



## Governing Body

313th Session, Geneva, 15–30 March 2012

GB.313/PFA/6/1(Rev.)

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

**PFA**

**Date:** 16 March 2012

**Original:** English

### SIXTH ITEM ON THE AGENDA

## Independent Oversight Advisory Committee: Annual report

#### Purpose of the document

This paper transmits the 2012 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.310/PFA/5/3.



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 on the effectiveness of internal control, financial management and reporting, and internal and external audit outputs.<sup>1</sup>
2. At its 301st Session (March 2008), the Governing Body appointed the following members of the Independent Oversight Advisory Committee:<sup>2</sup>
  - Mr Gil BELTRAN (Philippines)
  - Mr Denys CHAMAY (Switzerland)<sup>3</sup>
  - Mr Reckford KAMPANJE (Malawi)
  - Mr Arto KUUSIOLA (Finland)
  - Mr Oscar MAFFÉ (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 current five members of the IOAC until 16 November 2012 under the existing terms of reference as approved by the Governing Body at its 300th Session (November 2007).<sup>4</sup>
4. The Director-General herewith transmits the report of the Committee to the Governing Body for its consideration.

<sup>1</sup> GB.300/PV, para. 285.

<sup>2</sup> GB.301/PV, para. 212.

<sup>3</sup> Elected in September 2008 by the Committee to serve as Chairperson for a term of two years and re-elected in September 2010 to serve as Chairperson for a further two years.

<sup>4</sup> GB.312/PFA/10.



## Appendix I

### Report of the Independent Oversight Advisory Committee (Fourth annual report)

1. In accordance with its approved terms of reference, the Committee met in Geneva from 14 to 16 September 2011 and 23 to 25 January 2012. Apologies were received from Mr G. Beltran and Mr O. Maffé, for the September and January meetings respectively.
2. During the meetings, the Committee met with senior officials of the Office, including the Executive Director of the Management and Administration Sector (ad interim), the Treasurer and Financial Comptroller, the Director of the Bureau of Programming and Management, the Director of the Human Resources Development Department (HRD), the Chief Internal Auditor, and the Chief of the Information Technology and Communications Bureau to follow up on matters from its previous sessions and to receive information on items within the Committee's mandate.
3. In addition, in September, the Committee met with representatives of the External Auditor, the Auditor General of Canada.
4. The findings and recommendations of the Committee are based on information made available to it by officials of the Office and the External Auditor.

### ***International Public Sector Accounting Standards (IPSAS)***

5. The Committee reviewed the 2010 financial statements and was briefed on the current status of implementation of IPSAS, including briefings of key users of the financial statements on their interpretation. The Committee welcomed the first annual financial statements as it considered them to be highly informative, noting the IPSAS format and compliance with a significant number of IPSAS standards. The Committee considered the statements to be an important development for transparent governance.
6. The Committee noted the External Auditor's satisfaction with the progress of IPSAS implementation.

### ***Financial and administrative systems***

7. Training being an essential task to ensure the successful field roll-out of IRIS, US\$1.9 million of central staff development funds had been reserved for that purpose. Considering it takes six to eight months of experience to fully train people in the field, the timely implementation of IRIS could be affected by a shortage of staff qualified to deliver training and immediate post-live support. The Committee was also concerned by the high percentage of development resources used in supporting day-to-day operations. As a consequence, it feared that the field roll-out could fall behind schedule and that additional cost could therefore be incurred. The Committee was assured by the Office that the distribution of specialist time between development and support was stabilizing and that the roll-out plan remained on schedule.
8. The Committee was informed of the proposals to improve IT governance and the contribution this would make to effective management of the large number of strategic IT initiatives undertaken by the Office. It also received a related briefing on the restructuring of IT-related functions discussed later in this report under the section, "Follow-up to the report of the Committee to the Programme, Financial and Administrative Committee (PFAC) (March 2011)".

***Recommendation 1. The Committee recommends 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.***

9. The Committee was briefed on the plan for completion of implementation of IRIS in regional offices within the 2012–13 biennium. The Committee noted that, by the end of 2013, the Office also planned to determine the operational model required to support a decision on implementation of an “IRIS-lite”, or an alternative application with greater IRIS compatibility, to be deployed to smaller offices and projects. As previously observed by the Committee, the wider deployment of IRIS functionality is a key issue and must remain a priority to better support, inter alia, compliance with IPSAS.

### **Human resources**

10. The Committee endorsed the change in focus of annual departmental human resource reviews, towards implementation of the Human Resources Strategy as approved by the Governing Body.
11. The Committee reviewed Office follow-up on the External Auditor’s recommendation<sup>1</sup> on skills mapping. The Committee was not satisfied with the extended implementation date contained in the Office response, given the critical need for having readily accessible information on the skills of existing ILO staff.

***Recommendation 2. The Committee recommends 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. The Committee further recommends that the Office consider implementing an integrated IT solution for skills mapping (IRIS, Job Shop and Learning Management) to support the initial collection and ongoing maintenance of skills data.***

12. The Committee reviewed the internal audit report of the recruitment process, as well as the Office response to the recommendations contained therein. Based on a request from the Committee, the Office updated the implementation report (IR) to include clarifications on the items which had previously been noted as “unagreed”. The Committee noted that after discussions between Human Resources Development Department, the Chief Internal Auditor and the Office of the Treasurer and Financial Comptroller, only one recommendation remained unagreed. The Committee was satisfied with the Office implementation of the recommendations.
13. 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.

***Recommendation 4. The Committee recommends that continuing support and resources be allocated to this programme.***

<sup>1</sup> Report of the External Auditor on the ILO financial statements for the year ended 31 December 2010.

14. The Committee noted that the risk register contained in the Programme and Budget for 2012–13 included key risks associated with recruitment. The Committee was pleased to note that the Human Resources Development Department had implemented key indicators to measure the effectiveness of the Recruitment, Assignment and Placement System (RAPS), as recommended by the Chief Internal Auditor, as this was considered an important step in strategic human resources management.
15. The Office should continually review the HR Strategy in light of changing conditions and challenges (for example, 17 per cent of Regular Budget staff are expected to retire in the next five years) while monitoring against the seven indicators.

### **Internal audit**

16. The Committee reviewed the Chief Internal Auditor's report for 2010 and discussed the Office follow-up to recommendations of the Chief Internal Auditor for the years ending 31 December 2009 and 31 December 2010. It also received an advance briefing of the proposed content of the report for 2011.
17. The Committee noted the improvement in response rates of IRs as follow-up of the recommendations by the Office, as confirmed by the Chief Internal Auditor, as well as the provision of regular summaries of the status of follow-up to the Director-General and considered that the system of follow-up was functioning better. The Committee felt that quality responses received in a timely manner were indicative of the Office's commitment to meeting the implementation targets established in the programme and budget. It noted, however, that the response rates for certain recommendations were still unsatisfactory and further improvement was essential.

***Recommendation 5. In order to further improve quality and timeliness of implementation of the internal audit recommendations, the Committee recommends a formal sign-off of the Implementation Report (IR) by the Executive Director or Regional Director of the audited unit.***

18. The Committee noted that, based on one of its earlier recommendations, the Chief Internal Auditor was now issuing formal comments on the Office's response contained in the IRs. These comments and further follow-up by the Office were considered by the Committee to be a further improvement in the audit process.
19. The Committee noted the targets indicated in the Programme and Budget for 2012–13 for completing the implementation of recommendations (six months for high priority recommendations and 12 months for medium/low priority), as well as the current levels of achievement of these targets.

***Recommendation 6. The Committee recommends that the Office consider reducing the time frame for the implementation of audit recommendations once a higher level of compliance has been achieved.***

20. The Committee discussed the revised risk-based internal audit workplan for 2010–11, endorsed by the Director-General, and it received confirmation from the Chief Internal Auditor that the audit plan for 2010–11 had been fully delivered. The Committee was informed that the Chief Internal Auditor had received the requested extra funding in 2011 to compensate for long-term illnesses.
21. The Committee reviewed 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 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.

22. The Committee noted that the Chief Internal Auditor had commenced follow-up audits and had incorporated these into the audit plan for 2012–13. These follow-up audit reports would be submitted to the Director-General and the IOAC. The Committee welcomed this initiative.

### **External audit**

23. During discussions of the External Audit plan for 2011, the Committee was satisfied with the coordination and effective working relationship between the External Auditor and the Chief Internal Auditor, and noted that the External Auditor had found nothing of significance in her review of internal audit reports which might lead to an increased risk of material financial misstatements.
24. The Committee was satisfied with the coverage of the External Audit plan for 2011. As had been requested by members of the Governing Body, an extract of the external audit plan for 2011 is appended to this report to ensure the Governing Body is aware of the planned external audit activities and focus.
25. The Committee also received a briefing by the External Auditor on her long-form report and recommendations on human resources, training, internal audit and performance measures. The Committee explored these recommendations and the Office responses with the relevant units.
26. The Committee fully supported the comments made by the External Auditor on performance management. The Committee was pleased to note the progress made by the Office towards improving the identification of outcomes. It was made aware of the complexity of identifying measurement criteria and monitoring results because projects are based on the work and commitment of many different groups within the ILO while the outcomes are measured at the country level. In most cases, support staff and experts are based in headquarters, TC personnel in the field, and regional offices coordinate the work and note results. The Committee welcomed the organization of working sessions bringing all parties together to obtain their acceptance and commitment.
27. The Committee was pleased with the changes made to reporting results as reflected in the Programme Implementation Report for 2010–11, and noted that further improvements had been incorporated in the Programme and Budget for 2012–13.
28. In its two meetings, the Committee received reports from the Office on its follow-up to the recommendations of the External Auditor for the year ended 31 December 2010. The Committee expressed satisfaction with progress made on implementation of the recommendations.
29. With regard to the External Auditor's report, the Committee supported, in particular, the recommendation made by Price Waterhouse Coopers, in its report on the IOAC, to have a third meeting each year prior to the June Governing Body meeting, during which the financial statements and external audit report for the previous year could be reviewed. The Committee considered it was useful for it to undertake this review prior to the submission of the documents to the Governing Body and the International Labour Conference.

### ***Follow-up to the report of the Committee to the Programme, Financial and Administrative Committee of the Governing Body (March 2011)***<sup>2</sup>

**Recommendation 1. The Committee strongly recommends the appointment of a single dedicated IRIS manager with responsibility for functional, technical and**

<sup>2</sup> GB.310/PFA/5/3.

**support activities, and to use a standard project management methodology in order to mitigate risks associated with the further roll-out of IRIS to the field offices.**

30. The Committee was informed that the IRIS functional, support and technical teams now reported to one person within ITCOM. It was also briefed by ITCOM on the creation of a Project Management Office (PMO) and the appointment of its chief, in December 2011.
31. The PMO is, inter alia, responsible for field roll-out of IRIS using a standard project management methodology adapted for lessons learned in previous field office implementations.

**Recommendation 2. The Committee strongly endorsed the proposed infrastructure investments, described as the “transformation scenario” in the study, which were fundamental to the Office delivering its services. This was considered particularly important for knowledge sharing, business continuity planning and IRIS deployment. The Committee, therefore, recommends favourable consideration by the Governing Body of the proposed investment in IT infrastructure.**

32. The Committee was briefed by ITCOM on the progress of the programme approved by the Governing Body in March 2011, to implement the “transformation scenario” reflected in the study.
33. The Committee was informed that the planned IT investments would ensure sufficient connectivity to meet, inter alia, the requirements of the current IRIS field roll-out plan.
34. The progress made to date on implementation activities related to IT infrastructure and security was welcomed by the Committee.

**Recommendation 3. The Office should move urgently to complete the selection and recruitment of key management positions such as the Chief of the Information, Technology and Communications Bureau.**

35. The Committee was briefed by the Human Resources Development Department on the filling of the following two key positions:
  - (a) the Chief of the Information, Technology and Communications Bureau (ITCOM) took up the position on 1 June 2011; and
  - (b) the Chief Internal Auditor was appointed on 1 December 2011.

**Recommendation 4. The Office should identify and document the risks associated with the unavailability of key staff and the associated mitigation measures. Key staff members are defined as those essential to the implementation of strategic projects and specialized staff performing essential functions.**

36. The Committee was briefed by the Human Resources Development Department about the activity, currently in progress, for analysing and documenting the major risks associated with vacant key positions, by referring to their functional groups, e.g., country directors in the field, or key managerial positions at headquarters, etc. Mitigation measures were applied to address risks identified with each functional group in a consistent manner. A workforce planning project had been started by the Human Resources Development Department with the involvement of the Senior Management Team (SMT). The results of the project would include implementation of recommendations made by the External Auditor in its June 2012 report on workforce planning. The Committee will follow up on this issue during its September 2012 session.

**Recommendation 5. The Committee recommended that the Office clearly explain to financial statement users how cash-based as well as non-cash-based transactions (for example unrealized income) affected the surplus as determined in accordance with**

**IPSAS and with the Financial Regulations. Users of ILO financial statements should also be informed that fair market valuations for certain assets such as land and buildings and investments should not be understood as a sustainable means to offset unfunded liabilities such as After Service Health Insurance (ASHI).**

37. The Committee supported Office plans to continue the practice, introduced in 2010, of conducting briefing sessions on the financial statements prior to their discussion by the Governing Body. During those sessions, commentary was provided on asset valuations and, in particular, ASHI liabilities and their funding.

**Recommendation 6. The Committee recommended that Regional and Executive Directors assume more active engagement in following up on internal audit recommendations in the regions or sectors.**

38. The Committee received copies of a new Internal Governance Documents System (IGDS) directive and procedure clearly outlining the responsibilities of the Regional and Executive Directors in the implementation of internal audit recommendations. The Committee noted a marked improvement in the clarity and timeliness of responses and in the motivation of all parties involved, but felt further improvements were needed, especially in the rate of compliance with the targets for completing implementation of recommendations.

**Recommendation 7. The Committee recommended that a summary report on the status of follow-up to internal audit reports be periodically provided to the Director-General for sharing with the SMT. It also suggested that common audit observations may be usefully discussed by the SMT to increase the awareness of senior management.**

39. The Committee was informed that, since March 2011, quarterly summary status reports were provided to the Director-General.
40. The Committee noted that the Chief Internal Auditor and the Treasurer were in discussions about implementing software (Team-mate), to improve the sharing of information on recurring recommendations with senior management, and requested a status report from the Office at its September 2012 session.

**Recommendation 8. The Committee recommended that the Chief Internal Auditor conduct the annual risk assessment prior to the end of the year so that the resulting audit plan could be endorsed and ready for execution by January of the following year.**

41. The Committee received a briefing from the Chief Internal Auditor on revised work planning procedures. The Committee was highly satisfied with the rigour of the risk assessment methodology used to prepare the workplan.
42. The Committee also reviewed the 2012–13 Director-General-approved workplan, based on approved biennium funding, and was satisfied with the audit coverage.

**Recommendation 9. The Office should prepare clear plans (project organization, time line and resourcing) for the development of comprehensive training for headquarters and field support staff on accountability and administrative matters to address the concerns expressed by the Chief Internal Auditor.**

43. The Committee received a briefing from the Director of the Human Resources Development Department and a demonstration of the Internal Governance and Accountability e-learning programme to be piloted in the first half of 2012. The objective of the programme was to deliver the knowledge required to ensure staff members understand the accountability that is implicit in the decisions they take while fulfilling their responsibilities in the operations of the Office. This training was supported by enhanced training programmes on administrative procedures.

44. The Committee shared the Chief Internal Auditor's satisfaction with the direction and progress made on the accountability training.

**Recommendation 10. The Committee recommends that managers be formally reminded of their specific responsibility to ensure a business continuity plan (BCP) is established, documented and tested for their office.**

45. The Committee was informed by the Executive Director of the Management and Administration Sector (ad interim) that following the transfer of responsibilities from HRD to SERVSEC, the status of BCP was being assessed with a view to finalizing, updating and completing testing work that had been initiated previously. In this context, a formal reminder outlining responsibilities will be addressed to managers in the first half of 2012 as an essential element of an effective BCP process.
46. BCP in field offices continues to be an issue, as reflected in recent reports from the Chief Internal Auditor. The Committee looks forward to a more comprehensive briefing from the Office, in its next meeting, on how this is being addressed by the Office.
47. The Committee probed the Office on risks and received information on the measures the Office was taking to mitigate key risks.
48. The Committee discussed with the Office how income-related risks, recorded in the risk register in the Programme and Budget for 2012–13, were being monitored and responded to by the Office. The Committee was satisfied that these risks were being appropriately managed.

### **General**

49. In September 2011, an information session was held with representatives of the Governing Body to provide an opportunity for sharing the work of the Committee.
50. The Committee decided to conduct its next meeting from 26 to 28 September 2012. The agenda for the meeting will include:
- follow-up to the Committee's report (March 2012);
  - review of business continuity planning;
  - financial statements and External Auditor's report for 2011;
  - Office follow-up to the External Auditor's report on the 2011 financial statements;
  - Office follow-up to the Chief Internal Auditor's report for 2011;
  - update on the internal audit plan for 2012–13; and
  - external audit plan for 2012.
51. 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, 25 January 2012

(Signed) Mr D. Chamay  
Chairperson

## Appendix II

### Extract of the external audit plan for 2011

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#### ***Audit objectives***

An annual audit is an independent examination of evidence supporting the amounts and disclosures in the Organization's financial statements. We also assess the Organization's compliance with significant authority instruments and consider whether, during the course of our examination, we have become aware of any "other matters" that, in our opinion, should be brought to the attention of the Governing Body.

The objectives of the annual audit are to provide an independent opinion on whether:

- the consolidated financial statements have been fairly presented, in all material respects, in accordance with the United Nations System Accounting Standards (UNSAS);
- these principles have been applied on a basis consistent with that of the preceding financial year; and
- the transactions coming to our notice in the course of our examination were, in all significant respects, in accordance with the Financial Regulations and legislative authority.

As part of our annual audit work, we will also carry out performance audit work and the objective of this work is described in the "Other services" section.

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### Responsibilities for financial reporting

#### ***Management***

Management is responsible for the day-to-day activities of the Office. This includes, among other things, the preparation of the consolidated financial statements in accordance with the UNSAS, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets, complying with legislative and other authorities, and preventing and detecting error and fraud. It is the responsibility of management to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring the orderly and efficient conduct of the Organization's business. In determining which controls to implement to prevent and detect fraud, management should consider the risks that the consolidated financial statements may be materially misstated as a result of fraud.

Management is also responsible for the preparation, integrity, and objectivity of publicly reported information such as annual consolidated financial statements. In preparing consolidated financial statements, management is responsible for exercising sound judgement in selecting and applying accounting policies in accordance with standards set by the United Nations High-level Committee on Management.

## **Governing Body**

The Governing Body is responsible for oversight of the management of the operations, activities, and other affairs of the Organization. Among other things, this means that the Governing Body has oversight responsibility for the financial reporting process and will review the consolidated financial statements of the Organization before submitting them to the International Labour Conference for adoption. In doing so, it indicates that it has exercised its oversight responsibilities and is satisfied that the consolidated financial statements are appropriate.

The Governing Body, through oversight of management, is responsible for ensuring that the Organization designs, implements, and maintains appropriate internal control with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable legislation and other authorities.

## **Auditor**

The auditor's responsibility is to express an opinion on the financial statements based on an audit. An audit is performed to obtain reasonable, but not absolute assurance, on whether the financial statements are free of material misstatement, including those caused by fraud or error.

Due to the inherent limitation of an audit, there is an unavoidable risk that some misstatements in the consolidated financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed. Specific procedures that we perform regarding fraud and errors are discussed in the section on fraud and error.

The audit includes:

- obtaining an understanding of the Organization and its environment, including internal control, in order to plan the audit and to assess the risk that the consolidated financial statements may contain misstatements that, individually or in the aggregate, are material to the consolidated financial statements taken as a whole;
- examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- assessing the accounting principles used and their application; and
- assessing the significant estimates made by management.

When the auditor's risk assessment includes an expectation of the operating effectiveness of controls, sufficient appropriate audit evidence will be obtained by testing controls to support the assessment. However, the scope of the auditor's review of internal control will be insufficient to express an opinion on the effectiveness or efficiency of the Organization's controls.

In addition and as required by the Financial Regulations, we will provide an opinion on whether the transactions coming to our notice in the course of our audit were, in all significant respects, in accordance with specified authority instruments. We also have an obligation under the Financial Regulations to bring to the attention of the Governing Body any "other matter" that we believe is significant.

The audit of the consolidated financial statements does not relieve management or those charged with governance and oversight of their responsibilities.

## Our audit approach

### Overview

Our audit is conducted in accordance with the International Standards on Auditing. When planning the audit, we acquire a sound understanding of the International Labour Organization and its environment, the business risks it faces, how the Organization manages those risks, and its overall control environment. This understanding is based primarily on interviews with senior management and our cumulative audit knowledge and experience with the Organization and its environment, including its internal control. We obtain such understanding in order to plan our audit and also to determine the nature, timing, and extent of audit procedures to be performed.

### Significant audit areas

Our audit is risk based. This means that we concentrate our audit work on areas with a higher risk of a material misstatement or non-compliance with significant authority instruments based on our understanding of the Organization and its environment, including its internal control.

### Business and audit risks and audit implications

Business risks result from significant conditions, events, circumstances, actions, or inactions that could adversely affect the Organization's ability to achieve its objectives and execute its strategies. Business risk is broader than an audit risk which is defined as the risk of material misstatement of the financial statements. Many business risks eventually have financial consequences and, therefore, an effect on the financial statements.

In planning the audit of the 2011 consolidated financial statements, we reviewed the proposed risk register for 2012–13 included in the programme and budget document as well as the internal audit and oversight revised audit plan for 2011 which included an updated risk assessment for 2011. We identified certain business risks that could result in material misstatements in the consolidated financial statements, and that consequently would have significant audit implications. We have also identified significant audit risks which are those related to IPSAS, the renovation of the headquarters building, the roll-out of IRIS to the Beirut Regional Office, management estimates and the procurement non-compliance.

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### Key issues to be considered at this time

**Gradual implementation of IPSAS and fair presentation.** The Organization's financial statements will need to continue being in compliance with the UNSAS while gradually implementing IPSAS standards, as permitted under the UNSAS. The selection of which IPSAS standards to adopt has to be coordinated to ensure that the ILO continues to provide a fair presentation of its consolidated financial position and performance. Our review of the fair presentation in the consolidated financial statements will be carried out and any concerns will be raised with management (for example, the adoption of one standard that could lead to a Statement of Financial Position that is not balanced and does not provide a fair presentation of assets and liabilities).

**Accounting policy choices.** The Organization has to make its final determination of accounting policy choices under IPSAS standards adopted in 2011. This is documented in position papers prepared by the Organization. The position papers have been received and

are currently under review. Our comments are being provided to management in order to ensure compliance to the individual standards being adopted in 2011.

**Changes to international standards.** During the transition period, the Organization will need to monitor changes in the international standards and consider their impact, if any, on the established plans, decisions taken and IPSAS standards already implemented.

**Information Systems.** Additional information required to meet IPSAS standards is also being identified by the Organization and, in some cases, this requires adjustments to the integrated information system. These adjustments can be minor but, in some cases, can be significant. We will continue to monitor the effect of the implementation of IPSAS on the information systems.

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## Reliance on internal control

We have assessed the overall control environment and the control activities relevant to the audit of the International Labour Organization and will continue to work towards adopting a control reliant audit approach for the headquarters salaries.

We will carry out a follow-up of the remaining outstanding recommendations made during the 2008–09 audit on the Information Technology General Controls (ITGC) of IRIS.

We will also continue our work on the review of the application controls over the headquarters salaries in 2011.

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## Fraud and error

When planning and conducting the audit, we consider the possibility that fraud or error, if sufficiently material, may affect our opinion on the consolidated financial statements. Accordingly, we maintain an attitude of professional scepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist.

In order to fulfil our responsibilities related to fraud, we plan to perform the following procedures:

- inquiries of management, the Office of Internal Audit and Oversight, and others related to knowledge of fraud or suspected fraud, the fraud risk assessment process, and how fraud risks are addressed;
- inquiries about any matters raised with the Independent Oversight Advisory Committee regarding accounting, internal accounting controls, or auditing matters;
- analytical procedures, primarily over revenue, and consider unusual or unexpected relationships identified in performing analytical procedures in planning the audit;
- incorporate an element of unpredictability in the selection of the nature, timing, and extent of audit procedures to be performed annually;
- identify and assess specific fraud risks based on the information gathered, and develop appropriate audit procedures to address the identified risks;
- perform additional required procedures to address the risk of management's override of controls, including:
  - examining journal entries and other adjustment for evidence of possible material misstatement due to fraud;

- reviewing accounting estimates for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates; and
- evaluating the business rationale of significant, unusual transactions.

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## Other services

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In 2011, we plan to conduct performance audit work in the area of human resources. We will focus our review on key areas of the workforce planning process, including succession planning. More specifically, we will inquire as to whether the ILO has identified its current and future workforce needs and had assessed its workforce gaps. We will also examine whether the ILO has strategies or plans in place to address its workforce gaps in key positions.

We will also follow up on the prior year's recommendations relating to our performance audit work.

Topics for future years include further work on performance measurement and information technology or other areas determined to be significant to the Organization.

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