means. In addition to timely follow-up of individual audit reports, common issues are shared with field offices and headquarters departments through the biennial global finance team meetings involving Chiefs of Regional Administrative Services (C/RASs), and in turn through regional administrative workshops, as well as meetings of financial and administrative staff at ILO headquarters. The Global Management Team (GMT) meetings comprising the senior management of the Office are also used as a vehicle for sharing significant findings.</p> <p>Furthermore, in February 2016, the Office has expanded the reporting requirements of the internal letter of representation to all Chief Technical Advisers (CTAs), Directors of headquarters departments and field offices, which covers a full range of internal control areas. One of the ancillary benefits of the expanded internal letter of representation is that it functions as a regular and global reiteration of important oversight responsibilities often reflected in internal audit recommendations. It is expected that this will help address common audit recommendations in a more proactive manner across the Office.</p>	Fully implemented	Ongoing activity
Enterprise risk management	The IAO welcomes the firm establishment of risk management in the ILO, and recommends that those departments that have not established a risk register do so as soon as is practical.	The overall status of submission of risk registers has advanced from 65 per cent (as recorded in the Chief Internal Auditor's report) to 96 per cent as of mid-January 2017. Common issues identified in the individual risk registers have informed and been incorporated into the strategic risk register which forms part of the Programme and Budget proposals for 2018–19. The Office continues to work to improve quality and compliance.	Fully implemented	January 2017

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Third-party reporting	To help ensure that the implementing agent and other collaborators are aware of the ILO's reporting requirements, the IAO recommends that an instruction manual on key reporting requirements be developed to guide all implementing agents in the future on minimum financial and technical reporting.	<p>The requirements and deliverables of implementing agents and collaborators are specified in the terms of reference and included in the contracts issued to them. These are often based on specificities that come from individual donor agreements or specific clauses related to a particular contract, all of which can vary in depth and type of information required to be reported back to the ILO.</p> <p>The proposed recommendation could only be implemented if the requirements among donors and terms of reference and pricing for all contracts was to be standardized. To date, it has not been possible for the ILO to have all donors accept standard financial reports and/or administrative procedures, despite the obvious efficiencies this would bring. Similarly, contracts with collaborators, by their very nature, may require specific reporting formats.</p> <p>The Office does not consider it practical to develop a single instruction manual that could be applied to all implementing agents and collaborators. The Office Procedure relating to implementation agreements is being reissued and any reporting requirements that can be standardized will be contained therein. The Office will continue to provide customized guidance to implementing agents to supplement the requirements contained in the terms of reference and the Office Procedure.</p>	Not accepted	
Internal governance	As ethics is a key component of good governance, the IAO suggests that surveys such as the one undertaken in 2013 be conducted on a periodic basis to gauge the general awareness of the ILO's policies and practices in this area.	<p>A new Ethics Officer was appointed in February 2016 and the previous audit recommendations were shared with him for follow-up. The Ethics Officer, in coordination and collaboration with Human Resources Development Department (HRD), will take initiatives to increase the awareness and understanding of staff of ethical standards, including through targeted briefings, the inclusion of ethics information in relevant staff training courses, and promoting the learning module on ethics.</p> <p>A staff survey will be launched in December 2017, which will allow the Office to assess the impact of awareness raising undertaken during the biennium and to create a baseline for future activities. The Office would plan on repeating the survey on a periodic basis.</p>	Implementation in progress	December 2017

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Procurement bureau	<p>The IAO recommends that as posts become vacant and required to be filled (in the ILO's Procurement Bureau), they should be filled by staff with the appropriate qualifications in the procurement profession.</p> <p>Statistics provided to the IAO showed that procurement arising from technical cooperation activities is increasing placing greater demands on ILO's Procurement Department (PROCUREMENT). The Office should consider, for those projects with a high procurement element, adopting a practice of including a dedicated budget for procurement needs.</p>	<p>The Office agrees with the recommendation and notes that vacancies for procurement positions in the ILO clearly indicate that additional study or training or a recognized qualification in procurement (e.g. UNDP/CIPS certification level 3 or equivalent) would be an advantage. Candidates selected for recent vacancies have met this criteria.</p> <p>It should be noted that the issue of mandatory certification is not fully accepted within the UN Procurement Network with a large majority of members expressing reluctance to adopt this requirement.</p> <p>The practice of the Office as stated in the <i>Development Cooperation Manual</i> is that all incremental direct costs should be included in project budgets, to the extent possible. Therefore the Office agrees with this recommendation. Part of the evaluation process of development cooperation projects includes the provision of a procurement plan in order that procurement needs can be assessed and the budget adapted accordingly.</p> <p>The Office will continue its efforts to have extra-budgetary projects include the full cost of implementation to minimize any cross-subsidization by the regular budget.</p>	<p>Fully implemented</p> <p>Fully implemented</p>	<p>Since 2015 the requirements related to appropriate procurement qualifications have been strengthened.</p> <p>August 2015</p>
Field audits: Performance appraisals	<p>In spite of the report made available by HRD to regional office human resource staff and performance management focal points at country offices to facilitate monitoring of the performance cycle and follow-up at four locations, the IAO found that the relevant officials had no awareness of this report and did not use it to ensure that performance appraisals for all staff were completed in a timely manner. During regional meetings of administrative staff, an awareness session should be held to promote the use of this monitoring application, and how it can assist with the performance management process.</p>	<p>The Office agrees with the objective of this recommendation and took various actions during 2016 to raise awareness and promote the use of the monitoring tools (reports and dashboards) available to support performance management focal points and managers with the performance management process. These included: briefings held for all performance management focal points at headquarters; webinars held for performance management focal points in the field; email reminders containing detailed instructions on how to run and to use the performance management tracking reports provided through the status dashboard in "ILO People".</p> <p>The Office will continue to emphasize the importance of compliance with the performance management process and provide support and guidance to performance management focal points and managers who have questions about the tracking reports to ensure that the significant improvement in compliance rates observed in 2016 is maintained.</p>	<p>Fully implemented</p>	<p>July 2016</p>

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Information technology at field office locations	The Office should strengthen its procedure for those situations where a field office has purchased or developed local applications without adequate prior technical review by INFOTEC, to confirm ILO IT security standards have been met, there is no duplication, and requiring office directors to subsequently provide that confirmation basic IT standards have been respected. This confirmation should be provided on an annual basis during the lifetime of the application.	<p>The Office has established Office-wide directives, policies, procedures, guidelines and standards to assist ILO field offices with their IT responsibilities. The promulgation of such documentation mitigates the limited resource capacity to assess, review, govern and ensure that all local applications purchased or developed in 50+ ILO field offices comply with Office-wide software development and IT security standards.</p> <p>In addition, workshops are conducted with IT focal points in field offices on a regular basis both at headquarters and in the field to facilitate awareness of the available documentation.</p> <p>Furthermore, as part of the annual reporting exercise of the internal letter of representation, office directors are required to confirm that IT development and enhancements within their responsibilities are in line with the Office-wide IT strategy, and major initiatives have been submitted to the IT Governance Committee (ITGC) for consideration and approval. Through the review of results reported by office directors, specific technical support will be targeted at regions requiring additional assistance.</p>	Fully implemented	Ongoing activity

Appendix II

List of internal audit reports issued in 2015

Title	IAO reference	Date	Implementation status	Completion date
Report on the internal audit of the ILO Regional Office for Arab States and DWT–Beirut	IAO/82/2015	4 March 2015	Complete	7 October 2015
Report on the internal audit of applying the G20 Training Strategy Technical Cooperation Project	IAO/95/2015	1 April 2015	Complete	13 October 2015
Report on the internal audit of the ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia in Moscow, Russian Federation	IAO/94/2015	10 April 2015	Complete	29 July 2015
Report on the internal audit of treasury and e-banking security at ILO headquarters	IAO/92/2015	21 May 2015	Complete	29 July 2015
Report on the internal audit of the ILO Country Office–Jakarta	IAO/96/2015	22 May 2015	Complete	23 November 2015
Report on the internal audit of Roads for Development program (R4D) (Dili, Timor-Leste)	IAO/97/2015	22 May 2015	Complete	24 November 2015
Report on the internal audit of governance at ILO headquarters	IAO/98/2015	23 June 2015	Complete	23 December 2015
Internal audit report on the review of the payment process of ILO SHIF claims	IAO/99/2015	25 August 2015	Complete	15 April 2016
Report on the internal audit of the Procurement Bureau	IAO/100/2015	9 October 2015	Complete	14 April 2016
Follow-up to the report on the internal audit of the ILO Decent Work Technical Support Team and Country Office for Central America in San Jose, Costa Rica	IAO/101/2015	12 October 2015	Complete	8 April 2016