



## Governing Body

331st Session, Geneva, 26 October–9 November 2017

GB.331/PFA/7

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

**PFA**

**Date:** 17 October 2017

**Original:** English

### SEVENTH ITEM ON THE AGENDA

## Independent Oversight Advisory Committee (IOAC): Revised terms of reference

#### Purpose of the document

In the present document, the Governing Body is invited to approve the revised terms of reference of the IOAC (see the draft decision in paragraph 6).

**Relevant strategic objective:** Not applicable.

**Main relevant outcome/cross-cutting policy driver:** Enabling Outcome B: Effective and efficient governance of the Organization.

**Policy implications:** None.

**Legal implications:** Revision of the terms of reference of an oversight body.

**Financial implications:** None.

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

**Author unit:** Office of the Treasurer and Financial Comptroller.

**Related documents:** GB.313/PFA/6/2(Rev.); GB.316/PFA/6/1; GB.323/PFA/7/1; GB.325/PFA/4.



1. When considering the appointment of members of the Independent Oversight Advisory Committee (IOAC) at the 325th Session of the Governing Body (November 2015),<sup>1</sup> the report of the selection panel established for the appointment of the three new members of the IOAC “commented on the need to review the selection process defined in the terms of reference to ensure that an efficient and cost-effective mechanism is provided for as part of the process in 2018 and in the future. Any revisions to the process should include measures to encourage candidatures meeting all of the criteria described in the terms of reference”.
2. In light of the comments made by the selection panel above, which was endorsed by the Governing Body, the Office initiated the review process of the current terms of reference, with a view to proposing necessary revisions to the Governing Body prior to launching the 2018 selection process. In March 2017, the Office conducted an informal survey among United Nations system organizations on the composition and selection of their respective oversight committee members. The survey results were reviewed in conjunction with the JIU report on *State of the Internal Audit Function in the United Nations System*<sup>2</sup> which contained a section on “oversight committees”. Comparison made between the ILO and other organizations showed that, while many similarities exist, the following main differences were noted:
  - the IOAC has one of the most robust and independent selection processes, which also involves extended time and substantial cost; and
  - among those organizations whose oversight committees are appointed by the Governing Body, the IOAC is the only committee where there is no direct involvement by the secretariat other than facilitating the process.
3. The Office also took the opportunity to solicit the views of the IOAC itself on the potential revisions of the current terms of reference. The Committee considered this item at its meeting in January 2017 and provided a number of suggestions, namely:
  - the need to ensure a larger number of candidates on the reserve list for business continuity purposes;
  - the need to update the terms of reference to align with the provisions of the revised Audit Charter, as approved by the Governing Body in March 2016, with regard to the IOAC’s advisory role for the appointment and termination of the Chief Internal Auditor; and
  - the need for the members of the Committee to inform the Office on a timely basis of any substantial changes in their professional function, in addition to the signing of the annual declaration of independence as contained in the annex of the terms of reference.
4. In view of the considerations and recommendations above, the Office proposed possible revisions to the IOAC terms of reference and submitted them to the representatives of the Governing Body for informal consultation. During the consultation process, the Governing Body representatives, echoed by the serving members of the IOAC, considered it best practice to continue to engage an external consultant for the screening and shortlisting of potential committee members, and therefore recommended that the provisions in paragraph 20 be maintained. Other proposed revisions, specifically those related to business

<sup>1</sup> [GB.325/PFA/4](#).

<sup>2</sup> [JIU/REP/2016/8](#).

continuity, consistency and transparency, as well as a number of editorial changes with respect to procedural matters, were supported during the informal consultations.

5. The revised terms of reference in track changes are presented in the appendix of this document and submitted for consideration by the Governing Body.

## **Draft decision**

6. *The Governing Body approves the revised terms of reference for the Independent Oversight Advisory Committee set forth in the appendix of document GB.331/PFA/7.*

## Appendix

### Terms of reference for the Independent Oversight Advisory Committee of the International Labour Office <sup>4</sup>

#### *Purpose*

1. The Independent Oversight Advisory Committee (IOAC) is a subsidiary body of the Governing Body. It serves in an expert advisory capacity and provides independent, external, senior level, expert advice to the Governing Body and to the Director-General in fulfilling their governance responsibilities, including ensuring the effectiveness of the International Labour Office's (ILO) internal control systems, risk management and governance processes. The IOAC aims to add value by strengthening accountability and governance within the ILO.
2. The IOAC will provide advice to the Governing Body and the Director-General on:
  - (a) the quality and the level of financial reporting, governance, risk management, and internal controls in the ILO;
  - (b) the responses and actions taken by ILO management on internal and external audit recommendations;
  - (c) the independence, effectiveness and objectivity of the internal and external audit functions; and
  - (d) the interaction and communication between the Governing Body, the External Auditor, the Chief Internal Auditor, the Ethics Officer, and ILO management.

#### *Responsibilities*

3. The specific responsibilities of the IOAC include advising the Governing Body and the Director-General on the following:
  - (a) Financial statements: issues arising from the audited financial statements and reports produced by the External Auditor for the Governing Body.
  - (b) Accounting: the appropriateness of accounting policies, standards and disclosure practices and any changes and risks thereto.
  - (c) External audit: the scope, plan and approach of the External Auditor's work. The IOAC may be requested by the Governing Body to provide advice on the appointment of the External Auditor.
  - (d) Internal audit: the scope, plan, resources ~~and~~ performance of the internal audit function and the Chief Internal Auditor, and the appropriateness of the independence of this function. The IOAC may be requested by the Governing Body to provide advice on the appointment and/or termination of the Chief Internal Auditor.
  - (e) Risk management and internal controls: the effectiveness of the ILO's internal control systems, including the Office's risk management and internal governance practices.
  - (f) Financial regulations and rules: the operation and effectiveness of the Financial Regulations and Financial Rules.

<sup>4</sup>~~As revised by the Governing Body at its 316th Session (November 2012).~~

- (g) Compliance and probity: the systems established by the ILO to maintain and promote compliance with laws, regulations, policies and high standards of integrity and ethical conduct to prevent conflicts of interest.

(h) Perform any other duties consistent with the mandate as requested by the Governing Body.

### **Authority**

- 4. The IOAC shall have all the necessary authority, including free and unrestricted access to information, records or staff within the ILO in order to fulfil its responsibilities.
- 5. The IOAC will have unrestricted and confidential access to the Chief Internal Auditor and the External Auditor, the Ethics Officer, and vice versa.
- 6. Any proposed amendment to these terms of reference shall be submitted to the Governing Body for approval before becoming effective.
- 7. The IOAC, as an advisory body, has neither executive authority nor other operational responsibilities.

### **Composition**

- 8. The IOAC shall comprise five independent expert members serving in their personal capacity.
- 9. Professional competence, experience and integrity shall be of paramount consideration in the selection of members. Membership shall reflect the tripartite and international nature of the International Labour Organization and have due regard to:
  - (a) geographical distribution;
  - (b) gender balance;
  - (c) public- and private-sector experience; and
  - (d) developed and developing countries.
- 10. All IOAC members should have experience and appropriate qualifications as a senior oversight professional, auditor or senior financial manager.
- 11. All IOAC members shall be proficient in at least one of the three working languages of the ILO.
- 12. To undertake their role effectively, members of the IOAC should possess knowledge, skills and senior-level experience in at least one of the following areas:
  - (a) finance and audit;
  - (b) organization governance and accountability structure, including risk management;
  - (c) senior-level management;
  - (d) the organization, structure and functioning of the United Nations system and/or other intergovernmental organizations; and
  - (e) a general understanding of the ILO's mandate, values and objectives.

Collectively, the committee should possess knowledge, skills and senior-level experience in all of the above areas.

- 13. Members should have, or acquire rapidly, an understanding of the mandate, values and objectives of the Organization, its tripartite governance and accountability structure and the relevant rules governing it, and its organizational culture and control environment.

## **Independence**

14. Since the role of the IOAC is to provide objective advice, members shall remain independent of the International Labour Office, the Governing Body and the International Labour Conference, and shall be free of any real or perceived conflict of interest.
15. Members of the IOAC shall:
- (a) not hold a position or engage in any activity that could impair their independence from the ILO;
  - (b) not currently be, or have been within the three years prior to appointment to the IOAC, employed or engaged in any capacity by the ILO, or have an immediate family member (as defined by the ILO Staff Regulations) working for, or having a contractual relationship with, the ILO; nor shall the member have been an applicant for employment at the ILO within the same time period;
  - (c) not currently be, or have been within the three years prior to appointment to the IOAC, a member of the ILO Governing Body nor have an immediate family member (as defined by the ILO Staff Regulations) serving as a member of the ILO Governing Body;
  - (d) not currently be, or have been within the three years prior to appointment to the IOAC, an employee of a member of the United Nations Panel of External Auditors or a member of the Joint Inspection Unit; and
  - (e) not be eligible, nor an immediate family member, for any senior employment with the ILO for at least three years immediately following the last day of their tenure on the IOAC.
16. IOAC members shall serve in their personal capacity and shall not seek or accept instructions in regard to their work on the IOAC from any government, constituent or other authority internal or external to the ILO.
17. ~~Members~~ Prior to the first scheduled meeting of the IOAC in each calendar year, members of the IOAC shall sign an annual declaration of independence and statement of financial interests (annex). Members shall also inform the Director-General of any change in their professional situation, or any other matter that could be perceived to influence their independence or capacity to act.

## **Selection, appointment and term**

18. Members of the Committee shall be appointed by the Governing Body following a triennial tripartite selection process as set out in the following paragraphs.
19. The Director-General shall:
- (a) ~~invite ILO Governing Body members and other member States to nominate individuals who are deemed to possess appropriate qualifications and experience as specified in this document; and~~ ~~place in reputable international magazines and/or newspapers, and on the Internet,~~ place a call for expressions of interest from suitably qualified and experienced individuals. through, inter alia, advertisements in reputable international magazines and/or newspapers with wide geographical circulation, and on the Internet; and
- ~~Member States nominating individuals under subparagraph 19(a) above and applicants responding to the expression of interest under subparagraph 19(b), shall be requested to provide the same information, including a detailed curriculum vitae in English, French or Spanish, and within the same time frame.~~
- (b) inform ILO Governing Body members and other member States of the search process.

20. The Director-General shall ~~, in consultation with the Officers of the Governing Body,~~ engage an external consultant, specialized in the recruitment for senior positions, to screen all applications, interview candidates deemed suitable, and prepare a shortlist of the most suitable candidates (at least ten, ideally, and not exceeding 15) based on the criteria contained in paragraphs 10 ~~and~~ 12 above. In finalizing the shortlist, the consultant shall have regard to the diversity referred to in paragraph 9. The consultant shall also provide a report containing a brief assessment of the unsuccessful candidates. The consultant will be engaged following a competitive procurement process in accordance with the ILO's Financial Rules and related procedures, the results of which shall be reported to the Governing Body.
21. A selection panel (comprising a representative of the Government group chair, representatives of regional groups, the Employers' group and Workers' group) shall receive the consultant's report, review the shortlisted candidates, taking into account the criteria contained in this document, and propose a list of candidates, equal to the number of current vacancies on the IOAC, to the Officers of the Governing Body. The information to be provided to the Officers shall include each candidate's name, gender, nationality, qualifications and professional experience. The decisions of the selection panel will be made to the extent possible by consensus. If there is no consensus the issue will be referred to the Officers.
22. The Officers shall review the proposal and, if in agreement, refer it to the Governing Body for final consideration and approval.
23. The selection panel shall also create and retain a list of at least four suitably qualified and diverse candidates for consideration by the Officers and the Governing Body, in order to propose alternative candidates should any candidate of the first list not be approved by the Officers or the Governing Body, or to fill a vacancy arising for any unforeseen reason (for example resignation or incapacity) during the term of the Committee.
24. Members of the IOAC are appointed to serve for a term of three years, renewable for a second and final term of three years, which need not be consecutive. To ensure continuity of membership ~~for future mandates, two of its five members shall be appointed in November 2012, for a single non-renewable term of three years to be decided, if necessary, by the drawing of lots. Members of the inaugural Committee whose mandate ends in November 2012 may present their candidature for one further non-renewable term of three years.~~ at the end of each term, two or three members shall be replaced. Where an insufficient number of members is completing a second term of membership, the drawing of lots will determine which members shall be eligible for reappointment.
25. The Chairperson shall be selected by the IOAC members from among their number and shall serve in this capacity for a maximum of one three-year term.
26. A member of the IOAC may resign his/her membership by giving notice in writing to the Chairperson of the Governing Body. A special temporary appointment for the remainder of the outgoing member's term shall be made in accordance with the provisions set out in paragraphs 23 and 27 to cater for such a vacancy.
27. A member appointed by the Governing Body during the term of the Committee shall serve the remainder of the term of the outgoing member and shall be eligible for reappointment to the IOAC for a second and final term.
28. An appointment to the IOAC may only be revoked by the Governing Body.

## **Meetings**

29. The IOAC shall meet, in principle three times per year, normally in January, May and September, but not less than twice per year. The exact number of meetings per year will depend on the agreed workload for the IOAC and the most appropriate timing for

consideration of specific matters. Interpretation shall be provided during the meetings, as necessary, in the three working languages of the ILO.

30. Subject to these terms of reference, the IOAC may establish its own rules of procedure to assist its members in executing their responsibilities. The IOAC rules of procedure shall be communicated to the Governing Body for its information.
31. The IOAC's deliberations shall be through group discussion. As such members are expected to attend all scheduled sessions of the Committee. As members serve in a personal capacity, alternates are not permitted. The quorum for the IOAC is three members.
32. The Director-General, External Auditor, Treasurer and Financial Comptroller, Chief Internal Auditor and the Ethics Officer, or their representatives, shall participate in meetings when invited by the IOAC. Other ILO officials with functions relevant to the items on the agenda of the IOAC may likewise be invited.
33. The deliberations of the IOAC and the minutes of its meetings are confidential. All documents and information submitted to or obtained by the members shall be used solely for the purposes of the IOAC deliberations and shall be treated as confidential.

### **Reporting**

34. The Chairperson of the IOAC will present an annual report containing advice, observations and recommendations as appropriate, both in writing and in person, for consideration by the Governing Body at its March session.
35. Interim reports addressing key findings and matters of importance may be submitted to the Governing Body at the discretion of the IOAC or request of the Governing Body, at any time. The Chairperson of the IOAC may inform the Officers of the Governing Body at any time of any serious governance issue. The Chairperson of the Governing Body shall also ensure consultations with the Government group of the Governing Body.

### **Administrative arrangements**

36. Members of the IOAC will provide their services pro bono.
37. Members of the IOAC shall, in accordance with the travel procedures applying to members of the Governing Body:
  - (a) receive a daily subsistence allowance for periods of attendance at IOAC meetings or when on other official IOAC business; and
  - (b) for those not resident in the Canton of Geneva or neighbouring France, be entitled to reimbursement of travel expenses, to attend the IOAC sessions.
38. The Treasurer and Financial Comptroller's office will provide secretariat support to the IOAC.

### **Indemnity of members**

39. As "experts on mission" within the meaning of section 3 of Annex I of the 1947 Convention on the Privileges and Immunities of the Specialized Agencies, IOAC members enjoy immunity for acts performed and words spoken in the exercise of their official functions. The ILO will indemnify and hold the members of the IOAC harmless from and against any claims, damages or losses suffered by them as a result of activities performed in the course of exercising their responsibilities, as long as those activities are performed in good faith and with due diligence and that the ILO is immediately informed of any situation in which such claims, damages or losses might arise.

## Annex

### International Labour Office

#### ***Declaration of independence of members of the Independent Oversight Advisory Committee***

I \_\_\_\_\_ declare to the best of my knowledge that, having read the terms of reference of the International Labour Office's Independent Oversight Advisory Committee (IOAC), I am eligible to serve as a member of that Committee. I undertake to discharge my functions and responsibilities as a member of the Committee with the interests of the International Labour Organization alone in view and not to seek or accept instructions in regard to the performance of these functions from any government, constituent organization or other authority external or internal to the International Labour Organization.

I also declare that I have no personal, financial or other interests that could or could be seen to influence the advice I am giving in the course of my duties as a member of the IOAC.

To the best of my knowledge, no member of my immediate family has personal, financial or other interests that could or could be seen to influence the advice I am giving in the course of my duties as a member of the IOAC.

Should there be any change in my relationship with the International Labour Organization with respect to my independence, I will immediately inform the Chairperson of the ILO Governing Body.

Signed : \_\_\_\_\_

Date : \_\_\_\_\_