



**FOR INFORMATION**

FIFTH ITEM ON THE AGENDA

**Follow-up to the report of the Chief  
Internal Auditor a.i. for the year  
ended 31 December 2006**

1. At the 298th Session (March 2007) of the Governing Body, the Committee considered the report of the Chief Internal Auditor a.i.<sup>1</sup> on significant findings resulting from internal audit and investigation assignments undertaken in 2006. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor a.i.'s 2006 recommendations.
2. The Chief Internal Auditor a.i.'s overall assessment for 2006 was that there was no material weakness in the ILO's overall system of internal control. His recommendations for improvements in the areas covered by the report are set out in the appendix to this paper, together with the Office's responses and details of follow-up action taken.
3. The ILO management continues to work in close liaison with the Office of Internal Audit and Oversight in order to derive full benefit from its recommendations, and to ensure that these are followed up and effectively implemented.

Geneva, 28 January 2008.

*Submitted for information.*

<sup>1</sup> GB.298/PFA/4.

## Appendix

### Status report on the implementation of recommendations made by the Chief Internal Auditor a.i. in his report to the March 2007 session of the Governing Body

Audit recommendations	Report of the Office on actions taken
<b>Headquarters</b>	
<b>Audit of the Internal Administration Bureau (INTER)</b>	
<p>The Office of Internal Audit and Oversight (IAO) identified scope to improve INTER's system of maintenance and operational planning and recommended improvements in the system of internal control. More specifically, the IAO recommended expanded involvement of INTER staff and staff from other units in the system development process; and that, to help ensure future system development activities comply with best practice, the accepted norms of the Systems Development Life Cycle be followed.</p>	<p>INTER, in consultation with the Treasurer and the Human Resources Development Department (HRD), has prepared two sets of internal instructions for the attention of section chiefs. These instructions became effective on 1 January 2008. In broad terms, they are aimed at increasing the sections' involvement in the use, verification and monitoring of the budget and remind staff of the established procedures.</p> <p>As of 2007, all IT developments are reviewed through a central body to ensure appropriate synergies with IRIS and compliance with best practice. Coordination has also been formalized between INTER and ITCOM to ensure appropriate review of system designs and specifications.</p>
<p>In order to ensure completeness of record keeping and enhance transparency, the IAO recommended that INTER determine the level of documentation required to maintain an appropriate audit trail for each transaction.</p>	<p>The abovementioned instructions on the use and verification of the budget describe how documentation should be retained to allow for any verification and to provide a complete record of each operation.</p>
<p>The IAO recommended that the Office take steps to ensure that established work processes are duly followed by involving PROCUREMENT in all aspects of the procurement process above decentralized levels. The IAO further recommended that the role of the Financial Certifying Officer within INTER be reinforced.</p>	<p>Revised procedures have been established with the implementation of IRIS. Under these procedures all purchase orders are being approved by the Finance Officer in INTER. Purchase orders for services that exceed the equivalent of US\$20,000 are reviewed and approved by FINANCE and by a Senior Procurement Officer in PROCUREMENT. IRIS automatically enforces this approval work flow. Training on procurement procedures has been provided for all INTER staff involved in procurement activities. A twice-weekly coordination session has taken place since August 2007 between INTER and PROCUREMENT to monitor progress and procedural compliance on procurement actions.</p>

Audit recommendations	Report of the Office on actions taken
<b>Communications and Files Section (DOSCOM)</b>	
<p>The Archives Committee which had not convened since 1998 has now been reconstituted (as recommended by the IAO in the audit report), and held its 33rd Session in September 2006. The Committee is in the process of addressing various audit recommendations relating to revising communication and records circulars, and clarifying matters relating to filing plans, especially with field offices.</p>	<p>The Archives Committee was reconstituted in September 2006 and holds regular sessions. The issue of the revision of circulars was discussed in this Committee and work in this regard is currently being carried out by an ad hoc group. A new circulars system was introduced on 1 January 2008.</p> <p>During the 2006–07 biennium, seven field offices undertook with the help of DOSCOM to bring their filing systems into line with headquarters. In addition, DOSCOM trained staff in six field offices that held training courses on archive management. These efforts will be followed up in the 2008–09 biennium.</p>
<p>The IAO recommended that, funds permitting, serious consideration should be given to the employment (on a short-term basis if necessary) of a qualified archivist to assist in the task of reducing the backlog of files to be archived.</p>	<p>A professional specialist in archive management was recruited and, since April 2007, has been identifying sets of files for priority archiving. The staff at DOSCOM will then be able to process these files. The aim is also to identify steps that can be taken in the future to clear the backlog. Progress has been made in reducing the backlog. Efforts will continue during the 2008–09 biennium to eliminate the backlog within the limits of the available resources. Specific proposals to solve this problem once and for all are being developed.</p>
<p>In response to the IAO's recommendation that a risk-based management approach be adopted in the DOSCOM environment, a risk-assessment and evaluation project has been started by INTER, and addresses risks and opportunities faced by DOSCOM as identified in the audit report, as well as other matters.</p>	<p>A briefing with the Internal Auditor was held in the summer of 2007 on the identification of tasks and situations posing a risk for INTER. A training course on the methodology to be applied in relation to the identification, assessment and management of risks took place in November 2007, with the participation of the relevant staff of INTER. On the basis of a matrix proposed during the course and the areas and tasks already identified by INTER as posing a risk, an initial evaluation document should be available by mid-2008.</p>

Audit recommendations	Report of the Office on actions taken
<b>ILO Security Unit (SECURIT)</b>	
The IAO has suggested that a risk-based approach to managing the Security Unit would be appropriate.	Written internal instructions were introduced in 2005 relating to the security team. These included a five-phase emergency plan, which has been in force since March 2007. INTER officials attended a course on methodology relating to risk analysis and management, organized by the Internal Auditor. Training for security personnel, incorporating these new approaches is being undertaken as part of the ongoing staff development and training activities.
The IAO recommended that both formal job descriptions and emergency procedures be finalized and documented.	Job descriptions have been drawn up and were sent to HRD at the end of 2006. The increasing complexity of security procedures associated with tightened security at headquarters has led us to rethink human resources management in relation to the security of individuals and property and to take account of the measures introduced by the United Nations Office at Geneva (UNOG) and other agencies in Geneva. HRD is currently evaluating some proposals, which will be the subject of consultations in 2008 with all those concerned. Documentation exists for standard emergency procedures and has now been enhanced to specify the steps to be taken under the different phases of emergency in coordination with other UN organizations.
<b>Joint Staff Health Insurance Fund of the ILO and ITU (SHIF)</b>	
<b>Fund liquidity – Fund contributions received and benefits paid</b>	
The IAO recommended that the Management Committee of the Fund should take the necessary decisions regarding the future financing of the fund as soon as possible.	In October 2007, the ILO/ITU Staff Health Insurance Fund (SHIF) Management Committee proposed an amendment to the SHIF Regulations and Administrative Rules aimed at increasing SHIF contribution income and ensuring the Fund's medium-term financial viability at least up to and including 2011. The amendment to the structure of the contribution system included initial measures for implementation from January 2008 and further measures for implementation from January 2010. The amendment was approved by the Director-General and funding of the increase in the Office's contributions over the 2008–09 biennium was approved by the Governing Body within the 2008–09 programme and budget. Subsequently, a referendum of all insured members approved the proposal.

Audit recommendations	Report of the Office on actions taken
<p><b>Continued and uninterrupted operation of the Health Insurance Information System (HIIS)</b></p>	
<p>It was recommended that another staff member of the Office, not involved in the manual checking of input, processing or output of the HIIS, be trained in the basic batch payment functionalities of the HIIS.</p>	<p>The identification of back-up resources within the SHIF is constrained by the limited availability of technical system expertise. Efforts are ongoing, supported by the ILO's Human Resources Information System (HRIS) unit, to identify means by which HIIS functionality can be maintained and batch payments made in the absence of the SHIF staff member assigned to the operation of HIIS. Discussions have been initiated with the World Health Organization (WHO) and UNOG, also HIIS users, aimed at sharing operational capacity to provide appropriate contingency measures.</p>
<p><b>Risk management</b></p>	
<p>Implementing an Office-wide system of risk management is the responsibility of management and should be provided for as a milestone to be achieved in 2008 in the Results-Based Management Road Map.</p>	<p>Key staff in the Office have participated in specific training courses in risk management. Revised procurement processes were implemented in 2007 to include a formal identification of inherent and residual risks involved in all procurement in excess of \$20,000. The next steps in developing a formal risk register will be implemented as part of the development of the Programme and Budget for 2010–11, where managers will identify the risks associated with achieving results.</p>