

International Labour Organization

Independent Oversight Advisory
Committee (IOAC) Review

*An independent review
of the IOAC*

25 May 2011



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25 May 2011

Subject: Independent Oversight Advisory Committee (IOAC) Review

Dear Dr. Somavia,

We have pleasure in submitting our report on the review of the Independent Oversight Advisory Committee (IOAC).

We trust that this report, its findings and the recommended actions will be of value to the International Labour Office and its Governing Body.

Please do not hesitate to contact us should you require any further discussion or assistance.

Yours sincerely,

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to read 'Richard Golding', written in a cursive style.

Richard Golding

Partner

A handwritten signature in black ink, appearing to read 'Christine Gora', written in a cursive style.

Christine Gora

Director

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1 Executive Summary

Background

The International Labour Organization (ILO) established the Independent Oversight Advisory Committee (IOAC) in 2008 on a 4-year trial basis and determined to undertake a review of its functioning after 3 years of operation. This review was to be conducted by an independent consultancy to review the mandate, composition, the way in which the IOAC has operated in terms of the format and frequency of its meetings, its reports and interactions with the Governing Body and other key stakeholders, and the IOAC's performance against its Terms of Reference (ToRs) including the outcomes of its reports and recommendations.

PricewaterhouseCoopers (PwC) was appointed as the independent consultancy to carry out this work.

To achieve these objectives, PwC has carried out the following:-

- Desk review of relevant ILO documentation and reports
- Attendance at an IOAC meeting and interviews with its members
- Interviews with Governing Body representatives
- Interviews with ILO management representatives, including the Director-General
- An on-line survey questionnaire made available to all Governing Body members
- Review of oversight committee practices in other UN entities

PwC wishes to record its appreciation to all Governing Body members, management representatives and other external contacts for their co-operation and contribution to this review.

Overall Conclusion

It is our considered view that independent oversight and advisory committees play an increasingly important role in strengthening and sustaining effective and objective oversight of publicly funded international organizations and ILO is no exception. ILO took an important and positive step in setting up the IOAC on a trial basis and there is general appreciation of the existing 'trial-period' committee which has already begun to make some important positive impacts. In our view, these impacts can be improved to add further significant value to the existing oversight practices within ILO and we have provided specific recommendations in this report on how this can be achieved in the future.

We firmly believe that the IOAC should continue and that the trial phase should move into permanent establishment and that clear priority is given to the next IOAC member selection process to ensure that ILO has the best available professional platform of quality and committed members to build an even more effective committee that adds significant value. In today's increasingly demanding, competitive and yet resource-constrained environment of international development, this is an important challenge for ILO to be seen to be addressing positively amongst both donor and beneficiary communities.

**Key
Recommendations**

Our detailed analysis, findings and recommendations are presented in the following pages. The key recommended actions to achieve the goals summarised above include:-

- The IOAC should become a permanent committee of the ILO
- There should be a more open and transparent future member selection process
- The committee's Terms of Reference should be improved and broadened
- There should be 3 IOAC committee meetings per year with 1 meeting focused on the annual external audit and 1 meeting during a biennium held in a regional or country office
- The professional support resources for the IOAC should be strengthened
- ILO should aim to establish a common working language for future IOAC members

There are other more detailed recommendations contained in this report. The overall cost impact of implementation of these recommendations should not be a burden to ILO whilst the contribution and added value of the committee's activities should increase significantly over time.

We thank ILO for the opportunity and privilege to provide our advice and conclusions on this important issue. We firmly believe that these actions will further enable ILO to strengthen its operations and its reputation amongst its wide stakeholder community as it seeks to continue to fulfil its ongoing mission.

2 Background and Review Methodology

2.1 Context

The International Labour Organization (ILO) established the Independent Oversight Advisory Committee (IOAC) in 2008 on an initial 4-year trial basis and, based on its initially approved Terms of Reference (ToR) is required to undertake a review of its functioning after 3 years of operation. The review was to be provided by an independent consultancy covering the mandate, composition, the way in which the IOAC has operated in terms of the format and frequency of its meetings, its reports and interactions with the Governing Body and other key ILO stakeholders and the IOAC's performance against its ToR including the outcomes of its reports and recommendations. To this end, after a competitive tender in January 2011, PricewaterhouseCoopers (PwC) was awarded the contract to carry out the review.

2.2 Review Objectives and Methodology

This review was aimed at ascertaining to what extent the IOAC's role and responsibilities are in line with good practices. To reach that goal, PwC applied relevant professional standards for assessing oversight or audit committee effectiveness in establishing the methodology to be applied to ILO and also established a phased approach allowing for assessment of the effectiveness of oversight committees, determining the perceptions of the oversight committee within the organization and with its Governing Body, and identifying ways to enhance its working practices and structure.

As with other assessments, PwC reviewed the setup of the ILO IOAC, its core functions, composition, member selection processes, structure and administration, and its activities and effectiveness. Using a combination of desk reviews, various stakeholder interviews, review of benchmarking data, and an on-line questionnaire to ILO constituents, this review assesses the IOAC's:-

- a. mandate;
- b. composition and features;
- c. meetings (timing, frequency and duration);
- d. value add and performance;
- e. support arrangement, and
- f. existing cost commitments.

This review does not cover a capability review of the contribution or performance of individual IOAC members.

The approach used involves a number of face to face interviews with members of the IOAC, representative members of the Governing Body constituencies, the ILO

External and Internal Auditors, other representatives of Office management, and a sample of heads of oversight committees of other UN agencies based in Geneva.

A further step was to make available an electronic survey questionnaire concerning the IOAC to all Governing Body members through their representatives. We also conducted a review of the minutes of the IOAC meetings and associated documents. To provide a baseline for comparison of the IOAC, the review also includes comparative data on equivalent arrangements in other United Nations oversight committees.

During this review, we interviewed 20 persons, carried out a small workshop with IOAC members, launched the survey online and performed a desk review of various documents. The timing for this review during February to April 2011 was appropriate due to various Governing Body meetings being held in Geneva which facilitated the ability for us to meet with key stakeholders and to collect appropriate information for this assignment.

In February 2011, we had the opportunity to meet and spend time with the current IOAC members, discuss the functioning of the IOAC and get a direct view on their activities and the manner in which they interact.

Specifically, over the given period of the assignment, we interviewed¹ :-

- Five members of the IOAC
- Six Senior members of management
- Eight representatives of the Governing Body
- The External Auditors
- Three Chairpersons of UN Oversight Committees

In order to provide an opportunity for any Governing Body members to provide their opinions and feedback, we created the short online survey questionnaire. Feedback from this gave additional insights into how the IOAC was perceived and, more specifically, how any added value of the committee is perceived by the Governing Body. Despite several reminders, the responses received were very limited in number resulting in a relatively small yet interesting sample.

We performed some further desk research and reviewed numerous publicly available documents concerning oversight and audit committees for benchmarking purposes and for collecting examples of other practices.

¹ A full interview list is found in Appendix B

3 Objectives and Governance

3.1 Rationale and Justification for Establishing the IOAC

In a decision taken at its 300th session, the Governing Body approved the establishment, on a trial basis of four years, 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 functions.

The discussions on the creation of the IOAC were precipitated by a 2006 report to the Governing Body by the External Auditor. The recommendation for the IOAC was consistent with other reforms taking place within the UN System and was also to be instrumental for further advancing good governance within the ILO.

During the consultations on the establishment of the IOAC, there were concerns raised on the added value of such a committee, especially on the potential overlap with the role of the Programme, Financial and Administrative Committee (PFAC). It was eventually determined that the IOAC, in line with common practice, should have an advisory role but would not have decision-making authority. Further, it was determined the IOAC would report to the PFAC and not to the Director-General. However, in its advisory capacity, part of its mandate is to provide advice to the Director-General when appropriate.

A majority of the Governing Body constituents supported the creation of the IOAC on a trial basis and on the condition that it injected additional integrity, objectivity and expertise into the International Labour Office. Doing so would enhance transparency and accountability without diminishing the role of the Governing Body.

After a lengthy selection process the Governing Body appointed the IOAC members, who met for the first time in September 2008.

3.2 Mandate of the IOAC

3.2.1 Current situation

The IOAC's current objectives are defined in the existing Terms Of Reference (ToR) for the IOAC, which are contained in Appendix D of this report. They exist under the Orders of the Governing Body which require that the PFAC shall study any financial and administrative questions referred to it by the Governing Body or submitted to it by the Director-General. Without prejudice to the role of the PFAC as defined under the Standing Orders of the Governing Body, the IOAC of the ILO, reporting to the PFAC, assists the Governing Body in fulfilling governance and oversight responsibilities. Its primary functions are:-

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- (1) “to review the operation and effectiveness of the Financial Regulations and Financial Rules;
 - (2) to review management’s risk assessment and to ensure that the risk management process is comprehensive and ongoing;
 - (3) to confirm audit arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the Director-General and the Governing Body;
 - (4) to monitor the timely, effective and appropriate responses to internal and external audit recommendations;
 - (5) to provide upon request, advice to the Director-General on issues within the mandate of the Committee;
 - (6) to prepare an annual report, which shall be presented by the Chairperson to the March session of the Programme, Financial and Administrative Committee. The Committee may also report key findings and matters of importance to the Programme, Financial and Administrative Committee at any other session.”²

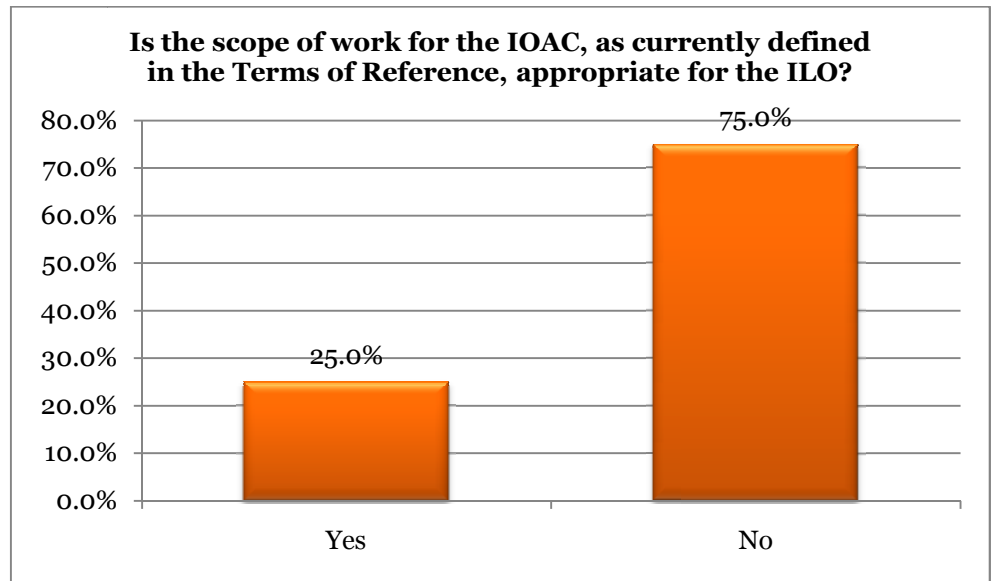
3.2.2 Benchmark

In comparing the ToR of the IOAC compared to other UN entities, it is our view that the objectives and activities listed could be specified with greater clarity. The current terms of reference do not cover the Evaluation function or any specific focus on any review of ethics and values within the organization, which several other agencies do include. Transparency and accountability of management are terms that are also lacking even though the IOAC’s activities in practice do touch on these areas. The points within the ToR regarding internal and external audit functions are written such that they can be interpreted as only "cross-checking" activities on their outputs and not their efficiency, effectiveness and adequacy of resources.

In both our stakeholder meetings and in our questionnaire, many stakeholders strongly felt the ToR needed to be revised to meet current standards within the UN system as well as elsewhere. In the table below, 75% of the (albeit limited) respondents to our questionnaire stated that the current terms are not appropriate and require improvement.

² IOAC Terms of Reference GB.300/12/1 (Rev.)

Table 1 – Terms of Reference Appropriateness Survey Result



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3.3 Composition of the IOAC

3.3.1 Current situation

During the discussions for the creation of the IOAC, the procedure for nominating and selecting candidates to serve on the committee was also raised. In March 2008, members of the committee were appointed by the Governing Body on the recommendation of the PFAC. The Director-General and the Office were involved in the process but only in terms of providing logistical support to the Officers of the Governing Body and the PFAC.

The IOAC is currently comprised of five members. According to the IOAC ToR, they need to “demonstrate integrity, objectivity and expertise” in senior positions. Members currently provide their services pro bono but are entitled to receive travel and subsistence expenses in accordance with existing ILO regulations.

In addition, the qualifications that members should possess include relevant professional financial qualifications and recent experience in accounting, auditing, risk management and other financial and administrative matters and an understanding of the objectives of the ILO and its tripartite governance.

In the selection process, representation was intended to “include a balance of representation with public and private sector experience and at least one member shall be selected based on his/her qualifications and experience as a senior oversight professional or senior financial manager in the United Nations system or another international organization.”

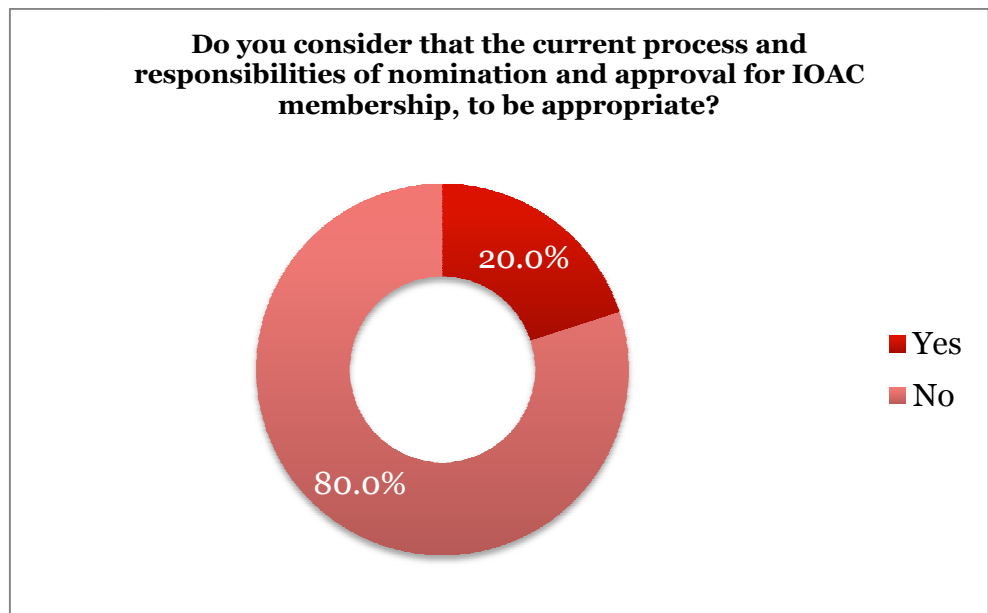
Selection process of the members consisted of a request to all regional coordinators to present viable candidates. 19 names were put forward of which 2 had prior senior oversight experience in international organizations. A sub-committee

³ PwC Survey to ILO Governing Body members, February –March 2011

of two government members, two employers and two workers representatives selected the 5 members based on regional representation, but, in the end, none of which had prior specific oversight experience in an international organization.

In general, it is our judgment that the most effective oversight committees are the ones with members chosen first and foremost for their relevant professional skills and experience as an oversight committee member and their willingness to serve. Compared with other UN agencies and also based on our stakeholder interviews, the selection process at the ILO was not viewed as sufficiently transparent, nor was it viewed to have a clearly established process for selection. This sentiment was also reiterated in our survey to the Governing Body (see table below).

Table 2– IOAC Selection Process Survey Result



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To strengthen the value added of the committee, the IOAC should additionally seek candidates through open and objective advertisement of the positions which is a practice increasingly being followed by other UN entities. Selection of candidates should also be primarily based on professional merit followed by best efforts to reflect geographical and gender representation.

Recommendations	<p>1. The IOAC should continue beyond its trial period becoming a permanent committee reporting to the ILO PFAC and advising the Director-General</p> <p>Concern has been expressed that an independent oversight committee would duplicate the activities of existing oversight and audit functions such as the internal or external auditor; both of which have operational responsibilities. However, from a practical perspective, the internal auditor, the external auditor and the independent oversight committee all perform very different roles and mandates, and there is a strong agreement among stakeholders that the IOAC should continue, but with a revised ToR, a more transparent and wider selection process, and several other operational improvements outlined later in this report.</p>
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4 PwC Survey to ILO Governing Body members, February –March 2011

2. The current IOAC terms of reference need improvement

The ToR should be broadened in alignment with the evolved best practices in the UN System and elsewhere. We specifically recommend that the objectives of the IOAC include clear reference to review of internal audit budget and resources as well as the quality and effectiveness of their work, reports and recommendations. They should also have a timelier and more focused additional opportunity to review the proposed work and coverage of the external auditor including, when this occurs, their appointment plus their annual audit plans in addition to their reports and recommendations. This should include an increased amount of challenging ILO management to respond and implement audit recommendations as well as challenging internal and external audit on the quality of their recommendations. This is an important balance which can only be achieved over a prolonged period of familiarity and will be of benefit to the organization as a whole.

The existing focus on management's responsibility for risk management and internal controls should be maintained. The IOAC should also be consulted in the selection process of the Chief Internal Auditor to secure the qualifications, independence and objectivity of that function.

For completeness and compliance with other good practices, the ToR should contain sections covering the following areas:-

- Purpose / Objectives
- Responsibilities
- Authority
- Composition
- Independence (including sample personal declaration form to be signed)
- Selection, appointment and term of office
- Meetings
- Reporting
- Secretariat Support

3. The selection process of IOAC members needs to be expanded and more transparent

In order to maximise benefit for the ILO, members of the IOAC should be sought from the widest possible pool as possible, with a variety of expertise, and they should be highly committed to the duty and willing to actively engage in the committee's work.

Although there are many competing arguments for the various criteria that could be applied to the selection of IOAC members and we recognize that this can be a sensitive issue, it is our judgment that members should be selected primarily for their professional talents and experience to serve on an oversight committee of a large international organization. Consideration of geographical representation, gender and any other characteristics should be secondary.

A preference for seeking candidates based on relevant professional skills ensures that the PFAC and subsequently the Governing Body receives the best professional advice on oversight matters of concern to the organization.

To optimize applications from the best candidates, ILO Governing Body representatives should nominate suitably qualified candidates. Placement of advertisements in appropriate international publications or magazines is strongly recommended. Based on recent successful experiences with other UN entities, we recommend that advertisements be placed in professional magazines and newspapers, such as *The Economist* and *Le Monde*. All candidates, whether put forward by the Governing Body or direct applicants, should be considered equally, based on the aforementioned criteria.

4. The term and renewal of appointment of individual members serving on the IOAC should be reviewed

Based on acceptance of the earlier recommendation that the IOAC should be made a permanent committee, it is important that the term of office of the IOAC members be reviewed to optimize the contribution, effectiveness and continuity of all members – both individually and as a collective body.

From a practical perspective, the term of appointment for each IOAC member needs to be long enough to allow that member to obtain a thorough understanding and appreciation of the organization's management and operational activities, which in turn will enable the member over that period to make a valuable contribution to the organization. At the same time, especially as individuals serve *pro bono* and only on a part-time basis, the term should not be so long as to discourage potentially strong candidates from applying for a position on a committee. After serving 1 term, members should also be given the opportunity to renew for 1 further term – but no more. Also, by having the term limit for 2 of the 5 members expiring in a different year to the other 3, continuity and efficiency are also optimised.

Based on good practice including other examples within the UN System, we recommend that ILO adopts one of the following options. Both can work effectively:-

Option 1 – 4 year term

Each member eventually serves a term of 4 years, optionally renewable once. However, for the next (or first) term, 2 of the 5 members will only serve for 1 term of 2 years. Going forward, every 2 years, there will be a further selection process for either 2 or 3 members.

Option 2 – 3 year term

Each member eventually serves a term of 3 years, optionally renewable once. However, for the next (or first) term, 2 of the 5 members will only serve for 1 term of 2 years. Going forward, every 2nd and 3rd year, there will be a further selection process for, respectively, either 2 or 3 members.

4 Processes and Support Organization

PwC reviewed the current organizational processes of the IOAC in order to assess their adequacy for ILO as well as their alignment with common evolving practices within the UN System. The timing and duration of the IOAC meetings was reviewed, as well as the processes enabling the IOAC to identify relevant issues, obtain appropriate information and reach informed yet objective conclusions.

4.1 Timing, frequency and duration of IOAC meetings and issues discussed

4.1.1 Benchmark

The Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions and Associated International Organizations (RIAS) has issued a position statement on audit committee principles and good practices in line with the Institute of Internal Auditors (IIA)'s Model Audit Committee Charter, which fits to the specificities of the United Nations system Organizations. According to this position statement, good practices are defined as a minimum of 2 to 4 meetings of minimum 2 days each a year. Audit committees of the United System organizations meet 2 to 4 times a year for 1 to 5 days each time for a total of 2 to 20 days par year.⁵⁶

A majority of the UN organizations' audit committees are meeting 3 to 4 times a year. These include:- UNFPA (up to 7, including 4 teleconferences), UN (4), UNDP (at least 4), UNICEF (4), UNHCR (4), IFAD (4), WIPO (4), FAO (3), UNESCO (3), WMO (3), and ICAO (3). A minority of the UN organizations are meeting less frequently and include WHO (at least 2) and UPU (at least once every six months).

A summary of good practices on how the time is spent on various topics of the audit committee workload are shown in the following table.

Table 3 – Audit committee good practices

Good practices of allocation of tasks for audit	
	%
Annual financial statements	27%
Management of internal control risks and systems	22%
External audit	16%
Internal audit	16%
Compliance (legal / regulatory)	11%
Other	8%

⁵ WO/GA/38/2 report "UN System Oversight /Audit Committees.

⁷ « Un pas dans l'avenir, l'évolution des comités d'audit en Suisse, une étude réalisée par PwC et l'Université de Saint-Gall », janvier 2011

In the following section, we describe how the current IOAC organizes its own workload and activities.

4.1.2 Current situation

According to the current ToR, the IOAC shall meet twice per year – normally in February and September for 2 days. Exceptionally, the Committee may convene an extraordinary meeting when required. In practice, the IOAC is currently meeting twice per year for a duration of 3 days. The extension of the meetings from 2 to 3 days each was agreed by consensus of the IOAC members in order for the committee to be more efficient, since the members feel they are not currently able to dedicate sufficient time to the IOAC related tasks in between meetings. The reduced travel and expected translation needs of the current Committee membership have offset the additional costs of extended meetings. The additional day is used to meet relevant ILO management representatives, review developments and any new recommendations from Internal Audit plus to draft the IOAC report for the PFAC. This provides a total of 6 days per year ‘on site’ at ILO for meetings which still ranks the ILO among the minority group of UN entities where oversight committees meet the least often.

One very significant aspect of any oversight committee’s work is the obligation to review of the annual external audit reporting on the organization’s financial statements and any other related reporting and recommendations. Since the external audit and production of financial reporting for the ILO takes place between February and May, the IOAC is currently not able to provide its feedback and advice on this matter in a timely manner. Nor, according to the IOAC members, is the present committee able to dedicate enough time to the increasingly important topic regarding the evaluation of internal controls efficiency.

This is becoming a significant obstacle to perform and contribute greater added value according to good practices expectations. We show in the table above (Section 4.1.1) an allocation of oversight committee members’ activity according to good practices in order to show the diversity and complexity of the task expected from committee members.

With regards to its agenda topics addressed in its meetings, the IOAC is broadly in line with good practices, covering risk management, internal audit, IPSAS implementation and external audit as well as various management reform initiatives. This with the exception that there is not yet sufficient time provided and consequently insufficient impact for the external audit process. However, due to the timing of the IOAC meetings, the members are not able to address issues promptly arising from the annual external audit directly after the finalization of the audit and issuance of the ILO financial statements in May.

Table 4 – Topics addressed during IOAC meetings

Topics addressed in the report of the IOAC reflecting topics discussed in the March and September meetings		
March 2009	March 2010	March 2011
Implementation of IPSAS	Implementation of IPSAS	Implementation of IPSAS
Risk management	Overview of the management reform initiatives, including the field structure review and accountability framework	Financial and administrative systems (IRIS, FISEXT)
Internal audit	Internal audit	Internal audit
External audit	Field deployment of IRIS	External audit
IRIS	Follow-up to the committees report to the PFAC (March 2009)	Key personnel
Other matters	Amendments to financial rules	Follow-up to the committee's report to the PFAC (March 2010)
	Implementation of risk management	Overview of the management reform initiatives, including the field structure review and accountability framework
	Implementation of results based management	Follow up on external audit recommendations (2006-2007)
	Overview of evaluation activities	Other matters
	Other matters	

In order to optimize efficiency during IOAC meetings, appropriate and relevant information needs to be properly identified and prepared. This is crucial if the IOAC is to sustain a positive and valued contribution to the ILO. Due to the present composition of the committee, the current Chair is performing the tasks of identifying the relevant issues for the IOAC and preparing the workload of the committee in the time he is personally dedicating to the IOAC in between meetings. Whilst this is a vital and highly appreciated activity by the current Chair, there is a perception of an over-reliance on the Chair's activities in this regard in order to ensure that the IOAC is aware of relevant information.

There is also a need for greater professional, and not simply secretarial, support from the ILO itself. Any oversight committee should at any time have access to any information which is required in order to execute its responsibilities and deliver informed and relevant value to the ILO but it needs to be recognized this requires appropriate professional as well as secretarial resources in order to acquire and prepare such information in a manageable quantity as well as quality. Currently, only secretarial level resources (50% of 1 General Service level person) are budgeted for the IOAC. The required support described above would require additional resources from an expert (P level) resource, partly offset by some reduction in the secretarial level of support.

Finally, all the IOAC meetings have all taken place at ILO headquarters in Geneva. As much of the ILO's work is focused on developing countries through ILO's field

operations, we consider that it is also important that, over the medium and longer terms, the IOAC has the opportunity to connect with, learn from and challenge ILO's management and staff in its regional and country offices. Recommendation 7 provides an option on how this could be accomplished.

Recommendations

5. A third IOAC meeting should be added every year with a special focus on the annual financial reporting and external audit issues

There is already evidence of an excess workload building up for the IOAC. Current members do not always have the necessary time in meetings to deal adequately with all matters which would potentially benefit from their attention. Also, the current timing of the IOAC meetings is not optimal in order for the IOAC to have sufficient impact on the outcomes of the annual external audit process, which is a critical part of their formal responsibilities. Adding a third meeting before the Governing Body Conference in June would allow the IOAC to bring an additional added value to ILO with the review of the ILO financial statements and external auditors report issued in May. Currently, the IOAC is meeting in February and September with minimal 'off site' work in between sessions, which makes it difficult for the IOAC to produce timely comments on financial statements and external audit issues. However, the timeframe for a third IOAC meeting before the Governing Body meeting in June is narrow as the financial statements are delivered early-May. The audit planning should be taken into account and potentially adapted in order for this recommendation to bring the expected added value.

6. Support to the IOAC should be improved by creating a part-time P-Level post, dedicated to oversight committee matters

Currently, the IOAC budget includes 50% of a secretarial or General Service level post. In order to both improve the quality and quantity of relevant information made available to the committee as well as providing much needed support in follow up reporting of the committee's activities, we recommend that this level of support is maintained but replaced to a P-level resource (P3 or P4 level) to enable the committee members to work more efficiently and further improve the quality of the IOAC work. We believe that such a support would help the IOAC ensure a continuous high quality work in an environment where the financial reporting as well as the assessment of risks faced by the organization and related internal control are gaining in complexity.

Current secretarial support is provided from the Treasurer and Financial Comptroller's office and we consider that this should continue, although at a much reduced level, such as 10%, but this office should be supported by 50% of a P-level person with an appropriate oversight / audit / finance background. Such a person should be able to work independently and have direct access to the committee Chair and its members.

7. One IOAC meeting every two years should be held in a regional or country office

In order to improve the visibility of the IOAC for the field operations as well as provide the opportunity for IOAC members to learn and be able to challenge the activities and results of ILO operations around the world, one meeting every two years should be scheduled in a regional office. We recommend a meeting every two years instead of every year in order to limit the costs of ILO officials travelling to attend the meeting. Assuming that a reasonable level of geographical representation of IOAC members is maintained with two management representatives attending such a meeting, the incremental costs should not be superior to 10'000 CHF.

4.2 Decision-making processes

4.2.1 Benchmark

It is considered good practice within the UN systems to invite management representatives, the head of internal audit and to a lesser extent the external auditor separately to attend meetings. IOAC decisions are then typically taken by consensus of the IOAC members only.

After each meeting, a report is prepared in addition to an annual report on the committee's activities, conclusions, and recommendations. If necessary, interim reports are issued. Reports are submitted by the chair of the committee directly to the Governing Body. Most of UN Oversight Committees report to their Governing Body (GB) through their respective chairpersons. The JIU recommended that reporting should be made directly to legislative/GB with a copy to executive head in order to enable him/her to give a feedback to the oversight committee and foster a constructive dialogue.

4.2.2 Current situation

According to the current ToR, the IOAC is defining and implementing its own rules of procedure which are then communicated to the PFAC.

Currently, due to the current composition of the IOAC and the time constraints faced by most of the committee members, the chairperson is currently taking lead responsibility for identifying, and selecting the topics to be treated by the IOAC and preparing the agenda. Further investigations related to the selected topics are conducted by the chairperson with the support of the Treasurer and Financial Comptroller. Requests to understand how the IOAC is setting its agenda and why some topics, (e.g. training of field staff in management of financial and human resources), have been given high attention have been recurring in the conducted interviews.

Senior management is invited to IOAC meetings to present specific issues and follow up on IOAC recommendations. The Chief of Internal Audit, Treasurer and Financial Comptroller and Director of the Bureau of Programming and

Management are invited to the IOAC meetings, as well as other senior officials of the Office (including Regional Directors and Executive Directors) and a representative of the External Auditor. This is perceived as a relatively strong new practice within ILO and defined as added value brought by the IOAC.

Based on the interviews conducted with the committee, decisions are taken by consensus or the majority of the IOAC members present, with the chairperson occasionally taking final decisions during committee sessions. This process requires an intensive dialogue of between IOAC members throughout their meetings.

4.2.3 Decisions implementation and follow up processes

The annual IOAC report is issued in March and posted on the ILO intranet with access for all relevant stakeholders. The PFAC then comments on the report in its March session. Further feedback is gathered during informal meetings between the chairperson and various stakeholders.

The IOAC discussions and associated recommendations are disclosed in the report, where a strong focus is made on following up any on-going internal and external audit recommendations. In 2011 the IOAC issued ten further recommendations of its own. Improved follow up of all audit recommendations is perceived as a strong added value brought by the IOAC. In order to increase value, the prioritization of these recommendations should be made more transparent in order for the IOAC to increase the perception of the added value brought to the organization.

Recommendation

8. Make the selection of IOAC chosen focus areas and meeting agenda items more apparent within the ILO

In order for the Organization to gain an understanding of the work and prioritization related to ILO specific needs, the IOAC should explain communicate and document clearly why specific topics are prioritized (e.g. training). This is crucial for the IOAC to demonstrate that the topics chosen are in line with the current developments and risks faced by the ILO. In order to do so:-

- A stable process should be put in place in order to ensure to systematically identify development and sensitive topics throughout the year.
- Support from a technical specialist should be consulted in order to ensure proper response to IOAC requests and preparation of related analysis. (Refer to recommendation number 6.)

This would sustain the improvement of the perception by member states, as the IOAC would be seen as fulfilling their oversight responsibilities in addition to better understanding the topics being covered.

4.3 IOAC budget, resources and support

We reviewed the available information on IOAC budget and actual reported expenditure of the IOAC in order to assess the alignment of the budget structure with the actual IOAC needs, especially in terms of support.

4.3.1 Benchmark

According to a 2010 JIU report (JIU/REP/2010/5), most of the oversight committee members from other UN entities are providing services on a pro-bono basis (the only reported exception being for UNFPA's audit committee members).

The audit/oversight committee budgets in 2009 ranged from USD 20'000 (UNESCO) to USD 600'000 (United Nations Secretariat). USD 150'000 is an average good practice estimation of a UN oversight committee of five members meeting up to four times each year⁸. This is also confirmed by a JIU report from May 2010⁹. These costs are primarily made up of travel costs and per diems of members to attend formal meetings plus the costs of secretarial and professional support. There may or may not be further translation costs depending on the working language(s) situation of any committee.

4.3.2 Current situation

Below is an overview of the last two biennial budgets for 2010-2011 and 2008-2009. In order to estimate the standard budget consumption for 2010-2011, we calculate the pro-rata cost of the remaining meeting still to be held and subtracted the 'exceptional' one-time cost of this current IOAC review.

⁸ Independent Audit Committees in the United Nations System, Mr. Peter Higgins, February 2011.

⁹ JIU/REP/2010/5, The Audit Function in the United Nations System.

Table 5 – IOAC Budget and Expenditure (2010-2011)

IOAC Budget and Expenditure for 2010-11 as at 31 March 2011 as well as extrapolated standard			
	Budget USD	Expenditure USD as per March 31st 2011	Extrapolated biennium expenditure
General Service Staff (one staff member at 50%)	134'244	83'902	134'244
Interpretation and translation	112'664	36'277	48'369
IOAC Review costs		46'729	
Travel costs	96'653	66'239	94'267
TOTAL	343'561	233'147	276'880
Annualized costs	171'781		138'440 ¹⁰

Table 6 – IOAC Budget and Expenditure (2008-2009)

IOAC Budget and Expenditure for 2008-09		
	Budget USD	Expenditure USD
General Service Staff (one staff member at 50%)	117'540	82'168
Interpretation	37'842	21'031
Travel costs and translation	74'423	68'904
TOTAL	229'805	172'102
Annualized costs	114'902	86'051

For the 2008-09 biennium, despite increasing the length of its meetings from two 2 day meetings a year to two 3 day meetings in 2009, the expenditure amounted to 75% of the total budget of 229'805 USD. This is explained by the fact that only three meetings instead of four took place during the biennium. Moreover, the extension of the meeting duration from 2 to 3 days was possible within the allocated budget, due to lower translation costs, as French translation was not requested.

Based on the expenditure for the 2010-2011 biennium as per March 2010, a similar estimated expenditure can be extrapolated for the full biennium, if the costs for this one-time review are deducted and the estimated costs of the last meeting of 2011 added to the amounts already expensed.

This shows that the standard expense of the IOAC for the 2010-2011 biennium are amounting ca. 80% of the original budget. We present below some options to optimise the support to the IOAC based on the existing budget structure.

¹⁰ The extrapolated biennium expenditures are calculated based on attendance of all the IOAC members to the three annual meetings.

The level of interpretation and translation costs for the future are difficult to estimate as this depends on the future working language capabilities of the future members which may be different. Therefore, as an initial step, these costs are not included in order to provide a baseline of IOAC operating expenses. If the current translation costs are deducted from the estimated costs of 276'880 USD for the 2 years of 2010-2011, the standard budget amounts ca. 114'256 USD a year, which is well within the JIU and RIAS estimates of good practices within the UN system.¹¹

The current committee was already able to reduce some of the original estimated translation costs due to the fact that only one level of translation from English to Spanish was necessary and the text translation was done in Argentina, where translation costs were lower.

Travel and per diem expenses were also lower as one member was based in Geneva. This could potentially increase if all future members are based in locations outside of Geneva.

According to the ToR, the Office currently provides secretariat support to facilitate the work of the committee. As already mentioned, the current committee currently uses the partial assistance of one secretarial staff, who is reporting to the Treasurer and Financial Comptroller.

If the number of committee meetings were increased from 2 per year to 3 per year, it can be expected that this estimated annual budget of USD 114,256 would increase by increase by ca. USD 55'000 to a total of USD 169'256. This figure includes impact on an annual budget of 50% of USD 10'000 representing the cost of two officials travelling to attend the meeting being held at a field location..

Also, if the level of support is changed from only secretarial to professional level (50%) plus minimal (approximately 10%) secretarial, the annual budget would increase by an estimated overall USD 56'278. It is our view that this still represents a good investment for ILO, regardless of any future changes for translation costs, in ensuring that it builds and sustains a high value oversight committee that delivers quality and valuable advice to the Governing Body and Director-General.

A summary of the financial impact of our recommendation is presented in table 7.

Recommendation

9. Consider requesting that future IOAC members share a common working language as a required competency in order to facilitate the productivity and interactions of the committee

With five members, the IOAC is a relatively small body and should be expected to work in a highly productive and efficient manner in order to maximize its value to the ILO. However, it is recognized that provision of translation services depends on the working language capabilities of its current and future members. As well as the productivity impacts, there is a significant cost impact of providing translation services. Experiences in the majority of other oversight committees in the UN System is that most of them are able to operate with a common language and no translation services are required.

¹¹ Independent Audit Committees in the United Nations System, Mr. Peter Higgins, February 2011.

Recognizing that this can be a sensitive issue and that there are pros and cons to the discussion, it is recommended that, in selecting future members for the IOAC, the previously recommended criteria are still fully respected but that additional consideration is given to sustaining a committee that is able to operate in one common language, thus improving productivity and releasing budgeted amounts for other positive purposes. This is also a reasonable expectation for such a small professional body.

4.3.3 Summary of estimated financial impact of recommendations

Overall, the cost impact of the various recommendations amounts to ca 17% increase of the 2010-11 biennium budget – depending in particular on the decision to hire a P-level support and on the outcome of the working language issue when selection the next generation of IOAC members. Even with this potential cost increase of the budget, the annual budget would be aligned with the costs incurred for other UN audit committees, and would be under USD 150'000, a common standard. The effect of not having a local member in the IOAC is not reflected in the estimated financial impact of our recommendation.

Table 7 – Estimated financial impact of recommendations

Estimated financial impact of recommendations per biennium	
	Budget USD
Recommendation 5, Add an IOAC third meeting every year	50'000
Recommendation 6, Add 50% of P4 support	220'000
Recommendation 6, Reduce secretariat support from 50% to 10%	-107'444
Recommendation 7, One meeting every two years hold in a regional or country office	10'000
Recommendation 9, Consider requesting a common language shared by IOAC members	-112'664
Total impact - biennium	59'892
Total impact - annual	29'946

5 IOAC Effectiveness and Added Value

5.1 Performance Highlights and Perceived Added Value

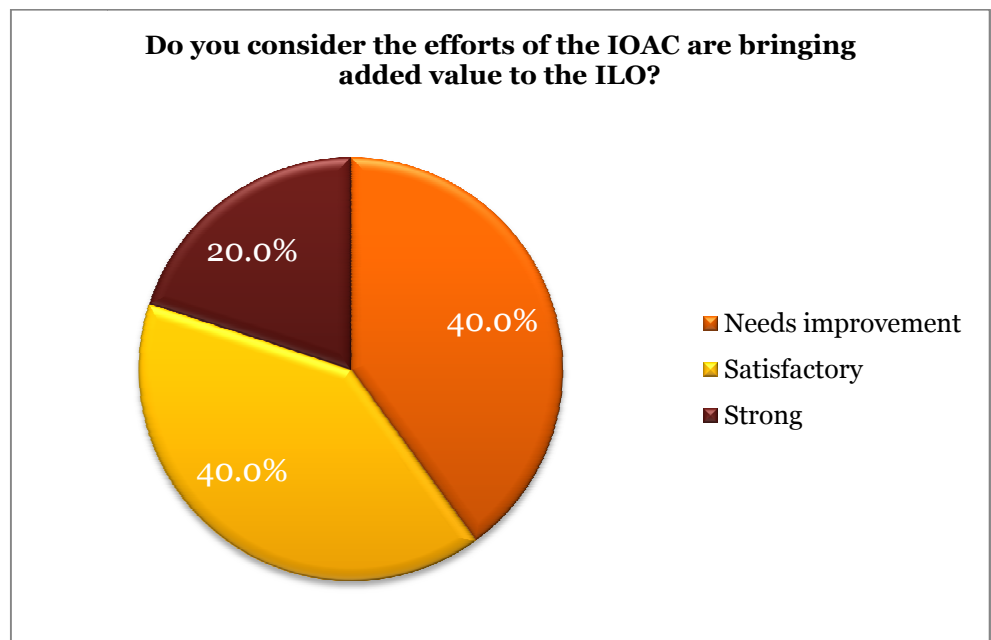
When the concept of an oversight committee was being discussed by ILO Governing Body members, there were questions regarding the added value of such a committee as the possible scope of its mandate could overlap with the role of the PFAC, the External Auditor, and/or Internal Audit. This section outlines key elements of the IOAC's actual performance; the perceived value by various ILO stakeholders interviewed; and lists further suggestions on how the value of the committee could be further enhanced for the benefit of the ILO.

Performance highlights of the IOAC since its inception in 2008 include:-

- It has improved the responsiveness of ILO management to the numerous recommendations made by the internal auditor and external auditor,
- Senior management are called to make presentations and are challenged about their work and this is perceived to have a positive impact,
- Provision of the foundations for a strengthened and more sustainable oversight structure for the ILO, and
- Improving Governing Body awareness of the risks within the ILO and how they are or are not being effectively managed.

Based on interviews conducted and our survey, there is general consensus that the IOAC is adding some value, but could and should add more value in the future.

Table 8– IOAC’s current perceived value



¹²

Problems behind traditional audit concerns over major operational challenges faced by the ILO, such as a new ERP system implementation or implementing new accounting standards, lie with management. These challenges are being addressed by the IOAC but not yet adequately in our view and that of many stakeholders and therefore are not getting sufficient attention by the Governing Body. Such critical management and organizational issues should be a dedicated part of the mandate of the IOAC and, through its insights and professional judgments, be providing even greater high value input and advice to the Governing Body on these critical investments for the ILO.

We consider that the combination of implementation of the existing recommendations in this report regarding future member selection processes, increasing the number of IOAC meetings and improving the quality of professional support to the IOAC will enable the IOAC to better address these important matters and add further value to their activities. No further specific actions are recommended in this regard.

An area of activity not covered by the IOAC is that of the Evaluation function within ILO. With ever increasing pressure from the Governing Body, especially amongst the bigger donors to deliver results and clearly desired impacts from their multiple programmes and activities, the importance of an effective Evaluation function is arguably further increasing. Evaluation is largely complimentary and somewhat different in focus to internal audit. In many UN organizations, the 2 functions are together, sometimes also with an Investigations function, in order to form an overall Internal Oversight Service or Division under one overall budget head. Such an organization structure mitigates towards Evaluation (and Investigations) being considered part of an oversight committees scope of work alongside its generally accepted role of reviewing internal (and external) audit activities. It appears that this is the case for a number of other UN oversight committees but not yet all of them. With ILO, the evaluation function is separate

¹² PwC Survey to ILO Governing Body members, February –March 2011

from the internal audit function and has currently not yet been the focus of the IOAC in any profound way. It is not specifically mentioned in the current ToR for the IOAC.

It is our view that the evaluation function should be considered as part of the scope of the future work of the IOAC but not immediately. This is not only logical; it also further strengthens the alignment of the oversight committee's activities with the increasing results-based orientation of many major donors and will enable them to add value to this critical function. However, we also recognize that there is already a considerable workload on the existing committee agenda and that the IOAC may not yet have the necessary capacity to adequately address this important issue. In this regard, it is recognized that, in order to carry out an effective oversight on such a function, it is important that there is appropriate professional evaluation expertise amongst at least some of the committee members. This is important in order for the management of the Evaluation function to have a productive and beneficial interaction with the IOAC.

Recommendations

10. In the future, IOAC could further enhance its value by including a review of activities and performance of the ILO's evaluation function as part of their terms of reference, after selecting candidates with suitable experience

Oversight committees are often initially viewed as just reviewing the financial performance and internal controls of an organization. These activities are and should remain a key focus and yet, the value and experience that individual members bring could include reviewing and advising the Governing Body on the staffing, resources and performance of the organization's evaluation function. However, in the current situation with the IOAC, we recommend that this be regarded as a medium term goal of the IOAC to be adopted during the next 3 to 5 years.

6 Equivalent Oversight Committee Arrangements within the UN System

6.1 Precedents and Trends

For the past 10 years most of the UN System organizations have established audit or oversight committees. This trend is also backed up by a desire to increase governance from member states of organizations and by a recommendation from the Joint Investigation Unit (JIU) to “ensure a coherence and harmonization in the audit or oversight practice”¹³.

Objectives and mandates of the different oversight bodies / audit committees reflect some differences, but all are guided by a charter or terms of reference which include roles and responsibilities, the purpose and the mission of the committee, the member selection process and criteria, the term of office, the frequency of meetings, the expense entitlements and the support arrangements. Most oversight committee objectives are to review the adequacy of the internal audit and the risk framework of the organization, assessing the internal control structure and compliance with rules and ethics codes. The ILO terms of reference do not currently include the review of codes and ethics, nor performance evaluations.

Quality of the financial records, accounting policies and financial statements are generally not considered as part of the reviews done by such a committee ¹⁴. Only 2 UN organizations include in their terms of reference the evaluation of the efficiency and effectiveness of the internal and external auditors and the review of their budget and resources. This is not specifically the case for the ILO IOAC ToR although the committee has reviewed the internal plans and resources.

Independently assessing the performance of the audit or oversight committee is not necessarily a common practice but on the increase. The IOAC terms of reference do not formally provide for such assessments although this current assessment was specified as a requirement as part of this initial trial period only. The JIU report recommends¹⁵ that an annual self assessment should be performed at least every year and peer reviews in organizations which have similar mandates at least every four years.

To ensure governance and independence, most audit committees or oversight bodies are composed of independent external members in the same manner as the IOAC. Their number varies between 4 and 9 people. The JIU report emphasises that such committees should report directly to the legislative or governing body

¹³ JIU/REP/2010/5, p. 44 § 178

¹⁴ JIU/REP/2010/5, p. 45 § 184

¹⁵ JIU/REP/2010/5, p. 52 § 209

and that many organizations still do not comply with this recommendation.¹⁶ The ILO reports directly to the PFAC, which is in line with the recommendation.

Decisions in most oversight committees are reached through consensus, if not some organizations use a simple majority voting system. Audit or oversight committee meeting schedules vary across the UN system. Some meet twice a year, others up to four times a year, usually physically but sometimes through video conference. The duration of these meetings varies as well; they range from 1 day to 5 days per session. For the moment the IOAC meets in Geneva twice a year and for 3 days (initially they met for 2 days).

In most oversight committees, the members serve on a pro-bono basis. Travel and per diems are covered by the organizations. In 2009, their budget ranged from USD 20'000 (UNESCO) to USD 600'000 (United Nations). The IOAC budget for that period was USD 172'000 and the actual spent was USD 117'000.

6.2 Member selection process in other UN system organizations

The good functioning and added value of an audit/oversight committee is ensured if the members themselves have the appropriate skills, time and dedication for the position. This in our view is at the heart of all considerations concerning such committees. For informative and comparative purposes, a brief description of the different selection processes in some other UN organizations is provided below:-

6.2.1 WIPO selection process

The WIPO's selection process¹⁷ starts by the placement of advertisements on the WIPO website and in some international publications (the Economist and Le Monde). All Member States receive a letter from the Director General addressed to them that they may put forward candidates. All applications are treated on the same level, regardless of the source of the application.

Comprising 7 members representing the 7 groupings of WIPO Member States, a selection panel, after having removed all names and nationalities forwarded 100 applications considered eligible to the IOAC. The current standing WIPO IOAC evaluated the new candidates and short listed 44 applications with the support of an external expert. Once the 7 preferred candidates had been selected by this panel, their references were checked and telephone interviews were organised. The list of candidates was then submitted to the WIPO Programme & Budget Committee (PBC) for formal election. If a candidate were not able to assume the responsibility of the position, the next best qualified candidate from the region will be elected.

6.2.2 ITU selection process

The ITU is about to establish an audit or oversight committee on a trial basis. It will be named the Independent Management Advisory Committee (IMAC). The

¹⁶ JIU/REP/2010/5, p. 51 § 202

¹⁷Based on, WIPO, WO/PBC/16/6 Prov

selection process for the ITU IMAC is currently running and is similar to the process defined by the WIPO. It starts by placing advertisements in reputable magazines (The Economist and Le Monde) and on the internet. ITU Member states may put forward individuals who are “deemed to possess exceptional qualifications and experience”¹⁸. All candidates have to follow the same selection process. A selection panel formed of 6 governing body members representing all regions will short-list the candidates by taking into account the IMAC ToR and the specified qualifications. The selection panel will then propose the short-list to the Council with their recommendations. The Council will elect the members of the Committee based on the recommendations.

6.2.3 WHO selection process

In 2009, the WHO established the Independent Expert Oversight Advisory Committee (IEOAC). The selection process¹⁹ was initiated by inserting advertisements in major financial journals and newspapers and by having member states proposing candidates. 150 applications were received, 10 of these were applications proposed by Member States.

The WHO secretariat long-listed 40 applications based on the criteria defined in the terms of reference. The Swiss office of a leading independent audit and consulting firm then reviewed these candidates and provided a written assessment of each one of these. The Director-General, with the list of candidates and the external assessment selected 10 potential members. She took into further consideration the gender, independence and geographical representation. The applicants’ references were then checked and they were contacted to discuss their candidacy. In the end, based on the judgment of the Director-General and various criteria adopted by the Executive Board, 5 names were proposed to the Executive Board, which formally approved them as the new members of the IEOAC.

6.2.4 WFP selection process

The audit committee is appointed by the Executive Director. 2 out of 5 members may be employees of the WFP. The National Audit Office of the United Kingdom issued a report in 2008 recommending the WFP change the terms of reference to reflect best practices and reduce independence risks and to no longer have 2 employees as members. It further stated that the audit committee members should be appointed by the Governing Body, that all members should be independent of the WFP, and that they should report directly to the executive board.²⁰

¹⁸ ITU - RESOLUTION COM6/2 (Guadalajara, 2010) - Appendix B - § a)ii)

¹⁹ WHO – EB126/25

²⁰ External Audit Advice Paper to the WFP Executive Board - WFP Audit Committee Terms of Reference, 2008

6.3 Arrangements in other UN system Organizations

The table²¹ below compares audit committee arrangements in other UN System organizations. These comparisons relate to the number of members, number of meetings, the term of office and reporting lines.

Table 9 – Audit Committee Arrangements in other UN System organizations

	ILO	JIU recommendation	UN Secretariat	UNDP	UNFPA	UNICEF	UNHCR	WFP	FAO	ICAO	IFAD	ITU	UNESCO	UPU	WHO	WIPO	WMO
5 Members or less	✓	5-7	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓		
6 Members or more							✓				✓					✓	✓
Number of meetings per year	2		4	4	7	4	4	4	3	3	4	2	3	2	2	4	3
Executive body elects AC				✓	✓	✓		✓	✓		✓		✓		✓		✓
Legislative body elects AC	✓	✓	✓							✓		✓				✓	
AC reports to the executive body				✓	✓	✓	✓	✓			✓	✓	✓	✓			✓
AC reports to the legislative body	✓	✓	✓						✓	✓		✓			✓	✓	
Term of Office of the AC (in years)	4			2		2		2				4	2		4	3	
Is the term renewable?	Not specified in ToR			Yes; renewable once		Yes; renewable once		Yes; renewable				Yes; renewable once	Yes; renewable once		No; non-renewable	Yes; renewable once	Not specified in ToR

²¹ Based on the REPORT OF THE WIPO AUDIT COMMITTEE SINCE 2008, WO/GA/38/2, Appendix 2

Appendix

Appendix A Summary of Recommendations

The following is a reference chart of recommendations contained within the body of the report:

Number	Section	Recommendation	Page
1	3.3	The IOAC should continue beyond its trial period becoming a permanent committee reporting to the ILO PFAC and advising the Director-General	11
2	3.3	The current IOAC terms of reference need improvement	12
3	3.3	The selection process of IOAC members needs to be expanded and more transparent	12
4	3.3	The term and renewal of appointment of individual members serving on the IOAC should be reviewed	13
5	4.1	A third IOAC meeting should be added every year with a special focus on the annual financial reporting and external audit issues	17
6	4.1	Support to the IOAC should be improved by creating a P-Level post, dedicated to oversight committee matters	17
7	4.1	One IOAC meeting every two years should be held in a regional or country office	18
8	4.2	Make the selection of IOAC chosen focus areas and meeting agenda items more apparent within the ILO	19
9	4.3	Consider requesting that future IOAC members share a common working language as a required competency in order to facilitate the productivity and interactions of the committee	22
10	5.1	In the future, IOAC could further enhance its value by including a review of activities and performance of the ILO's evaluation function as part of their terms of reference, after selecting candidates with suitable experience	26

Appendix B Interviews Conducted

During the IOAC review, PwC conducted interviews with the following IOAC stakeholders:-

Name	Title
Juan Somavia	Director-General, ILO
Sir Roy Trotman	Vice-Chairperson of Workers Group
Sergey Popello	Senior Programme and Operations Specialist, Bureau for Workers' Activities
Emmanuel Julien	Employers Group - Vice- Chairperson
Eric Oechslin	Senior Adviser at International Organization of Employers (IOE)
Joanne Hamilton	IMEC Coordinator
Shinishi Akiyama	Japanese Mission Representative and IMEC focal point on IOAC matters
Alexandra Spanu	Permanent Mission of Romania Representative
Peter Higgins	First Secretary of the Australian Permanent Mission to the United Nations
Denys Chamay	Chair of the IOAC
Arto Kuusiola	IOAC Committee Member
Gil Beltran	IOAC Committee Member
Oscar Maffé	IOAC Committee Member
Reckford Kampanje	IOAC Committee Member
Graham Miller	Chair of WHO Audit Committee
Gian-Piero Roz	Chair of WIPO Audit Committee
Aline Vienneau	External Auditor, the Auditor General of Canada
Christine Boulanger	External Auditor, the Auditor General of Canada
Patricia O'Donovan	ILO - Former Executive Director for Management and Administration; Current Director for ILO's International Training Centre
Greg Johnson	Treasurer and Financial Comptroller
Joe Thurman	Director, Bureau for Programming and Management
Keiko Kamioka	Former Chief Internal Auditor at ILO; Current Deputy Regional Director, Management and Administration for Asia and the Pacific
Anthony Watson	Interim Chief Internal Auditor at ILO
Guy Thijs	Director, Evaluation Unit

Appendix C Assessment Questionnaire

The assessment questionnaire was sent to all regional representatives, with two reminders. It was available online from February 28, 2011 to May 5, 2011 and was open to any representatives of the ILO Governing Body.

ILO IOAC External review

1. Introduction

Dear ILO Governing Body member,

This questionnaire has been prepared by PricewaterhouseCoopers (PwC) in Switzerland and is part of an independent review of ILO's Independent Oversight Advisory Committee (IOAC). We thank you in advance for taking the time to complete this questionnaire and to provide your input.

The purpose of this questionnaire is to get an understanding of the perception of the IOAC by the ILO Governing Body. This survey is addressed to all Governing Body members and is not mandatory. Collected data will be treated with the utmost diligence and confidentiality.

This 20 question survey should take about 20 minutes of your time. You may choose whether or not you wish to provide your name to PwC. If you choose to do so, your responses and any comments provided, will not be specifically mentioned in any of our reporting.

In order to progress through this survey, please use the following navigation buttons:

- Click the Next button to continue to the next page.
- Click the Previous button to return to the previous page.
- Click the Exit the Survey Early button if you need to exit the survey.
- Click the Submit button to submit your survey.

If you have any questions about the survey, please contact PwC at christine.gora@ch.pwc.com or call +41 76 344 8087.

1. Optional question: you can enter your name and your function.

You may also choose to remain anonymous.

Name	<input type="text"/>
Surname	<input type="text"/>
Function	<input type="text"/>

2. Which group do you represent within the ILO Governing Body?

- Government
- Workers
- Employers

3. How long have you been a member of the Governing Body?

- Less than 1 year
- Between 1 and 5 years
- More than 5 years

ILO IOAC External review

4. Which region do you represent?

- Africa
- Asia and the Pacific
- Americas
- Eastern Europe
- Western Europe
- IMEC

5. In your past experience, have you already worked with Audit Committees?

- No
- Yes: can you provide a short description of your experience?

2. Strategy and Governance

6. Is the scope of work for the IOAC, as currently defined in their Terms of Reference, appropriate for the ILO? (Please indicate in the comments section any scope of work areas which you feel should be added, amended or removed).

- Yes
- No

Comments

ILO IOAC External review

7. The following are typical areas that an Audit Committee (such as the IOAC) are often responsible for. Some of these are already discussed within the ILO's IOAC. Please indicate whether or not you consider these to be appropriate for the mandate of ILO's IOAC.

	Yes	No
- Review of the Internal Oversight budget	<input type="checkbox"/>	<input type="checkbox"/>
- Review of Internal Oversight reports	<input type="checkbox"/>	<input type="checkbox"/>
- Review of External Audit reports	<input type="checkbox"/>	<input type="checkbox"/>
- Review of JIU reports	<input type="checkbox"/>	<input type="checkbox"/>
- Periodic review of Internal Oversight performance	<input type="checkbox"/>	<input type="checkbox"/>
- Review of candidates for Head of Internal Oversight	<input type="checkbox"/>	<input type="checkbox"/>
- Review of risk management	<input type="checkbox"/>	<input type="checkbox"/>

Comments

3. Membership

8. Do you consider the number of members (currently 5) of the IOAC to be appropriate? If not, please indicate your revised preference and why.

- Yes
- No, please comment

9. Do you consider that the current process and responsibilities of nomination and approval for IOAC membership, (as defined in the current IOAC Terms of Reference) to be appropriate? If not, please provide your reasons.

- Yes
- No, please comment

ILO IOAC External review

10. Do you consider that the current experience requirements for IOAC membership, (as defined in the current IOAC Terms of Reference) to be appropriate? If not, please provide your reasons.

- Yes
- No, please comment

11. Do you consider that the current representation requirements for IOAC membership (as defined in the current IOAC Terms of Reference) to be appropriate? If not, please provide your reasons and explain what should be considered requirements for membership.

- Yes
- No, please comment

12. If the IOAC is to continue beyond the current trial period, do you agree that, in future, only a certain number of the members (for example 2 or 3 out of 5) should be appointed or re-appointed at any one time to help ensure continuity?

- Yes
- No, please comment

4. Reporting responsibilities

13. The IOAC is currently obliged to report to the PFAC. Do you consider this reporting line to be appropriate? If not, please provide an alternative proposal(s)?

- Yes
- No, please comment

ILO IOAC External review

14. Is the current frequency of IOAC reports to the PFAC considered appropriate? If not, please propose alternative(s).

- Yes
- No, please comment

15. What is your view on the overall quality of IOAC reports to the PFAC (inadequate, adequate, excellent)? Please comment as appropriate.

- Inadequate
- Adequate
- Excellent

Please briefly comment your choice

5. Organization and processes

16. The IOAC's TOR states that they are required to meet twice per year, each time for 2 days. Currently, they are meeting twice per year, but each time for 3 days. Do you agree with the time allocation as per the current TOR? If not, please indicate why and how you would like this timing to be increased or decreased.

- Yes
- No, please add a comment.

ILO IOAC External review

17. Please indicate to whom the reports of IOAC meetings should be made available:

	Yes	No
- all Governing body members	<input type="checkbox"/>	<input type="checkbox"/>
- all PFAC members	<input type="checkbox"/>	<input type="checkbox"/>
- Director-General	<input type="checkbox"/>	<input type="checkbox"/>
- Head of Internal Oversight	<input type="checkbox"/>	<input type="checkbox"/>
- other members of Senior ILO management	<input type="checkbox"/>	<input type="checkbox"/>
- External Auditors	<input type="checkbox"/>	<input type="checkbox"/>
- all ILO staff	<input type="checkbox"/>	<input type="checkbox"/>
- Others: please add a comment.		

6. Effectiveness

18. What is your perception of the IOAC's main achievements in fulfilling its current mandate since its inception in 2008?

19. Do you consider the efforts of the IOAC is bringing added value to the ILO and, if so, can you please provide example(s)?

- Needs improvement
- Satisfactory
- Strong

Please provide examples

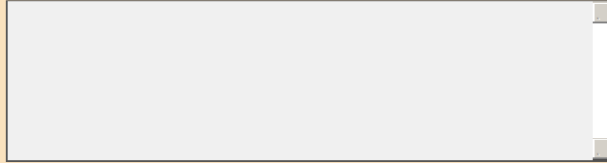
20. Should the IOAC become a permanent committee of the ILO?

- Yes
- No, please comment

ILO IOAC External review

7. Any additional comments or suggestions:

21. Please feel free to add any comments or suggestions



Appendix D IOAC Terms of Reference

Terms of reference

Under the Standing Orders of the Governing Body, the PFAC of the Governing Body shall study any financial and administrative questions referred to it by the Governing Body or submitted to it by the Director-General.¹ Without prejudice to the role of the PFAC as defined under the Standing Orders of the Governing Body, the IOAC of the International Labour Office, reporting to the PFAC, assists the Governing Body in fulfilling governance and oversight responsibilities. Its primary functions are:

1. to review the operation and effectiveness of the Financial Regulations and Financial Rules;
2. to review management's risk assessment and to ensure that the risk management process is comprehensive and ongoing;
3. to confirm audit arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the Director-General and the Governing Body;
4. to monitor the timely, effective and appropriate responses to internal and external audit recommendations;
5. to provide advice to the Director-General on issues within the mandate of the Committee;
6. to prepare an annual report, which shall be presented by the Chairperson to the March session of the PFAC. The Committee may also report key findings and matters of importance to the PFAC at any other session..

Composition

The Committee shall comprise five members who have demonstrated integrity, objectivity and expertise in senior positions in the areas covered by these terms of reference.

Members of the Committee shall be appointed by the Governing Body on the recommendation of the PFAC. The Director-General, in concert with the Officers of the Governing Body, shall propose candidates for membership of the IOAC for consideration by the PFAC.

Members will provide services pro bono.

Independence is a fundamental requirement of members. Members serve in their personal capacity and shall not seek or accept instructions in regard to their performance on the Committee from any government, constituent organization or other authority external or internal to the International Labour Office. They shall be independent of the UN Panel of External Auditors, the JIU, the Governing Body of the International Labour Organization and the International Labour Office and

shall not hold any position or engage in any activity that could impair their independence from the Office or from companies that maintain a business relationship with the Office. All members will be required to sign a declaration of independence.

- Members should possess relevant professional financial qualifications and recent experience in accounting, auditing, risk management and other financial and administrative matters.
- Members should have or acquire rapidly an understanding of the objectives of the Organization, its tripartite governance and accountability structure and the relevant rules governing it; its organizational culture and control environment.
- Committee membership should include a balance of representation with public and private sector experience.
- At least one member shall be selected based on his/her qualifications and experience as a senior oversight professional or senior financial manager in the UN system or another international organization.

Expertise should guide the selection process with due regard given to the tripartite nature of the organization, geographical distribution and gender.

The Chair of the Committee shall be selected by the members of the Committee.

The Director-General, External Auditor, Treasurer and Financial Comptroller, Chief Internal Auditor or their representatives shall attend meetings when invited by the Committee. Other officials with functions relevant to the items on the agenda may likewise be invited.

Term of office

The term of office shall be four years.

The Chair of the Committee shall serve in this capacity for a term of two years.

Appointment to the Committee may only be revoked by the Governing Body on the recommendation of the PFAC.

Administrative arrangements

Members of the Committee not resident in the Canton of Geneva or neighbouring France shall be entitled to the reimbursement of travel expenses in accordance with Office procedures applying to senior officials.

The Committee shall meet twice per year – normally in February and September. Exceptionally, the Committee may convene an extraordinary meeting when required.

The quorum for meetings of the Committee shall be three members.

The Committee shall adopt its own rules of procedure which shall be communicated to the PFAC. The Committee may propose amendments to its terms of reference for consideration by the Governing Body.

The Office will provide support to facilitate the work of the Committee.

Declaration of Independence

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 for the International Labour Office Independent Oversight Advisory Committee, 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.

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

Date:

Signed:

Appendix E

Abbreviations

Abbreviation	
BUDFIN	Budget and Finance
FAO	Food and Agriculture Organization
GB	Governing Body
ICAO	International Civil Aviation Organization
IFAD	International Fund for Agricultural Development
IIA	Institute of Internal Auditors
ILO	International Labour Organization
IOAC	Independent Oversight Advisory Committee
IPSAS	International Public Sector Accounting Standards
JIU	Joint Inspection Unit
PFAC	Programme, Financial and Administrative Committee
PwC	PricewaterhouseCoopers
RIAS	Representatives of Internal Audit Services of the United Nations Organization and Multilateral Financial Institutions and Associated International Organizations
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USD	United States Dollar
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
