



## Governing Body

320th Session, Geneva, 13–27 March 2014

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**Programme, Financial and Administrative Section**  
*Audit and Oversight Segment*

**PFA**

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### NINTH ITEM ON THE AGENDA

## Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2012

#### Purpose of the document

This paper provides details of actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2012. The Governing Body is invited to discuss them and provide guidance on the way forward.

**Relevant strategic objective:** Not applicable.

**Policy implications:** None.

**Legal implications:** None.

**Financial implications:** None.

**Decision required:** The document is submitted for debate and guidance.

**Follow-up action required:** None.

**Author unit:** Financial Services Department (FINANCE).

**Related documents:** GB.317/PFA/7; GB.317/PV, paragraph 685.

1. At its 317th Session (March 2013), the Governing Body considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2012. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2012 recommendations.
2. Based on the areas that were subject to review by the Internal Audit and Oversight Office (IAO), the Chief Internal Auditor's overall assessment for 2012 was that there was no major weakness in the ILO's overall system of internal control. His 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 2012 and the status of the Office's follow-up.
3. ILO management continues to work in close liaison with the IAO in order to derive full benefit from its recommendations, and to ensure that these are followed up and effectively implemented.

## Appendix I

### Office responses to the Chief Internal Auditor's recommendations

Recommendation title	Recommendation	Office response	Implementation status	Completion date
<b>Risk management</b>	Following the workshop, the IAO believes it would be helpful if the Office were to develop a high-level action plan needed to implement the Risk Management Policy. This would help inform any decision on allocation of internal resources given the major projects the ILO is currently undertaking (the headquarters building renovation, IRIS field roll-out, and IPSAS). To facilitate and manage the ongoing process of enterprise risk management, it is common for an organization to have a position of risk officer to fulfil this role. If resources are available, the Office should consider if such a position could be established to lead the process of rolling out risk management into all aspects of the ILO's activities.	Under the reform measures announced by the Director-General, a separate risk management function has been identified and a position created through a reprioritization of resources within the Management and Reform portfolio. At the date of preparing this report, the position had been advertised and the selection process was proceeding. Once the position is filled, the Senior Risk Officer will develop a high-level action plan to expand the preliminary work undertaken on the establishment of a formal enterprise risk management framework, expanding its implementation throughout the Office both in the field and at headquarters.	Partially implemented	31 May 2014 – subject to the completion of the recruitment process and the availability of the candidate.
<b>Email security</b>	To enhance internal control over IT security, the IAO recommends that the Office determine those parts of the IT environment it considers as critical. Thereafter, internal and external attack and penetration assessments should be carried out on a regular basis to identify any areas of vulnerability, and reduce the risk of hacking or malicious acts from either internal or external sources on critical elements of the ILO's IT environment.	<p>The Office carried out an information security risk assessment to identify and classify IT assets, including those deemed critical.</p> <p>Subsequently, an external assessment was conducted of four critical web applications and services. This included a scan of servers against known vulnerabilities, including intrusion testing, to assess the potential impact of a security breach on the confidentiality, integrity, availability and accountability of the ILO's information stored on those servers. The audit methodologies used were compliant with recognized industry standards. At the time of writing, the results and recommendations were being compiled by the company that performed the assessment.</p> <p>All servers hosted in the ILO's data centre have been patched to ensure that the latest critical security updates are applied. Software has been implemented to automate and simplify the process of applying new releases of security measures.</p> <p>The annual workplan of the Information and Technology Management Department (INFOTEC) includes vulnerability and penetration assessments to ensure that the security of ILO data is maintained.</p>	Completed	31 December 2013

Recommendation title	Recommendation	Office response	Implementation status	Completion date
<b>Implementing agents</b>	Once the new procedure has become fully established, there should be an opportunity to draw on lessons learned from its implementation to improve further the guidance to cover operational aspects post-selection. The IAO therefore suggests that the Office develop technical guidance to assist ILO Office or project staff in identifying implementing agents that require closer monitoring, and how to help them put basic reporting systems in place. Furthermore, the guidance should include steps to take if an implementing agent consistently fails to meet basic requirements.	The recommendation will be acted upon in 2014. An exercise will be undertaken to assess the level of compliance with the issued policies, the selection processes documented and the evaluation undertaken by the different parts of the Office. This will then be reviewed and supplementary guidance and further policies developed as deemed necessary.	In progress	30 June 2014
<b>ILO field office renovation costs</b>	Although it is not always easy to prevent an instance such as this occurring in a decentralized system, the ILO's system of internal control did detect it and appropriate action was subsequently taken. In addition, the planned creation of local contracts committees should further reduce the risk of such an event recurring. Once the local contracts committees are established and operational, all managers in the field should be informed of their responsibility to adhere to established procurement practices and ensure all appropriate proposed procurement actions are presented to the local contracts committee for consideration.	The recommendation has been noted. The publication in 2011 of the Office Directive on procurement, the Office Procedure on procurement thresholds and the Office Procedure on contracts committees clarified the roles and responsibilities of ILO managers, the revised procurement thresholds and procedures and the respective roles of the headquarters and local contracts committees. Since late 2012–early 2013, four local contracts committees have been operational, in the regional offices in Addis Ababa, Bangkok, Beirut and Lima, and the secretaries of those committees (the chiefs of regional administrative services) have taken the opportunity to restate procurement responsibilities and procedures within their respective regions. The notification of the annual requirement for procurement plans and the release of the new procurement manual in early 2013 will provide further opportunities to emphasize these issues.	Completed	30 April 2013
<b>Streamlining of procedures</b>	While recommendations were made at the local level to address the issues identified by the IAO, the findings could be applied to other ILO field offices, and possibly incorporated into the forthcoming field review that will form part of the ongoing reform process.	The recommendations have been noted and will be taken into consideration as a part of the ongoing field review process.	In progress	31 December 2013
<b>Field office IT controls</b>	The IAO recommends that the Office take appropriate steps to ensure that all network administrators be required to maintain up-to-date administrator logs, seeking advice from their regional office and ITCOM as appropriate. Furthermore, regional offices should liaise with their country offices, seeking advice from ITCOM as appropriate, to identify how best to ensure offsite back-up of data in accordance with best practice; and that country	Procedures for administrator log collection and monitoring have been defined and communicated and are being applied to offices in the field, as well as at headquarters. Monitoring for compliance is regularly undertaken by headquarters IT staff. In addition, the Information Security Office is conducting a proof of concept to use specialized software to automate the capture, scan and archiving of server and network administrator logs. The proof of concept will be completed by the end of 2013.	Completed	31 December 2013

Recommendation title	Recommendation	Office response	Implementation status	Completion date
<b>Field and project office financial management</b>	<p>office IT staff receive regular and sufficient briefing on ILO standards with regard to IT practices.</p> <p>The fact that some project offices may not have access to up-to-date financial information increases the risk that fraudulent transactions or errors pass undetected for a long period of time or not detected at all. The IAO therefore recommends that the Office should identify standard mitigating controls that can be implemented by ILO country offices and projects to facilitate access to sufficient financial, budgetary and management information for those projects that do not have direct access to the FISEXT system.</p>	<p>Instructions relating to the offsite back-up of data for field locations exist and reflect best practice. To facilitate the dissemination of these instructions, IT security awareness training modules have been implemented in English, French and Spanish and are available to all ILO staff through the ILO's Learning Management System. Workshops with IT representatives from all ILO regions took place at headquarters in late 2013 with the objective of, inter alia, providing further briefing to field IT staff on standards and practices.</p> <p>The recommendation is noted. The decision not to extend the use of the legacy system FISEXT was subject to a cost/resource analysis. This determined that the costs of supporting the use of FISEXT in project locations would require substantial training in cases where activities were conducted only for a finite period of time. It was determined that, in such cases, where projects have a finite life, the redirection of limited resources was not warranted. Project locations use approved formats for spreadsheets, providing financial information related to the project's activities and reconciled in the supporting ILO external office. There are already monthly controls on the cash held by project offices, requiring a monthly reconciliation to be conducted, which provides a mitigating control. In addition, there is a review of requests for provisions of additional funding from these locations, which is assessed against the monthly financial reporting received. This offers cost-effective controls and limits the exposure of the Office to any potential losses.</p>	Completed	31 March 2013
<b>Follow-up of audit recommendations</b>	<p>In last year's report to the Governing Body, the IAO recommended that to facilitate implementation of audit recommendations a focal point should be nominated for each region to liaise with the Office of the TR/CF. The IAO remains of the view that a focal point at the operational level could be of benefit. While senior managers are responsible for ensuring that internal audit recommendations are responded to and deadlines met, a nominated focal point could assist at the operational level. The IAO therefore suggests that the Office reconsider this recommendation.</p>	<p>The Office has reconsidered this recommendation and remains of the view that formally nominating a focal point in each region would not necessarily help with the follow-up to audit recommendations. Reflecting the importance the Director-General places on audit follow-up, responsibility has been placed at the highest level in each region: with the Regional Director. Depending on the structure of each regional office, the Regional Director is assisted in discharging this responsibility by either a Deputy Director or a Chief of Regional Administrative Services. As the arrangements, which are well known to both the Office and the IAO, vary between regions and could be adapted depending on the scope of an individual audit report, it is not considered desirable to prescribe more detailed and restrictive formal arrangements.</p>	Not accepted	

## Appendix II

### List of internal audit reports issued in 2012

Title	IAO reference	Date	Implementation status	Completion date
Report on the internal audit of the ILO Country Office for Nepal in Kathmandu	IAO/52/2011	24 February 2012	Completed	25 October 2012
Security of ILO electronic mail information technology systems	IAO/4-63/2011	26 March 2012	Completed	23 January 2013
Report on the internal audit of the Regional Office for Africa and ILO Country Office for Ethiopia and Somalia in Addis Ababa	IAO/43/2012	3 May 2012	Completed	8 February 2013
Report on the audit follow-up mission on the implementation of the 2009 audit recommendations: ILO Decent Work Team for South Asia and ILO Country Office for India in New Delhi	IAO/45/2012	14 May 2012	Completed	26 September 2013
Report on the internal audit of the ILO Decent Work Team and Office for the Caribbean in Port-of-Spain, Trinidad and Tobago	IAO/44/2012	15 May 2012	Completed	22 January 2013
Report on the internal review of the financial management and administration of the ILO Project Office in Monrovia, Liberia	IAO/47/2012	4 July 2012	Completed	4 March 2013
Report on the internal audit of the ILO Country Office for the United Republic of Tanzania, Kenya, Rwanda and Uganda in Dar es Salaam	IAO/48/2012	3 August 2012	Completed	28 March 2013
Report on the internal audit of the Tackling Child Labour through Education project of the International Programme on the Elimination of Child Labour	IAO/46/2012	7 August 2012	Completed	13 December 2013
Report on the internal audit of the ILO Decent Work Team for Eastern and Southern Africa and ILO Country Office for South Africa, Botswana, Lesotho, Namibia and Swaziland in Pretoria	IAO/49/2012	29 August 2012	Completed	17 December 2013
Report on the internal audit of the Free State SME Development Initiative, Bloemfontein, South Africa	IAO/50/2012	30 October 2012	Completed	11 December 2013
Report on the internal audit of the ILO Decent Work Team and Country Office for Central America in San José, Costa Rica	IAO/52/2012	30 October 2012	Completed	23 April 2013
Report on the internal audit of the regional project on vocational and professional training and labour insertion (FOIL project), San José, Costa Rica	IAO/53/2012	6 November 2012	Completed	4 October 2013