



## Governing Body

317th Session, Geneva, 6–28 March 2013

GB.317/PFA/6

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

**PFA**

Date: 14 January 2013

Original: English

### SIXTH ITEM ON THE AGENDA

## Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2011

#### 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 2011. 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.313/PFA/5; GB.313/PV, paragraph 612.



1. At its 313th Session (March 2012), the Governing Body considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2011. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2011 recommendations.
2. The Chief Internal Auditor's overall assessment for 2011 was that there was no material 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 2011 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
Risk management	In order to embed further the concept of risk management within the ILO, the Office has an opportunity to formalize a lead sector or department to coordinate the continuing adoption and implementation of risk management across the ILO. The purpose would not be for the lead to assume responsibility for the major risks facing the ILO, as managing such risk properly lies with the concerned manager. However, such a coordinating role would help ensure that risk management is implemented in a consistent manner. Moreover, a lead sector/department may be able to assist should there be a need to escalate a risk to a higher level of authority if strategic and resource considerations need to be taken into account. The IAO suggests that the Office conduct a cost–benefit analysis to inform any decision on providing additional resources to the lead sector/department, as further embedding risk management will have to be considered in the light of other competing priorities.	The Deputy Director-General for Management and Reform is leading a review of policies, procedures and practices related to risk management and a contract was signed in early 2012 with Deloitte to support this effort. A framework for the governance of risk management within the Office has been drafted along with the terms of reference for a risk management committee and the ILO's risk universe has been added to the draft Office Guideline. Office procedures are being updated to reflect the new developments. The work being performed complies with ISO 31000, the standard that provides guidance on the risk management process through the development and implementation of an Organization-wide framework, and the Internal Auditor has been fully consulted throughout the review. The new means of managing risks is currently being reviewed and validated against any structural or organizational changes that may be introduced in the future. In addition, risk management has been incorporated in the new e-learning programme as a "cross-cutting" theme with risk management considerations included in all functional areas of the training programme.	In progress	31 March 2013

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Business continuity planning (BCP)	Due to the many different environments in which the ILO operates, there is a need to leverage the good and comprehensive work that headquarters and field offices have already undertaken on developing BCPs and put in place a formal BCP process, including an appropriate level of period testing. From a benchmark of other United Nations (UN) organizations and agencies, the IAO found that a lead department, normally one that is within the equivalent of the ILO's Management and Administration Sector (MAS), coordinates Organization-wide BCP activity. The IAO therefore suggests that the Office clarifies which department is responsible for coordinating and building on BCP activities that have been undertaken at headquarters and in the field. As with risk management, the IAO suggests it would be prudent to carry out a cost-benefit exercise to help assess any resources that could be allocated to this task.	<p>The Office sought professional expertise in business continuity (BC) with a view to developing a BC strategy and plans for its operations at headquarters in Geneva and in field duty stations, while ensuring harmonization with the UN system, especially in common duty stations. After intensive internal consultations and discussions with colleagues from other UN agencies, the Office has concluded that a cost-sharing arrangement with the United Nations Office at Geneva (UNOG) would provide the most efficient and cost-effective manner of obtaining quality expert services and guidance on all aspects of BC.</p> <p>The governance role is provided as part of the risk management framework and delegated to the Deputy Director (Administration) in each of the regional offices. Coordination of BCP is currently the responsibility of SERVSEC. The UNOG-based Business Continuity Programme Manager (BCPM) is assisting the ILO, in coordination with designated ILO officials and units, in elaborating and implementing a BC strategy and policy and providing the ILO with expertise in the field of BC.</p> <p>During the first phase, expected to be completed by 31 March 2013, the BCPM will:</p> <ul style="list-style-type: none"> <li>– provide technical expertise for the development of an ILO-wide BC strategy and plan;</li> <li>– develop and guide the implementation of the ILO's BC plan;</li> <li>– provide up-to-date guidelines and tools in support of ILO-wide BC;</li> <li>– provide advice on the maintenance and review of the ILO's headquarters and field office BC plans.</li> </ul> <p>During the second phase, beginning in 2013, the BCPM will:</p> <ul style="list-style-type: none"> <li>– provide training to selected groups of headquarters and, subsequently, field staff;</li> <li>– provide advice on training needs for critical staff;</li> </ul>	In progress	31 December 2013

Recommendation title	Recommendation	Office response	Implementation status	Completion date
		<ul style="list-style-type: none"><li>– provide expertise in the development of BC plans for field duty stations;</li><li>– assist the ILO in establishing priorities for BC in field duty stations;</li><li>– plan and conduct awareness-raising workshops on BC, including for senior and line managers.</li></ul>		

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Staff development	Field audits carried out during 2011 indicated that there is still a need for procedural training at the country office level. As part of HRD's training strategy, the IAO suggests it should identify those country offices that are a priority to receive training, or the workshops could be incorporated into the regional offices' meetings which are generally held once every biennium.	<p>HRD liaises with management and administration departments, regional HR partners and regions to identify and address operational training needs at the country office level and to prioritize these according to the recommendations of these stakeholders. These activities are frequently scheduled around regional or other events to take maximum advantage of these opportunities. Some examples include:</p> <ul style="list-style-type: none"> <li>– project cycle management training in Dar es Salaam in October 2012 (attended by staff from Africa);</li> <li>– local contracts committee training at headquarters in September 2012 (staff from Africa, Arab States, Asia, Europe and headquarters took part);</li> <li>– European Union funding: identification, management and reporting organized in Turin in June 2012 (staff from Africa, Arab States, Asia and the Pacific, Europe and Central Asia and headquarters took part);</li> <li>– project design and implementation planning in the framework of DWCPs training in Turin in April 2012 (officials from Africa, Arab States, Asia and the Pacific, Latin America and the Caribbean and headquarters attended);</li> <li>– procurement training in New Delhi in February 2012 (attended by staff from New Delhi and other offices in Asia and the Pacific);</li> <li>– IPSAS training for asset management in December 2011, specifically for Africa region staff;</li> <li>– IPSAS field offices training in April 2012 (officials from Europe and Central Asia attended);</li> <li>– HR administrators workshop and classification training organized in Geneva in December 2011 (attended by staff from Africa, Asia and the Pacific, Europe and Central Asia and Latin America and the Caribbean);</li> <li>– finance training (IPSAS and INI) for finance and administrative assistants in Lima in November 2011;</li> <li>– project cycle management training for PARDEV at ITC-ILO in Turin (June 2011) and New Delhi (August 2011) attended by staff from all regions and headquarters.</li> </ul>	In progress	<p>March 2013 for the e-learning programme</p> <p>November 2013 for the internal governance manuals</p>



Recommendation title	Recommendation	Office response	Implementation status	Completion date
		<p>However, the main focus of current efforts in this area is the implementation of an Office-wide comprehensive training approach. In this regard, HRD continues to work on the development of the internal governance and accountability training, in line with the milestones set in the Human Resources Strategy. The training programme consists of three components: (1) an e-learning programme; (2) internal governance manuals and managers' toolkit; and (3) workshops. The pilot of the e-learning component was organized in March 2012 and has received positive feedback from participants both at headquarters and field offices. Translation into French and Spanish has been completed. The launch of this component has been scheduled for March 2013 so that modifications reflecting the change of Director-General of the ILO can be incorporated and to enable the new Senior Management Team to be fully briefed on the programme. Further updates to the programme are planned towards the end of next year in order to incorporate changes arising from the Director-General's reform process. The manuals on operational procedures for administrative support staff and the managers' toolkit are being developed in coordination with the subject matter experts from various departments and include areas such as procurement, programming, travel, human resources and finance. An appropriate structure for these manuals is currently being considered. The projected timeline foresees a pilot of the English version of these manuals taking place in July 2013 with final versions in all three languages being available by the end of November 2013. Workshops will complement the e-learning programme and manuals, and will aim to strengthen the cultural change necessary for the successful implementation of internal governance and accountability principles.</p> <p>The need for procedural training in field offices is acknowledged. The implementation of the three components of the internal governance and accountability training programme would more effectively address procedural training needs than an ad hoc approach for a selection of field offices. Where individual needs are identified as urgent, HRD will support the organization of appropriate training opportunities.</p>		

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Delegation of authority	<p>The IAO noted two country offices where, during periods of absence of the country office director, it was common practice for the office director to delegate authority as officer-in-charge (OIC) to a head of agency of a UN organization in the same country. The IAO was informed that in one of the countries this is a common practice throughout the UN system, and that the OIC was not permitted to sign cheques. However, a non-ILO staff member OIC does not have the authority to supervise ILO staff members or to enter into financial or legal commitments on behalf of the ILO. Some country offices only have one international staff member; nevertheless, procedures should be set up to ensure that OICs, where possible, are always serving ILO officials. If it is not possible to appoint a serving ILO official, the Office should establish a protocol whereby country office directors must seek appropriate prior approval from their respective regional office to appoint a non-ILO OIC, defining clearly the boundaries of authority thereof.</p>	<p>The responsibilities of an OIC of an external office include administrative matters such as finance, programming, security, procurement, human resources and also the representation of the ILO vis-à-vis governments and social partners. IGDS No. 137, ILO accountability framework, clearly states in paragraph 8 “Delegation of authority” that delegations of authority “must be segregated among staff and between managers and responsible staff”. Although this clearly indicates that delegations may not be made to non-ILO officials, office directors will be reminded that under no circumstances shall delegations be made to anyone but ILO officials.</p> <p>In addition, various IGDS documents covering specific areas of responsibility delegated to office directors, such as IGDS No. 293, Responsibilities of Approving Officers, provide that “Approving Officers may, in turn, delegate specific responsibilities to members of their staff who are ILO officials. Such delegations will establish the specific authorities included in the delegation. This further delegation will take one of two forms: (a) specific delegation for a defined period of time, for example, during a period of absence of the Approving Officer; (b) specific delegation which is valid until revoked”. Similar wording will be used in the new IGDS, Delegation of authority in matters relating to human resources management.</p> <p>In cases where the office director will be absent for a prolonged period, it is the responsibility of the regional director to appoint an OIC for the period for which the office director is absent or the post is vacant. The OIC so appointed must be an ILO official. Regional directors will also be reminded of this responsibility.</p> <p>A revised IGDS Director-General’s announcement on “Roles and responsibilities of senior managers in the ILO” will be issued, including specific provisions to the effect that only serving ILO officials can be designated as OIC. Where the designation of an OIC is required, an ILO official (P staff, a chief technical adviser or national officer in the country office or within the region) should be designated in consultation with the regional office and such designation shall be made in writing.</p>	In progress	30 June 2013

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Performance management	<p>HRD monitors completion rates for each stage of the performance cycle, reminding managers of the need to ensure proper completion thereof. In order to automate this process, the ILO's Information Technology Bureau, on behalf of HRD, is developing and testing automatic alerts in the IRIS system that would prompt managers when it was time to complete each part of the performance cycle. The IAO's audits indicated that compliance rates, nonetheless, remain inconsistent. To address this issue, the Office in consultation with HRD and the regions should consider how best to encourage greater compliance in completing each stage of the performance cycle, especially focusing on instances where there is a persistent lack of compliance.</p>	<p>HRD monitors appraisal compliance information on a regular basis through the IRIS monitoring tool, and provides customized follow-up communications to executive directors, responsible chiefs and directors, including detailed compliance reports for field offices. Discrepancies with regard to compliance information are updated accordingly so as to ensure accurate reporting. In addition, briefing sessions have been delivered for all staff on the beginning of cycle and end of cycle phases to familiarize officials with the key deadlines, deliverables and compliance targets. Customized presentations for work units/departments and working sessions/tools focused on output development have also been delivered as a means to: increase awareness; build confidence; reinforce the importance of accountability; and support areas where there is a persistent lack of compliance. The automatic alerts in the IRIS system are still in the test phase in light of proposed changes to the performance cycle for staff on technical cooperation contracts. A request for proposal was published in early November 2012 regarding the selection and implementation of an electronic system as a means to automate and streamline the appraisal process. An automated process would encourage and enable increased compliance. The electronic system is planned to be available for use by all staff for the 2014–15 performance cycle.</p>	In progress	31 January 2014

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Procurement	<p>The ILO is in the process of establishing formal local contract committees in the regional offices, developing a procurement manual, and has drafted internal guidance to clarify roles and responsibilities with respect to procurement in the field and headquarters. The IAO recommends that the Office expedite the completion of the manual and guidance so that they can be issued to provide further support and guidance to field staff, and thus reinforce procurement practices in field offices. In addition, the IAO suggests that the Office considers extending the requirement that staff in the headquarters procurement department sign an annual disclosure on conflicts, or potential conflicts, of interest to those officials with procurement responsibilities in the field. This would help raise awareness of ethical considerations when handling procurement matters in field locations.</p>	<p>In recent years, the Office has launched a range of initiatives to seek to improve knowledge and understanding of ILO procurement rules and procedures among field office managers and staff. A revised Chapter X of, along with other amendments to, the Financial Rules was published in 2010. New procurement governance requirements were promulgated in 2011–12 (an Office Directive and several related procedures) and the associated procurement manual will be published in early 2013. Local contracts committees in three regional offices (Africa, Arab States and Asia and the Pacific) commenced operations on 1 November 2012, following training of members and secretaries in September 2012. Revised ILO standard general contractual terms and conditions are now in use. A significantly upgraded PROCUREMENT Intranet site providing direct access to a wide range of information on procurement rules, procedures, standard bidding documents and contract templates was launched in July 2012. In addition, separate procurement training workshops for managers and staff have been conducted in several ILO regions since 2010 and more are being planned for 2013.</p> <p>The Office supports the IAO recommendation that field office managers and their staff undertaking procurement responsibilities should complete, on an annual basis, a declaration of adherence to the principles and requirements of ethical procurement conduct. The current declaration form, which until now has only been completed by headquarters PROCUREMENT staff, has been revised in consultations between the Treasurer and Financial Comptroller (TR/CF), PROCUREMENT and JUR. As of 2013, a signed annual declaration is required of PROCUREMENT staff; directors of headquarters departments/units engaged in significant procurement activities; members of the headquarters Contracts Committee; directors and key administrative staff of ILO external offices; chief technical advisers of technical cooperation projects engaged in substantial procurement actions; and members of local contracts committees and their secretariats.</p>	In progress	31 March 2013

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Follow-up of internal audit recommendations	In September 2011, the Office updated its procedure on follow-up of IAO recommendations. It clarifies the responsibility of executive directors and regional directors in ensuring that appropriate and timely action is taken to implement the IAO recommendations, and that reporting deadlines are respected. The Independent Oversight Advisory Committee (IOAC) in its report to the March 2012 session of the Governing Body underpinned the principles of responsibility outlined in the updated procedure. Given that the procedure was issued in September 2011, it is too early to assess how effective sectors and regions have been in implementing the provisions contained therein. However, to facilitate implementation, and complement the recommendation of the IOAC, the IAO suggests that for each sector and regional office a focal point be nominated to liaise directly with the office of the TR/CF. Given their proximity, the focal point could be assigned responsibility to follow up and report to the office of the TR/CF on the status of implementation reports, liaising directly with the entity that has been subject to an internal audit, as necessary.	The Office Directive (IGDS No. 121) and Office Procedure (IGDS No. 123) clearly establish the responsibility for follow-up as being with the regional director or executive director, as appropriate. Recommendations in any one audit report invariably relate to more than one sector or one regional office. Therefore, a single focal point in a sector or regional office would not be able to necessarily monitor the status of the complete Implementation Report. Furthermore, the organizational structure differs between regions and sectors. The official responsible for financial and administrative matters in each regional office or sector is well known to the office of the Treasurer and therefore, the Office does not see any need to formalize the appointment of a further level of responsibility within IGDS documents. Should there be any difficulty with follow-up in a region or sector on a particular implementation report, direct contact would be made with the regional or executive director.	Not accepted	Not applicable

## Appendix II

### List of internal audit reports issued in 2011

Title	IAO reference	Date	Implementation status	Completion date
Report on internal audit of ILO Office for Nigeria, Gambia, Ghana, Liberia and Sierra Leone in Abuja	IAO/32/2010	11 April 2011	Complete	6 July 2012
Report on the management and operational control review of the ILO Country Office for Viet Nam (CO-Hanoi) and the EC-funded TC project, Labour Market Project (LMP)	IAO/33/2010	24 March 2011	Complete	23 November 2011
Report on the internal audit of the ILO Regional Office for the Arab States in Beirut, Lebanon	IAO/36/2010	18 April 2011	Complete	6 January 2012
Report on the internal audit of the ILO DWT for Central Africa and ILO Country Office for Cameroon, Angola and Sao Tome and Principe, Yaoundé	IAO/38/2010	13 September 2011	Complete	9 January 2013
Report on audit follow-up mission on the implementation of 2009 audit recommendation – ILO DWT for West Africa and ILO Country Office, Dakar	IA 5-4 (2011)	29 August 2011	Complete	25 October 2012
Report on the internal audit of the ILO Office for the United Nations in New York (ILO–New York)	IAO/32/2011	21 October 2011	Complete	28 June 2012
Report on the internal audit of the ILO Office in the United States (ILO–Washington) in Washington, DC	IAO/28/2011	25 October 2011	Complete	9 August 2012

