



## THIRD ITEM ON THE AGENDA

**Appointment of the External Auditor**

1. At its 276th Session (November 1999), the Committee reviewed a paper<sup>1</sup> on the procedures for the appointment of the External Auditor. The paper had been prepared at the request of some members of the Committee as a basis for discussion, following the reappointment, in March 1999, of the Comptroller and Auditor-General of the United Kingdom as External Auditor, for a period of four years from 1 April 2000.
2. A review of the procedures of the United Nations and other organizations of the United Nations system (see Appendix 2) for the selection and appointment of their External Auditor reveals that apart from the requirement that the External Auditor be the Auditor-General (or officer holding the equivalent title) of a member State, there is no common approach and the practice varies between organizations. The major difference between the ILO and the other organizations is that the latter invite all member States to nominate candidates for the appointment of the External Auditor upon the expiry of the term of the incumbent.
3. As was also mentioned in the paper referred to above, articles 35 to 38 of the ILO's Financial Regulations which deal with external audit, do not provide for any detailed procedures regarding the appointment of the External Auditor and the matter is left entirely to the discretion and the judgement of the Governing Body. It has been the practice of the Governing Body to appoint the Auditor-General of a member State as External Auditor and, assuming that the Governing Body was satisfied with the quality of the audit and the reports submitted to it, to renew that mandate at the expiry of each term, until such time as the incumbent has expressed a wish not to be reappointed.
4. During the Committee's discussion of the information paper in November 1999, there was unanimous agreement that, given the importance of the external audit function, the primary consideration when appointing the External Auditor, must be to ensure the highest possible standards of quality and competence, and that any changes to the selection process should not compromise this essential requirement in any way. Rotation of the External Auditor on a purely geographical basis, although referred to by some members, was therefore not considered appropriate.

<sup>1</sup> GB.276/PFA/7.

5. Preferences for opening the call for nominations to all member States, selection of the External Auditor by the Governing Body, through a recommendation made by the Programme, Financial and Administrative Committee, and setting the term of appointment of the External Auditor to two biennia, with a possibility of renewal for a further two biennia, without the requirement for a further call for nominations, were expressed by the Committee. The Committee was also clearly in favour of not excluding the incumbent External Auditor from being nominated under the proposed new procedures.
6. ***The Committee may wish to recommend to the Governing Body that it approve the procedures for the selection and appointment of the External Auditor set out in Appendix 1 to this document.***
7. The present term of the External Auditor expires on 31 March 2004, and the appointment of an External Auditor for the subsequent period of four years to 1 April 2008 would normally be considered by the Governing Body at its 286th Session (March 2003). Should the Governing Body approve the new procedures for the selection and appointment of the External Auditor, set out in Appendix 1 to this document, these would apply to the next appointment.
8. Over the coming years however, the ILO will be facing fundamental changes in its financial and administrative management. These relate primarily to the introduction of the new financial and administrative computer systems (ERP project), which will take place during the course of the next biennium and which will involve considerable complexities, including the introduction of new processes and working methods as well as the migration of data to the new system and the reconciliation between the legacy system and the new system. Following implementation, extensive monitoring of the effects of the new system, and their comparison with the legacy system will also be necessary. The Director-General believes that in order to ensure continuity during this critical transition period, it would be very desirable to have an External Auditor who is fully familiar with the existing system and with the financial and administrative procedures of the Office. The Director-General therefore proposes that the present External Auditor's term of office be extended for the 2004-05 and 2006-07 biennia and that the subsequent appointment be covered by these new procedures.
9. ***The Committee may wish to recommend to the Governing Body that the holder of the office of Comptroller and Auditor-General of the United Kingdom and the holder of the office of Deputy Comptroller and Auditor-General of the United Kingdom be reappointed as External Auditor and Deputy External Auditor, respectively, for a period of four years from 1 April 2004, and that should the Governing Body approve the new procedures for the selection and appointment of the External Auditor set out in Appendix 1 to this document, the application of these procedures be introduced as from 1 April 2008.***

Geneva, 30 September 2002.

*Points for decision:* Paragraph 6;  
Paragraph 9.

## Appendix 1

### Procedures for the selection and appointment of the ILO External Auditor

#### *Invitation*

All member States, including the member State of the serving External Auditor, will be invited to submit nominations from Auditors-General (or officers holding the equivalent titles) or other persons of high competence to act as the External Auditor of the ILO for a period of four years. This term of office may be extended for a further period of four years.

The information to be provided by member States when making nominations will include:

- (1) details of the national and international activities of the Auditor, including the range of audit specialities;
- (2) a description of the audit approach, procedures and standards that the Auditor would apply;
- (3) an estimate of the total time and grade-mix of staff that would be required to conduct the audit for a full financial period; and
- (4) the amount of the all-inclusive audit fee.

#### *Receipt and opening of proposals*

The receipt and opening of proposals will be performed in accordance with ILO tender receipt and opening procedures.

Once opened, a summary of all proposals will be prepared by the Office for submission to the Programme, Financial and Administrative Committee for evaluation.

#### *Evaluation of proposals*

The Programme, Financial and Administrative Committee will evaluate the proposals and make its recommendation to the Governing Body.

#### *Appointment*

The Governing Body will decide on the appointment on the basis of the Programme, Financial and Administrative Committee's recommendation.

## Appendix 2

### Arrangements in other organizations for the selection and appointment of the External Auditor

	United Nations	WHO	FAO	UNESCO	WFP	IAEA
Which organ determines the procedures for the appointment of the External Auditor?	General Assembly	World Health Assembly	Council	General Conference	Executive Board	General Conference
Who may be appointed as External Auditor?	Auditor-General of a member State (or officer holding equivalent title) <sup>1</sup>	Auditor-General of a member State (or officer holding equivalent title or otherwise qualified)	Auditor-General of a member State (or person exercising an equivalent function)	Auditor-General of a member State (or an officer holding the equivalent title)	Auditor-General (or official holding the equivalent title) of a member State of the United Nations or FAO	Auditor-General of a member State (or an officer exercising an equivalent function)
Term of office	6 years <sup>2</sup>	4 years	4 years	6 years	4 years	2 years
Is the tenure of appointment limited?	Yes <sup>3</sup>	No	No	No	Yes, 8 years	No
Which member States are invited to nominate candidates?	All	All	All	All	All	All
How are nominations evaluated?	No specific review. Nominations are submitted to the Fifth Committee of the General Assembly	Each candidate makes a presentation to the World Health Assembly	Finance Committee	General Conference Candidates may make a presentation	Bureau of the Board	Board of Governors
Which organ decides on the appointment?	Fifth Committee of the General Assembly	World Health Assembly	Council	General Conference	Executive Board	General Conference
How is the decision reached where more than one candidate is nominated?	Secret ballot	Secret ballot	Consensus	Secret ballot	Consensus, or failing that, secret ballot	Consensus, or failing that, secret ballot

<sup>1</sup> The United Nations, and its funds and programmes, have a Board of Auditors, which consists of three members. The term of office of one of the members expires every two years.

<sup>2</sup> *ibid.*

<sup>3</sup> The members of the Board of Auditors of the United Nations and its funds and programmes are elected for a non-consecutive term of office of six years' duration.