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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 2014

Summary: This paper provides details of actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2014.

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Related documents: GB.323/PFA/8; GB.323/PV, para. 525.

1. At its 323rd Session (March 2015), the Governing Body considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2014. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2014 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 2014 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
Improving decent work opportunities for youth through knowledge and action: Work4Youth	The IAO suggests that the Office review the approach taken by Work4Youth to donor reporting and assess if this can be applied to other projects.	<p>The Office reviewed the approach taken by the Work4Youth project of directly sending reports to the donor and concluded that the reporting practices of this project are very specific and do not (and cannot) apply to all projects.</p> <p>Considering the number of different development partners engaged with the Office, the reporting practices need to be streamlined and standardized across the ILO development cooperation portfolio, for internal efficiency and cost effectiveness, quality standards, and compliance with donor requirements. For technical reports, the primary responsibility for preparation lies with the ILO responsible official for the project, but the primary responsibility for submission of the final reports to the donor is with the Partnership and Field Support Department (PARDEV). Financial reporting remains centralized to ensure completeness and accuracy.</p> <p>In Chapter 6 of the ILO's <i>Development Cooperation Internal Governance Manual</i>, published in August 2015, such standardized monitoring and reporting practices are confirmed.</p>	Fully implemented	August 2015
Application security and change management controls in the Integrated Resource Information System (IRIS) at ILO headquarters in Geneva	The Office should establish a system in consultation with the hosting provider to identify those security patches that are assessed as high priority, and thereafter ensure that the host provider has properly applied them.	<p>A process has been put in place with the IRIS hosting provider, which works in the following way: The hosting provider notifies the Office of any security-related patch that needs to be applied as a high priority. The hosting provider then requires the Office to give approval prior to applying any patch. Since the majority of security-related patches are also bundled with other patches to IRIS functionality, coordination is required between the various business units to complete IRIS regression testing. When regression testing is complete, the hosting provider is notified and applies the patch.</p> <p>As an additional security measure, the Office has formally requested access to the patch log files to verify the IRIS hosting provider has properly applied requested patches.</p>	Fully implemented	March 2015
The process of publications	Taking into account cost constraints, the Office should take steps to establish a more centralized system to provide oversight of the publications process.	<p>A task team composed of representatives from all three portfolios was established in October 2014 to review the ILO's publications and printing policy, with a view to addressing the challenges identified in the Internal Auditor's report and reports of other reform initiatives. The output of the task team review was adopted by the Senior Management Team and the revised policy was published in December 2015. An accompanying guidance manual is being developed and will be released in 2016.</p> <p>One of the important elements of the revised policy is the establishment of a publishing committee to formulate publishing policy, to oversee the ILO's publication process, and to ensure the quality, timeliness, relevance and coherence of the ILO publishing portfolio.</p>	Fully implemented	December 2015

Recommendation title	Recommendation	Office response	Implementation status	Completion date
	The Office should update its definition of “publications” in the context of the ILO and classify the different types of printed and non-printed publications that it uses to inform constituents and the wider public of the ILO’s objectives and activities.	An important element of the task team review was to have a clear definition and classification of ILO publications. The revised policy provided definitions, intended audience and impacts for the different types of publications, including: flagship reports; research publications; practically focused publications; policy, research and statistical briefs; working papers; background papers, country and technical reports; and digital-only products. Distinct workflows will be designed and followed for each type of publication.	Fully implemented	December 2015
	The Office should also consider establishing a central repository for publications, or leveraging databases that are already in place which could serve such a purpose. Furthermore, physical stock levels of publications should be further reduced as this could help avoid unnecessary costs.	Work is under way to create an ILO open access repository on the basis of the LABORDOC database. The open access repository will provide a single point of access to ILO digital publications and documents in all formats and languages. Through the repository, the ILO will collect, disseminate and preserve ILO intellectual output in digital form.	Implementation in progress	Mid-2016
Field audits	The findings from one office indicated that the regional office concerned also needed to enhance its oversight to help detect and take early corrective action to address the matters identified.	<p>The regional office undertook to support the field office concerned in the implementation of all of the recommendations made by the IAO and the improvements to its system of internal control over financial and administrative operations.</p> <p>Specific actions were taken to improve oversight of the regional office, including:</p> <ul style="list-style-type: none"> (a) establishment of a local contracts committee and completion of bidding processes for all contracts for services pertaining to office facilities; (b) establishment of a threshold for approval of local purchases, beyond which approval by the regional office will be required; (c) additional assistance by the regional office in the processing of external payment authorizations; (d) establishment of the Chief of Regional Administrative Services as the second-level approver for all bank payments; (e) review of local imprest accounts by a verifier in the regional office. <p>Furthermore, the processing of local payroll has been automated in IRIS and centralized at headquarters since October 2015.</p>	Fully implemented	End of 2015

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Local VAT	The regional offices should identify those offices or projects that are eligible to obtain VAT refunds but do not, and assess why the office/project is not submitting claims, offering direct support and guidance to the responsible finance officer as necessary.	Further instructions have been sent to all regional and country offices, reminding them of their responsibility to obtain VAT refunds. In addition, a threshold level review process has been established to monitor compliance based on regular reports produced by headquarters on all non-budgetary general ledger accounts, including the VAT suspense account.	Fully implemented	September 2015
Monitoring of financial and administrative activities	The IAO therefore suggests that the Office in consultation with the regional offices determine what their management information needs are and assess if reports are already available from IRIS to meet those needs. If there are any gaps, the Office should develop the required management reports, prioritizing as appropriate.	The Office agrees with the need for timely management information. Over the past ten years of using IRIS, a substantial amount of time and effort has been spent on developing reports within the system for different requirements. Rather than developing more reports which can change with individual requirements or need retesting each time system changes are made, the preferred option, which is being implemented, is to concentrate efforts on building a data warehouse for IRIS data. This would allow individuals with access to formulate their own specific requests for data, rather than having to invest costly developer time in developing and testing multiple reports. Given the changing use of IRIS (with the roll-out) and the data available within the system, the Office believes that this would be the most cost-effective long-term solution for better management information across the whole of the Office. The implementation of an IRIS data warehouse for financial reporting is targeted for the first quarter of 2016.	Implementation in progress	First quarter of 2016
	The Office should consider if large-scale projects should be provided with the ability to enter data into IRIS.	The Office has considered this issue on a regular basis over the past few years. Currently, the Office is in the process of a planned roll-out schedule which is being managed within the resources available. Since October 2015, all external offices have access to IRIS with human resources and payroll data, as well as other basic functionalities. The roll-out of additional functionalities to external offices and projects will begin in 2016.	Implementation in progress	2016–17 biennium
Security	The IAO encourages the Office to complete the required recruitment of staff so that the Security Unit can continue to develop the work undertaken so far with regard to security in the field.	The recruitment process for the new Chief of the headquarters and field Security Unit has been completed and the selected official joined the Office in May 2015.	Fully implemented	May 2015

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Procurement	The IAO suggests that the ILO's Procurement Department (PROCUREMENT) continue with and, where resources permit, expand its targeted training for those offices and projects that undertake a high volume of procurement activities, as well as for those duty stations where rapid expansion of activities is anticipated.	In recent years the Office had made considerable investments in developing manuals, guidelines and training modules to support the implementation of procurement procedures. The delivery of targeted procurement training has continued within the limits of resources. In order to face the increasing demand for procurement training, the Office is also looking into additional and/or alternative forms of procurement training, such as the development of web-based training modules or liaising with the International Training Centre of the ILO to develop specific procurement training packages.	Fully implemented	Ongoing

Appendix II

List of internal audit reports issued in 2014

Title	IAO reference	Date	Implementation status	Completion date
Report on the internal audit on the Better Work Lesotho project's financial management and administrative processes	IAO/77/2014	12 February 2014	Complete	16 September 2014
Report on the internal audit of the technical cooperation project, Improving decent work opportunities for youth through knowledge and action: Work4Youth	IAO/78/2014	23 April 2014	Complete	28 October 2014
Report on the internal audit of application security and change management controls in IRIS at ILO headquarters in Geneva	IA 4-71 (2014)	9 June 2014	Complete	28 November 2014
Follow-up to the report on the internal audit of the ILO Country Office for Nepal in Kathmandu	IAO/80/2014	18 June 2014	Complete	27 November 2014
Internal audit report on the process of publications in the ILO	IAO/66/2013	29 August 2014	Complete	6 March 2015
Internal audit report of the ILO Country Office for Bangladesh in Dhaka	IAO/81/2014	6 November 2014	Complete	20 May 2015
Report on the internal audit of the ILO Regional Office for Asia and the Pacific, the ILO Decent Work Technical Support Team for East and South-East Asia and the Pacific, and the ILO Country Office for Thailand, Cambodia and Lao People's Democratic Republic in Bangkok, Thailand	IAO/82/2014	13 November 2014	Complete	21 May 2015
Report on the internal audit of the ILO Project Office in Bogota, Colombia	IAO/83/2014	17 November 2014	Complete	1 July 2015
Report on the internal audit of the ILO Regional Office for Latin America and the Caribbean and ILO Decent Work Team and Country Office for the Andean Countries	IAO/84/2014	24 November 2014	Complete	6 May 2015
Report on the internal audit of administrative and financial operations of CO–Abidjan	IAO/85/2014	23 December 2014	Complete	19 June 2015