INTERNATIONAL LABOUR OFFICE

Governing Body

310th Session, Geneva, March 2011

GB.310/PFA/5/1

Programme, Financial and Administrative Committee

PFA

FOR INFORMATION

FIFTH ITEM ON THE AGENDA

Audit questions

Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2009

Overview

Issues covered

This paper and its annexed table provide details of actions already taken or those that are under way as Office follow-up to recommendations of the Chief Internal Auditor.

Policy implications

None.

Financial implications

None.

Action required

The Committee is invited to take note of the information provided in the paper.

References to other Governing Body documents and ILO instruments

GB.307/PFA/3/2, GB.307/9/1(Rev.), paragraphs 202–229.

1. At the 307th Session (March 2010) of the Governing Body, the Committee considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2009. [1] This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2009 recommendations.

2. The Chief Internal Auditor's overall assessment for 2009 was that there was no material weakness in the ILO's overall system of internal control. Her recommendations for improvements in the areas covered by the report are set out in Appendix I to this paper, together with the Office's responses and details of follow-up action taken. Appendix II contains a list of internal audit reports issued in 2009 and the status of the Office's follow-up.

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, 26 January 2011

Submitted for information

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[1] GB.307/PFA/3/2 and GB.307/9/1(Rev.), paras 202–229.

Appendix I

Status report of the implementation of recommendations made by the Chief Internal Auditor in her report to the Governing Body in March 2010

Paragraph No.	Recommendation	Office response	Implementation status	Date implementation complete
13	Accountability framework: As part of the development of the ILO's accountability framework, the Office issued on 20 November 2009 a Procedure that requires all executive directors, regional directors and other directors reporting directly to the Director-General to sign an internal letter of representation on an annual basis. The purpose of this is to obtain written confirmation that the responsible managers have duly exercised their delegated financial authorities and responsibilities. This is a positive step towards clearly defining managers' accountability and authority, and the IAO encourages the Office to expand further the scope of this good initiative to include programme and human resources components.	IGDS 192, "Roles and responsibilities of senior managers in the ILO", issued by the Director-General in September 2010, lays out the financial, administrative and programmatic responsibilities of senior managers to which they are to be held accountable for their performance. The internal letter of representation is informed by the standard audit requirement for a Chief Executive to provide representations on financial and contractual matters to the External Auditor. The 2010 internal letter of representation to be submitted by senior managers was modified slightly to incorporate human resource entitlements in addition to financial compliance and reporting matters.

The performance management system introduced in 2010 provides, inter alia, for the monitoring of programmatic performance by ILO managers. Following internal consultations it has been decided that it would not be appropriate to expand the letter of representation beyond financial matters at this stage. | Partially accepted | Not applicable |
| **16–17** | Training: The IAO's reviews indicate that managers and staff do not always fully understand the requirements of the new policies and procedures issued via IGDS and how best to implement them. They continue to identify what appear to be gaps in the provision of regular structured training for officials based in external offices and technical cooperation projects on these matters. The IAO touched on this issue in its previous reports to the Governing Body and encourages the Office to continue in its efforts to address training needs in this respect.

The IAO reiterates its recommendation that this type of training should be embedded as part of the ILO's staff | The need for broader training initiatives on internal governance is supported and the Office recognizes that the target population should include officials in external offices and technical cooperation projects.

The 2010–15 HR Strategy identified "accountability" as one of the four outcomes. An IGDS Office Guideline on the ILO Accountability Framework was issued in October 2010. HRD has included in its workplan the development of an accountability training programme for senior managers on the important subjects of internal governance, including procurement, finance, human resources, programming/IRIS, technical cooperation, legal services, as well as ethics and gender. The procurement process for selecting training providers is in the final stages, and the design and development work will begin in January 2011. The | Implementation in progress | Ongoing |

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	development programme and be mandatory for all officials in, or about to take up, posts that require the management of ILO's activities and resources.	target date for launching the pilot of this programme is September 2011. The programmes will be rolled out to general staff and their contents will directly benefit technical cooperation staff. As regards the customization, roll-out and participation costs needed to extend formal training to technical cooperation staff, no funding is currently available to cover this expenditure given that the existing staff development funds are earmarked for regular budget staff. Supplemental funding would be required from donors to finance the expanded training of technical cooperation staff.		
18	Business continuity planning: The Office finalized the ILO headquarters' Business Continuity Plan (BCP) in 2009. While the Office undertook some basic testing on communication, full testing of the BCP has not been carried out due to competing priorities of other tasks and resource constraints. In 2009, the ILO began to develop a BCP with respect to field activities, and the Office coordinated workshops on this subject for officials in the field assigned as security focal points. The field offices and projects visited by the IAO in the latter part of 2009 had drafted BCPs, but had not finalized them. The IAO encourages the Office to take forward the development of its BCP by conducting a full test of the headquarters' BCP, and finalizing and testing the field BCP.	The Office recognizes the importance of business continuity planning but has been constrained in advancing its development and testing due to multiple priorities and resource constraints. A consultant will be recruited in early 2011 to work with the newly appointed Staff Safety and Security Coordinator and the IT Security Officer to further develop standardized guidance to external offices and organize a testing protocol.	Implementation in progress	31 December 2011
19–21	Knowledge sharing: Given the value of effective knowledge sharing, the IAO suggests that the Office learn from the experience of the Regional Office for Asia and the Pacific in operationalizing the ILO's knowledge-sharing policy, and apply the aspects that worked well in other regions.	The Office is currently developing a systematic and effective approach to knowledge sharing and management in the context of its Programme and Budget proposals for 2012–13. The reinforcement of the ILO's knowledge base as a key means of action to provide effective services to constituents will be a major theme of these proposals. With respect to the current status in each region, a knowledge-sharing platform similar to the one developed by the Regional Office for Asia and the Pacific has been operational in the Regional Office for Arab States since July 2010. Africa's knowledge-sharing platform is currently being piloted internally at the regional office level. The Americas has developed ad hoc Web-based systems to manage,	Implementation in progress	28 February 2011

Paragraph No.	Recommendation	Office response	Implementation status	Date implementation complete
		implement and control most of its activities, most notably missions, external collaborators' and service contracts, human resources and technical cooperation projects. Such systems act as repositories of information and documents, including products from contracts, mission reports and projects' technical reports. The region has also developed a database to monitor progress towards the achievement of Country Programme Outcomes, which consolidates the information from the systems mentioned previously and is also accessible through the Web. Europe is developing a platform that is expected to go live in February 2011.		
22–23	FISEXT: As the ILO has not yet decided if it is cost effective for all external offices to be equipped with IRIS, nor the range of functionality for those offices that will have IRIS, it will continue to rely on the in-house developed field legacy financial and budget management system, FISEXT, for the foreseeable future. Indeed, there is a possibility that the ILO will always be reliant on a secondary system outside IRIS for certain functionalities for a number of external offices, or large project offices, where it may not make economical sense to deploy IRIS. The first progress report on IRIS in the regions indicated that it would be necessary to maintain FISEXT through 2010. The IAO has concerns about the Office's capacity to maintain FISEXT in the medium- to long-term future. To address this risk, the IAO recommends that the Office devise a strategy to either ensure long-term ability to maintain FISEXT, or explore alternative solutions, setting a fixed date for phasing out FISEXT. A cost–benefit analysis should be conducted for each scenario to inform the decision-making process.	The Office has undertaken a process of knowledge transfer in respect of FISEXT support and maintenance to ensure that the existing system remains fully operational. Support for FISEXT from 1 January 2011 is now fully integrated with IRIS support. FISEXT will continue to operate as the principal field financial system while the IRIS field roll-out continues. Once the IRIS field roll-out has been successfully completed in the regional offices, further steps will be taken to identify an appropriate operational model, fully IRIS compatible, for the ILO's field operations. The lessons learned through this process will guide the Office in respect of the maintenance or eventual replacement of FISEXT. The IRIS field roll-out to the regional offices is expected to be completed in 2013. It is considered too early at present to undertake a meaningful cost–benefit exercise for the replacement of FISEXT in other external offices. It is envisaged that this will be undertaken as part of the consideration of alternative operating models.	Implementation in progress	31 December 2012
24–26	IT security environment: The report made recommendations to assist the Office in addressing the issues identified and the IAO is pleased to report that the Office has already taken action to implement some of the	In early 2010, ITCOM identified a set of initiatives that constitutes the IT Security Improvement Programme. These initiatives or projects have already been prioritized so that critical and high-impact elements are considered in the first instance.	Implementation in progress	31 December 2011

Paragraph No.	Recommendation	Office response	Implementation status	Date implementation complete
	recommendations to improve the ILO's IT security environment. Taking into account the findings of the report, the Office should prepare an IT Security Improvement Programme, noting any resource implications so that informed decisions can be made on the priority of action to be taken.	The initiatives fall into one of the following four categories of costing: (a) Initiatives which necessitate minimal investment (generally changes to procedures, practices or policy definition) have been integrated into current ITCOM work tasks. (b) Initiatives which are critical, and costly, and for which funding has been identified. These have been integrated into the ITCOM workplan and have replaced lower priority projects. (c) Initiatives which are costly, and for which funds have not been identified, were presented to the Information and Communications Technology Subcommittee as part of the information technology investment study in November 2010. Proposals to finance these initiatives are under preparation within the framework of the Programme and Budget Proposals for 2012–13 and use of the Special Programme Account. The recommended IT Security Improvement Programme has been prepared although its full implementation will be subject to funding. All projects included in categories (a) and (b) above, are planned to be completed by the end of 2011. Coordination of the follow-up of the overall programme is undertaken by the IT Security Officer on a monthly basis.		
30–31	Management continuity in external offices: Notwithstanding the benefits of training, the Office has an opportunity with the field structure review to take a critical look at the basic staffing structure of external offices and the need to have an official who has dedicated responsibility for managing day-to-day operations, including financial, budgetary, administrative, and human resources matters. Having such an official in place with clear responsibilities for office management would not only reduce external offices' exposure to operational and financial risks, but also allow directors more time to focus on strategic issues and liaison with constituents.	The field structure review was implemented within existing resources and had as its main objective the consolidation of technical capacity in fewer field locations. The creation of deputy director positions is therefore dependent on the reallocation of available resources within offices. Within the revised field structure, all regional offices have deputy directors with dedicated responsibility for managing day-to-day operations, including financial, budgetary, administrative and human resources matters. In addition, ten of the 13 Decent Work Technical Support Teams (DWT) have a deputy director. Some country offices already have a deputy director. The common staffing includes a national officer position to assist the office director in managing day-to-day operations. Due to the size of operations in these	Implementation in progress	2012–13

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		offices and also budgetary constraints, the Office cannot put in place at each office an official who has responsibility for office management delegated by the office director. In the most recent RAPS competitions, efforts have been made to establish programme officer positions at the P3 level in country offices (examples: Abuja and Suva Offices), where there is only one Professional staff member. In cases where there is no deputy director position, the programme officers, with proper training on ILO operational, financial, administrative, and human resource management rules, are expected to provide stronger support to office directors on these matters. Further efforts will be made to train the existing national officers and/or the new P3 programme officers on rules and procedures related to internal governance. The new accountability training programme, currently being developed for a pilot in September 2011, should serve as an effective tool for such training.		
32	Roles and responsibilities: The IAO found that there was scope to clarify roles and responsibilities within external offices, as well as between external, subregional and regional offices. Roles and responsibilities were not always clearly defined and understood. As part of the field structure review, the Office should ensure that roles and responsibilities between regional offices and external offices are clearly defined and understood.	On 20 September 2010, the Director-General's announcement, "Roles and responsibilities of senior managers in the ILO", was published. This document includes the roles and responsibilities of the regional directors, country office directors and DWT directors, as well as of executive directors. It has also been published in booklet form. In addition to this, a complementary document covering the functions of headquarters and the various types of external offices is in the final stages of approval. It will also be published in the IGDS and in booklet form in early 2011.	Implementation in progress	31 December 2010
33	Work planning: The results of field audits indicate that work planning is undertaken, but it is not always clearly linked to results-based management (RBM) principles. Paragraph 11 above refers to the ILO's initiative to develop outcome-based workplans (OBWs). The IAO recommends that the Office take forward the development of detailed practical guidance for use by ILO officials on work planning, including how this should be linked to the results-based management process and the strategic policy framework.	In January 2010, the Office put in place OBWs for each of the 19 outcomes in the programme and budget and Strategic Policy Framework. These OBWs specify how and where the targets for the indicators for 2010–11 will be met; identifying the corresponding country outcomes derived from Decent Work Country Programmes (DWCP). The OBWs provide the framework for planning and allocating all sources of funds and provide the basis for the workplans of individual offices and units. A first review of the OBWs in mid-October 2010 brought together regions and sectors to take stock of progress, address bottlenecks, make adjustments in underlying workplans and plan further joint work. Beyond the high-level OBWs, templates for country-level implementation plans have been streamlined and made available to the regions. Initial work also started in mid-2010 to guide the development of workplans of	Implementation in progress	31 March 2011

Paragraph No.	Recommendation	Office response	Implementation status	Date implementation complete
		technical units and departments. Such workplans are an important requirement for the performance management framework as well as setting out how and where a unit contributes to the OBWs. Revised versions of both the RBM guidebook and the DWCP guidebook are being finalized and will be available in the first quarter of 2011. These will both provide further guidance on work planning at different levels in the ILO. It will not be possible however, within current resources, to develop a detailed work planning guidance note this biennium. There are currently no resources available to provide staff training specifically on work planning, although elements of this are included in the training courses being organized by the Turin Centre on RBM and project-cycle management.		
34–35	Use of IRIS by the EAST project: The EAST project's use of IRIS has been a valuable instructional tool. The Office should take full advantage of lessons learned to inform the future roll-out of the system throughout the ILO and thus avoid many of the issues that arose with the EAST project. The Office should undertake a post-implementation review of the experience to enable lessons learned to be formally documented.	An informal review was conducted of the Jakarta pilot that included the identification of a number of lessons learned. These lessons were applied to the implementation of the Budapest pilot. The Budapest pilot has been formally reviewed and observations and lessons learned are being taken into account in the roll-out to regional offices. The Office feels that the informal review of the Jakarta implementation was sufficient at that time and to go back and formally evaluate it would not be cost effective given the developments seen with the IRIS field model as applied to Budapest.	Not accepted	Not applicable
36–37	Implementing partners: Findings indicated that had a stronger system of monitoring been in place, issues noted might have been detected and addressed at an earlier stage. The IAO therefore recommends that the monitoring system of implementing partners be assessed and strengthened where necessary.	The Office considers that the procedures and requirements noted in Chapter 6 of the ILO Technical Cooperation Manual clearly identify, to a sufficient level, the financial and programmatic monitoring that is required by project staff and responsible officials when managing such agreements. All officials will be reminded of their responsibilities in respect of this type of monitoring with the issuance of a new IGDS document on TC Implementation Agreements. The proposed IGDS should be published in early 2011.	Not accepted	Not applicable

Appendix II

List of internal audit reports issued in 2009 and status of the Office's follow-up

Name of report	IAO reference	Date of report	Implementation report status	Date completed
ILO Subregional Office for South Asia, in New Delhi, India	IAO/19/2009	3 September 2009	In progress	
Report on the internal audit of the Subregional Office for the Sahel Region and the Subregional Office for West Africa in Dakar, Senegal	IAO/20/2009	14 September 2009	Completed	17 December 2010
Report on the internal audit of the Strategies and Tools against Social Exclusion and Poverty (STEP) project in West Africa	IAO/21/2009	17 September 2009	Completed	8 September 2010
Report on the internal audit of the management of ILO activities in Kabul, Afghanistan	IAO/22/2009	17 September 2009	Completed	29 November 2010
Report on the internal audit of the ILO IT security environment	IAO/CS/2009	22 December 2009	Completed	8 September 2010
Report on the internal audit of the Education and Skills Training for Youth Employment in Indonesia (EAST) project	IAO/23/2009	15 January 2010	Completed	15 December 2010
Report on the internal audit of the use of IRIS by the Education and Skills Training for Youth Employment in Indonesia (EAST) project	IAO/24/2009	15 January 2010	Completed	1 September 2010