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Programme, Financial and Administrative Section
Audit and Oversight Segment

PFA

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NINTH ITEM ON THE AGENDA

Report of the Chief Internal Auditor for the year ended 31 December 2015

Purpose of the document

This paper contains the report of the Chief Internal Auditor on the Office of Internal Audit and Oversight's activities, including significant findings resulting from internal audit and investigation assignments conducted during 2015, for consideration by the Governing Body.

As required by best practice within the internal audit profession, the IAO has reviewed and revised its audit charter and delineated its investigation mandate into a separate charter. The Governing Body is invited to approve the revised Audit Charter and the new Investigation Charter (see draft decision in paragraph 3).

Relevant strategic objective: Effective and efficient governance of the Organization.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Follow-up action required: The Office to provide follow-up.

Author unit: Office of Internal Audit and Oversight (IAO).

Related documents: GB.323/PFA/8.

1. In accordance with the decision taken by the Governing Body at its 267th Session (November 1996), the Director-General transmits herewith the report of the Chief Internal Auditor on significant findings resulting from audit and investigation assignments carried out during 2015.
2. The Director-General considers the work performed by the Chief Internal Auditor to be extremely valuable in assessing strengths and weaknesses in operations, practices, procedures and controls within the Office. Recommendations made by the Internal Audit and Oversight Office (IAO) are thoroughly evaluated and there is constant dialogue between managers and the Chief Internal Auditor to give effect to them.

Draft decision

3. ***The Governing Body takes note of the report of the Chief Internal Auditor for the year ended 31 December 2015 and approves the revised ILO Internal Audit Charter and the new ILO Investigation Charter.***

Appendix

Report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2015

Introduction

1. The Office of Internal Audit and Oversight (IAO) of the ILO fulfils an internal independent oversight function, as established under article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules. Its mandate is further underpinned by its Audit Charter, which the Governing Body approved.
2. The IAO's mission is to provide the Governing Body and the Director-General with an independent, objective assurance activity designed to add value and improve the ILO's operations. The IAO also aims to assist the Office in accomplishing its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
3. In addition, its mandate includes responsibility to conduct investigations into allegations of financial or administrative misconduct and other irregular activities. The IAO reports the results of its investigations to the Director-General. All investigation reports contain an assessment of whether or not, based on evidence obtained during the investigation, the allegations are substantiated. The IAO does not make any recommendations for disciplinary action to be taken against individuals or third parties in its reports.
4. The IAO conducts its activities in conformity with the International Standards for the Professional Practice of Internal Auditing (Standards) of The Institute of Internal Auditors (the IIA Standards) and the Uniform Guidelines for Investigations as adopted by the Conference of International Investigators of International Organizations and Multilateral Financial Institutions.
5. The IAO does not develop or install procedures or engage in any activity that it would normally review or appraise or which could be construed as compromising either its independence or objectivity. Under Chapter XIV of the Financial Rules and its Audit Charter, the IAO has full and free access to all records, personnel, operations, functions and other material relevant to the subject matter under review.

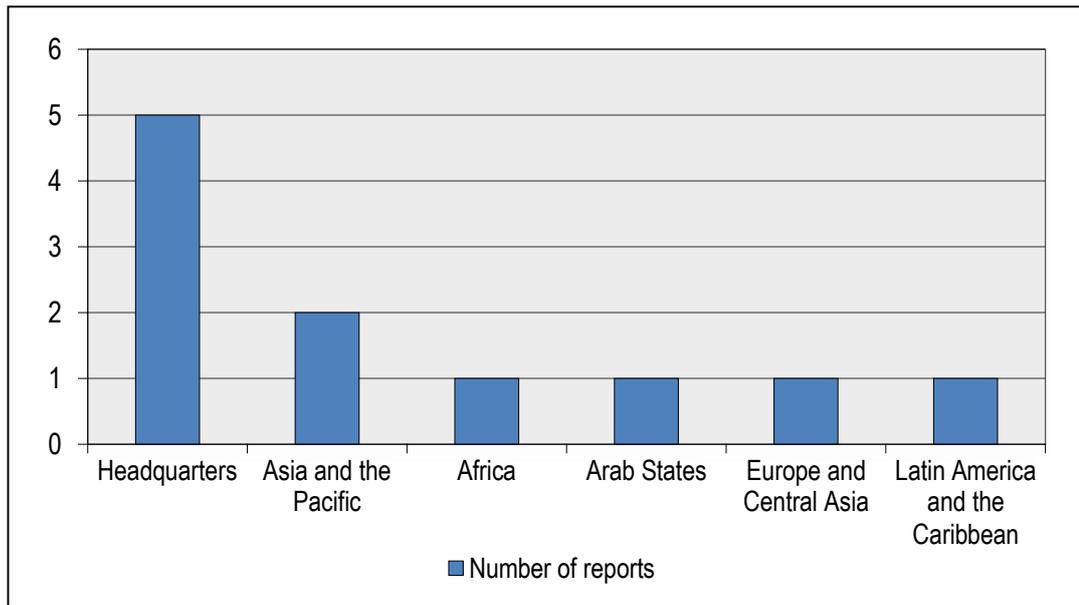
Summary of activities

6. This section provides a brief overview of the main activities undertaken by the IAO in 2015.

Assurance audits

7. During 2015, the IAO issued nine assurance audit reports, one follow-up report, and one minute of lessons learned. Five assurance audit reports cover headquarters functions, and six relate to audits conducted at ILO field office locations (see Appendix I). The IAO has completed the fieldwork for a further five audit assignments, which are in various stages of reporting. The Chief Internal Auditor will present a summary of the findings arising from these assignments to the Governing Body in March 2017. Figure 1 shows the number of assurance audit and follow-up reports plus the minutes of lessons learned issued in 2015 by geographical region and at headquarters.

Figure 1. Assurance audit and follow-up reports by region and at headquarters (2015)



Investigations

8. In 2015, the IAO received 30 new cases for review, compared to 10 in 2014 and 21 in 2013. A possible explanation for the rise in numbers of allegations is an upturn in understanding throughout the ILO of its policies on anti-fraud, whistle-blower protection, and ethics.
9. Six investigations were carried over from previous years, three of which were closed in 2015. Not all cases led to full investigations and a number were proved not to be substantiated. A breakdown of the status of the allegations as at 31 December 2015 is shown at paragraph 54.

Other activities

10. The IAO provides internal audit services for the International Training Centre of the ILO in Turin, Italy. In 2015, the IAO issued two assurance audit reports for the Centre, covering procurement and publications. The summary results of internal audits are reported to the Board of the Centre during its annual meeting.
11. During 2015, the IAO attended the meetings of the Steering Committee for the Headquarters Building Renovation Project and the Information Technology Governance Committee as an observer. The IAO continued its outreach to promote awareness of common internal control issues identified during audits, as well as presenting anti-fraud awareness sessions. Furthermore, the IAO provided other ad hoc advice to management on request.
12. Officials from the IAO's assurance audit and investigation units actively participated in their respective United Nations (UN) oversight peer groups: the Representatives of Internal Audit Services of the United Nations Organizations and the UN Representatives of Investigation Services. The IAO also participates in the Heads of Internal Audit in International Organizations in Europe (HOIA) annual meeting.

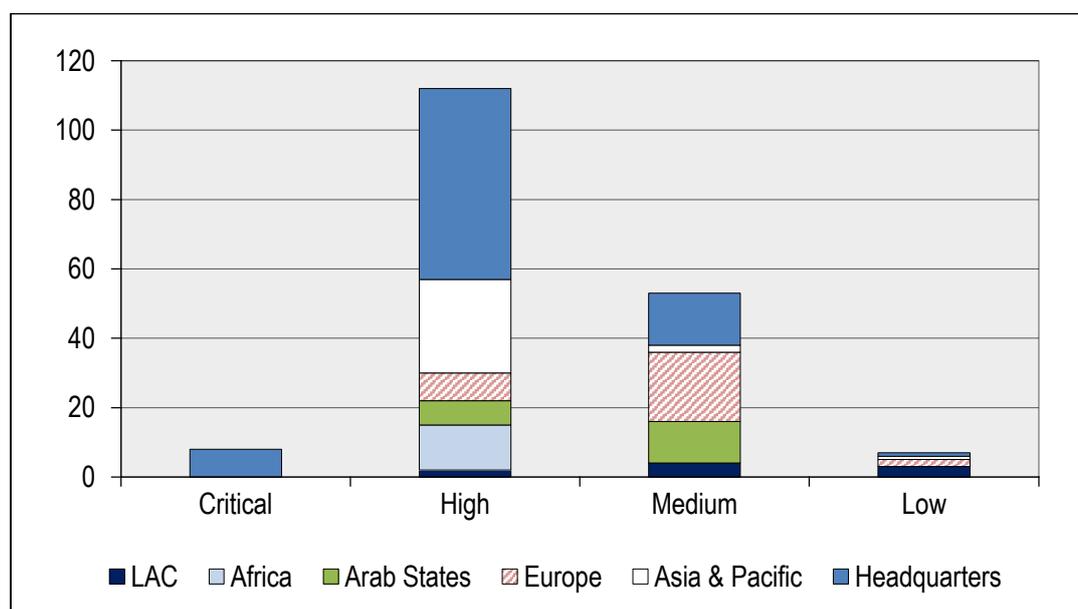
Summary of audit results

13. In the 11 audit reports issued in 2015, the IAO proposed 180 audit recommendations and assessed them to be of varying significance for the ILO, with the levels of low, medium, high and critical importance. Overall, the IAO did not identify any major weakness in the ILO's system of internal control of those areas that were subject to an internal audit in 2015.

However, the IAO reported on a number of key areas that required improvement in the Staff Health Insurance Fund (SHIF) payment process.

14. The IAO's analysis of audit findings in 2015 by region and at headquarters and by significance is shown in figure 2. Eight recommendations, all related to operations of the SHIF, were identified as of critical importance.
15. The results of the IAO audits indicate that continued attention is required to enhance and strengthen the internal control environment at the entity level. The IAO recommends that the Office continues to assess ways to share lessons learned from control issues identified during audits of regional offices and headquarters departments, and communicates specific initiatives to implement recommendations during Regional Meetings. The IAO shall continue to work with management, as appropriate, to take this recommendation forward.

Figure 2. Audit findings by region and at headquarters and by significance in 2015



16. In its response to internal audit recommendations, the Office indicates that it has taken initiatives in many of these areas that will help to address the control issues identified by the IAO. The IAO will assess these initiatives when performing its risk assessment as part of its regular and ongoing audit planning process.

Enterprise risk management

17. In April 2015, the Office released the ILO Enterprise Risk Management (ERM) Framework. The ILO closely aligned its definition of Enterprise Risk Management to that proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2004). The Framework includes an ILO Risk Appetite Statement, affirming the scope of the ILO Enterprise Risk Management Framework and establishing the ILO's duty of care, the boundaries of the ILO's willingness to tolerate risk, and the roles and responsibilities in relation to aggravated risk. Furthermore, the governance of Enterprise Risk Management at the ILO is aligned to the "Three Lines of Defence" model proposed by The Institute of Internal Auditors in 2013, as adopted in October 2014 by the United Nations System High-Level Committee on Management.
18. The provisions of the ILO Enterprise Risk Management Framework are applicable across the ILO, and apply to programme and budget outcomes, regional and country offices, headquarters departments, technical cooperation projects and other ILO activities, and, training of staff in risk management is ongoing. Initial regional and country office risk

registers, as well as department risk registers, were to be finalized by 30 November 2015. As of the date of preparing this report, compliance stood at 65 per cent with a number in progress. There was good completion across two ILO portfolios, and training was provided early in 2016 to office directors of the Africa region in order to facilitate completion in the region.

19. The IAO welcomes the firm establishment of risk management in the ILO, and recommends that those departments that have not established a risk register do so as soon as is practical.

Headquarters audits

20. During 2015, the IAO issued five audit reports which covered the SHIF, a centrally managed technical cooperation project, treasury and e-banking applications, internal governance, and procurement. Main findings of the audits are explained below.

Review of the payment process of ILO SHIF claims

21. The IAO reported that for the current ILO health insurance administrative model to improve its services and internal control, aspects of the control environment required improvement, with several areas requiring urgent attention. The results of the IAO's review indicated that operations require investment in information technology infrastructure and in staff training to address many of the areas identified as needing improvement and to ensure that the processing of claims becomes more efficient and effective, with controls in place to further mitigate the key risks inherent in a medical insurance scheme, not least of which is fraud.
22. In May 2015, the Director-General mandated the establishment of a working group to review the key operating elements and structure of the Fund. This was primarily in response to complaints about delays in the reimbursement of claims, especially for field staff. The Office has begun to implement the recommendations of the working group. This should result in addressing many of the internal control issues raised in the IAO's report, resulting in improvements in claims processing times and also strengthening governance, communication and internal control.

Internal Audit of applying the G20 Training Strategy Technical Cooperation Project

23. The project is partially centralized at headquarters and partially decentralized to the ILO's Moscow office, which caused initial confusion over responsibilities and accountability, as the project operates in the three ILO regions of Europe and Central Asia, the Arab States and Asia and the Pacific. With activities in seven different locations, in order to ensure proper information and knowledge sharing among all project staff, the IAO recommended launching a knowledge-sharing site for the project. The Office reported that it has implemented or is in the process of implementing the recommendations in the IAO's report.
24. One quarter of the project's overall budget is provided to an implementing agent. The IAO found that some important financial issues still needed clarification with the partner, to include budget details, the permitted amount of administrative costs and overhead, determination of personnel charges and the applicable individual staff members to be costed, and financial reporting procedures. To help ensure that this and other collaborators are aware of the ILO's key reporting requirements, the IAO recommends that an instruction manual on reporting requirements be developed to guide all implementing agents in the future on minimum financial and technical reporting.

The IAO report on the internal audit of treasury and e-banking security at ILO headquarters

25. The audit found that the control environment over electronic payment processes was strengthened through implementation of the Mammut application in January 2014, resulting in improvements to payment security, transaction monitoring and technical support services. The audit also determined that the processes of the investment committee were established and operating effectively.
26. Although no unauthorized payments were identified, the IAO recommended a reduction in the number of IT department staff members having access to the computer drive where transactions are stored once they have been processed and until such time when they are uploaded into the Mammut programme; although responsible for administering the ILO computer network, these officials could theoretically modify approved payment instructions, thus overriding internal controls. During the course of the audit, the ILO did reduce the number of staff with such access.

Governance at ILO headquarters in Geneva

27. This review examined the functions of the Ethics Office, which the IAO found to be operating effectively for managing staff queries on ethics and outside activities. The IAO also found that the ethics policy guidance available to staff members is clear and comprehensive in terms of defining ethical behaviour.
28. In May 2013, the ILO conducted an Organization-wide survey on ethics. The survey highlighted several good aspects, such as staff awareness of the ILO's Ethics function and the advice provided by the Ethics Officer. The survey also indicated there is scope to further raise awareness on ILO policies such as whistle-blower protection. The Ethics Office indicated that there were plans to develop a specific training programme in relation to the whistle-blower protection policy, which the IAO considers would be a good practice.
29. The IAO also recommended that the whistle-blower protection procedure be updated, to include clarifications with regard to certain steps of this procedure.
30. The Ethics Office had developed a strategy. In the IAO's view there is an opportunity for the strategy to evolve and take into account a number of results that arose from the 2013 survey. The IAO also recommended that the Ethics Office further develop the ethics strategy to include wider outreach and awareness training for ILO staff, taking into account any resource constraints.
31. In addition, the IAO found several opportunities to continue to improve the ILO's ethics practices. This included encouraging staff to complete the mandatory Internal Governance eLearning training programme as well as the non-mandatory ILO Ethics e-learning module, and reviewing resources allocated to the Ethics function. In its Implementation report, the Office accepted all recommendations and had begun implementing them. As ethics is a key component of good governance, the IAO suggests that surveys such as the one undertaken in 2013 be conducted on a periodic basis to gauge the general awareness of the ILO's policies and practices in this area.

Report on the internal audit of the Procurement Bureau

32. The IAO found that the Procurement Bureau (PROCUREMENT) was handling risks satisfactorily. The Integrated Resource Information System (IRIS) enforced segregation of duties and the procurement process flowed as designed. PROCUREMENT has devoted much effort to developing a training portfolio, designing courses and upgrading its website to serve as an information warehouse, all of which are good practices. Furthermore, officials of the bureau are seeking professional certification in procurement, and the IAO supports their goal that all present and future staff should possess recognized procurement

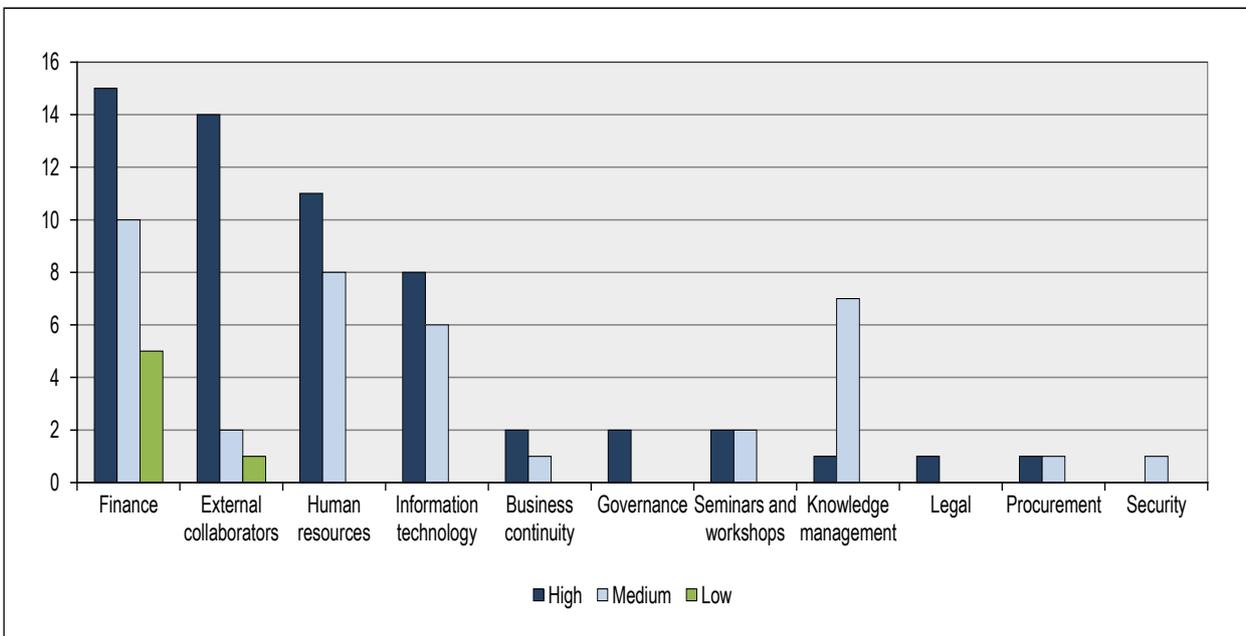
qualifications. The IAO therefore recommends that as posts become vacant and required to be filled, they should be filled by staff with the appropriate qualifications in the procurement profession.

- 33. Statistics provided to the IAO showed that procurement arising from technical cooperation activities is increasing placing greater demands on PROCUREMENT. The Office should consider, for those projects with a high procurement element, adopting a practice of including a dedicated budget for procurement needs.

Field audits

- 34. During 2015, the IAO issued six assurance audit reports for audit work conducted at ILO field office locations in Costa Rica, Indonesia, Lebanon, Russian Federation, South Africa and Timor-Leste. The IAO commented positively on certain aspects of the control environments of the locations audited, with many of the offices having established an adequate system of internal controls to manage the risks assessed by the IAO as relevant to their operations.
- 35. The IAO made recommendations to address its observations arising from its field audits in the respective internal audit reports, with the main findings detailed below, and has classified the issues as detailed in figure 3 below.
- 36. The IAO identified a number of high-risk issues relating to finance (15), external collaborators (14) and human resources (11) processes. The IAO noted that there is scope for improving internal controls, including with respect to the management of information technology, business continuity planning, and seminars and workshops. However, since the audit reports have been issued, progress has been made with the development of business continuity planning led by headquarters.

Figure 3. Field audit recommendations by significance in 2015



Summary of main observations of field audits

Finance processes

37. Given the decentralized nature of a number of finance-related processes and as they are a key focus of audits, issues relating to finance have the highest number of observations.

Banking

38. The highest number of recommendations, all of which are of high significance, related to banking operations. Issues included updating bank signatory panel lists, depositing cash received in the bank account rather than the petty cash to establish an independent audit trail, reviewing bank transactions and outstanding deposits and receipts, and, to the extent possible, establishing adequate division of duties. The IAO further recommended that the verifiers, based in the regional office, routinely recast bank reconciliations as part of their standard review of imprest reports, to minimize the risk of fraudulent activity remaining undetected for a long period of time.

Accounting issues

39. Several recommendations of high and medium significance related to accounting issues in two field offices. One office needed to better monitor transactions made against suspense and advance accounts, to ensure that the sums are subsequently charged to the applicable projects. The other office needed to reconcile petty cash amounts monthly.
40. The ILO has recently issued a minute to all regions that clarified roles and responsibilities regarding monitoring of suspense accounts.

External collaboration contracts

Quality of performance

41. The ILO's instructions on external collaborators require that an assessment of the quality of performance and the results achieved be made following each contract. The IAO found a lack of compliance with this directive in at least two locations. Although certification was made that the work product had been delivered prior to payment, the IAO believes that further documenting the quality, timeliness, and consistency with the terms of reference serves to assist the ILO in hiring individuals for future work assignments who provide optimal value for money.

Human resources

Performance appraisals

42. Performance management plays an important part in helping the ILO deliver its objectives, and the IAO continues to include a review of compliance with the performance management system in its field audits. As reported in last year's IAO report to the Governing Body,¹ the Office introduced a web-based application to assist officials complete each stage of the performance cycle, with a report made available to regional office human resource staff and performance management focal points at country offices to facilitate monitoring of the performance cycle and follow-up. However, in spite of communications sent by HRD, at four locations, the IAO found that the relevant officials had no awareness of this report; therefore, they did not use it to ensure that performance appraisals for all staff were

¹ GB.323/PFA/8.

completed in a timely manner. During regional meetings of administrative staff, an awareness session should be held to promote the use of this monitoring application and how it can assist with the performance management process.

Information technology at field office locations

43. In one ILO office, non-standard software had been purchased for use in a technical cooperation project without review of INFOTEC. Although the purchase of non-standard software may meet local needs, using non-standard software over the ILO network may restrict the ability to integrate and leverage this software with standard Office applications, and increase security risks.
44. The Office should strengthen its procedure for those situations where a field office has purchased or developed local applications without adequate prior technical review by INFOTEC to confirm ILO IT security standards have been met, there is no duplication, and requiring office directors to subsequently provide confirmation basic IT standards have been respected. This confirmation should be provided on an annual basis during the lifetime of the application.

Business continuity planning

45. As reported in last year's IAO report to the Governing Body,² by the end of 2014 all business continuity planning (BCP) "play-books" had been received by the BCP coordinator at headquarters. This year, the IAO confirmed that business continuity plans existed in all the offices visited.
46. However, in two locations, the IAO identified the need to further test the plans already developed. By not performing tests of the plans, staff members in field offices run the risk of not being fully prepared to promptly restore business operations in the event of a disaster impacting the Office and surrounding area.

Seminars and workshops

47. In its review of a technical cooperation project in the field, the IAO found that no financial summary reports were prepared following workshops. Such reports serve to monitor expenditure, help determine value for money, and assist in ensuring that budgeting for future activities is reasonable.
48. The IAO called for greater sharing of seminar technical reports. In cases where mission reports are entered into an office's plone site or its shared IT drive, similar arrangements should be instituted for seminar reports. This would expand knowledge management and information sharing to ensure that the results obtained from workshops are propagated as widely as possible.

Follow-up of internal audit recommendations

Follow-up audit

49. In 2015, the IAO issued a follow-up audit report on the implementation status of the findings in the internal audit of the ILO Decent Work Technical Support Team and Country Office for Central American countries in San José, Costa Rica, issued in October 2012. The original audit report on DWT/CO-San José contained 52 recommendations. During the follow-up audit, the IAO found that the office had implemented 43 (or 83 per cent) of the

² GB.323/PFA/8.

recommendations. Of the remaining nine recommendations, eight were partially implemented and one was in progress.

50. During the audit, the IAO made a further nine recommendations, two of which addressed high-risk audit findings related to monitoring the completion of staff performance appraisals and ensuring that staff submit annual family status forms in a timely manner.

Office implementation reports

51. The IAO's analysis of the seven implementation reports provided by the Treasurer and Financial Comptroller, relating to audit reports the IAO issued in 2015, indicated that management has addressed 114 of the IAO's 121 recommendations issued for the offices audited. The Treasurer and Financial Comptroller identified that, of the 114 accepted recommendations, the Office fully implemented 69, or 61 per cent, and partially implemented seven recommendations (6 per cent). There were 35 recommendations (31 per cent) still in progress, and implementation of the further three recommendations (3 per cent) were deferred due to budget constraints.
52. Of these seven implementation reports, five were submitted within the six-month deadline, including two which were sent over two months early. Of the remaining two, one was two weeks late and the other was delayed by one month. In addition, implementation reports for six audits undertaken in 2014 were completed in 2015. The results for these reports were similar: two were finalized within the deadline; two were slightly late; and of the remaining two, one was closed two weeks after the deadline and the other was one-and-a-half months overdue. The IAO believes this still represents an improvement over previous years' results and indicates that the Office is addressing the internal control issues raised in audit reports.
53. An updated Office Procedure on follow-up to the IAO's recommendations was issued in December 2015 and requires that, as of the current biennium, units responsible for implementing oversight recommendations must provide action plans within three months of the issuance of the audit report, and all audit recommendations accepted by management must be implemented within six months of the report's date. This new deadline should ensure that internal audit reports receive prompt attention, and underpins the Office's commitment to implementing audit recommendations in a timely manner to address the issues requiring action.

Summary of investigation results

Investigation reports issued in 2015

54. Of the 30 cases received by IAO during the year and six brought forward from 2014, the breakdown is as follows:
- 12 allegations were unsubstantiated;
 - 11 allegations were substantiated;
 - two cases were not further investigated, but were referred to other services;
 - one investigation was discontinued due to lack of evidence; and
 - ten carried forward under review.

Lessons learned from investigations

55. The investigations carried out in 2015 identified a number of key lessons learned:

- the need for improved and consistent monitoring of implementing agents and other collaborators;
- improved awareness of issues relating to ethical matters such as conflict of interest or perception of conflict of interest;
- improved controls over SHIF payments; and
- strengthening the ILO's policy on personal use of ILO-owned IT equipment, including encouraging staff to complete the online IT security training course (this should be mandatory for officials who travel with ILO-owned IT equipment).

Revised Internal Audit Charter and new Investigation Charter

56. Appendix III contains the proposed revised Internal Audit Charter along with a separate and new Investigation Charter. The proposal to develop a separate charter delineating the investigation work, which the IAO already performs, underpins the IAO's mandate and is in line with the practice in other United Nations organizations. The two attached Charters are included for the Governing Body's decision.

Appendix I

List of internal audit reports issued in 2015

Index No.	Audit reference	Date issued	
ILO			
1.	The IAO revised biennium audit plan for 2015	IA 1-6 (2015)	04.02.2015
2.	Report on the internal audit of the ILO Regional Office for Arab States and DWT–Beirut	IAO/82/2015	04.03.2015
3.	Report on the Internal Audit of applying the G20 Training Strategy Technical Cooperation Project	IAO/95/2015	01.04.2015
4.	Report on the Internal Audit of the ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia in Moscow, Russian Federation	IAO/94/2015	10.04.2015
5.	Report on the internal audit of treasury and e-banking security at ILO headquarters	IAO/92/2015	21.05.2015
6.	Report on the internal audit of the ILO Country Office–Jakarta	IAO/96/2015	22.05.2015
7.	Report on the internal audit of R4D (Dili, Timor-Leste)	IAO/97/2015	22.05.2015
8.	Report on the internal audit of governance at ILO headquarters	IAO/98/2015	23.06.2015
9.	Report on SHIF claims review	IAO/99/2015	25.08.2015
10.	Minute Pretoria lessons learned	Inv/139/2015	27.08.2015
11.	Internal audit of procurement	IAO/100/2015	09.10.2015
12.	Follow-up to the report on the internal audit of the ILO Decent Work Technical Support Team and Country Office for Central America in San José, Costa Rica	IAO/101/2015	12.10.2015
Turin Centre			
1.	Turin Centre 2015 audit planning memorandum	IA-TC-45 (2015)	04.03.2015
2.	Report on the internal audit of procurement at the International Training Centre of the ILO in Turin	IA-TC-48 (2015)	28.08.2015
3.	Report on the internal audit of publications services at the International Training Centre of the ILO in Turin	IA-TC-49 (2015)	22.10.2015

Appendix II

Summary of recommendations

The IAO recommends that the Office continues to assess ways to share lessons learned from control issues identified during audits of regional offices and headquarters departments, and communicates specific initiatives to implement recommendations during Regional Meetings. The IAO shall continue to work with management, as appropriate, to take this recommendation forward.

Enterprise risk management

The IAO welcomes the firm establishment of risk management in the ILO, and recommends that those departments that have not established a risk register do so as soon as is practical.

Third-party reporting

To help ensure that the implementing agent and other collaborators are aware of the ILO's reporting requirements, the IAO recommends that an instruction manual on key reporting requirements be developed to guide all implementing agents in the future on minimum financial and technical reporting.

Internal governance

As ethics is a key component of good governance, the IAO suggests that surveys such as the one undertaken in 2013 be conducted on a periodic basis to gauge the general awareness of the ILO's policies and practices in this area.

Procurement bureau

The IAO recommends that as posts become vacant and required to be filled (*in the ILO's Procurement Bureau*), they should be filled by staff with the appropriate qualifications in the procurement profession.

Statistics provided to the IAO showed that procurement arising from technical cooperation activities is increasing placing greater demands on PROCUREMENT. The Office should consider, for those projects with a high procurement element, adopting a practice of including a dedicated budget for procurement needs.

Field audits: Performance appraisals

In spite of the report made available by HRD to regional office human resource staff and performance management focal points at country offices to facilitate monitoring of the performance cycle and follow-up, at four locations, the IAO found that the relevant officials had no awareness of this report and did not use it to ensure that performance appraisals for all staff were completed in a timely manner. During regional meetings of administrative staff, an awareness session should be held to promote the use of this monitoring application and how it can assist with the performance management process.

Information technology at field office locations

The Office should strengthen its procedure for those situations where a field office has purchased or developed local applications without adequate prior technical review by INFOTEC to confirm ILO IT security standards have been met, there is no duplication, and

requiring office directors to subsequently provide confirmation basic IT standards have been respected. This confirmation should be provided on an annual basis during the lifetime of the application.

Appendix III

Revised Audit Charter and new Investigation Charter

Office of Internal Audit And Oversight

ILO Internal Audit Charter

Purpose

1. The purpose of this Charter is to set out the Office of Internal Audit and Oversight's (IAO) mission, mandate and responsibilities within the ILO's regulatory framework. The IAO's audit and investigations functions are governed by article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules. The Chief Internal Auditor has overall responsibility to carry out these functions.
2. This document should be read in conjunction with the ILO Investigation Charter. It supersedes and replaces the Audit Charter of April 2010.

Mission

3. The IAO's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

Scope of work

4. The IAO provides the Director-General and the Governing Body with independent, objective, expert advice and assurance in order to add value and improve the ILO's operations. The IAO makes recommendations with a view to improving internal governance, risk management, internal control, stewardship, and accountability. In addition, the IAO's mandate includes responsibility to conduct investigations into allegations of financial or administrative misconduct and other irregular activities.
5. The IAO mandate covers all programmes, projects, operations budgets, funds and activities undertaken by the ILO at its headquarters, regional, country and other offices, regardless of the source of funding or location. The IAO has full, free and prompt access to all records, data, property, premises, personnel, operations, functions, and any other material which, in the opinion of the Chief Internal Auditor, are relevant to the matter under review.
6. Under normal circumstances, internal audit and investigation activities are carried out by members of the IAO. In cases of special need, IAO resources may be assisted by other suitable staff within the Office, or by external consultants.
7. In order to maintain an impartial, unbiased attitude and avoid conflicts of interest, the Chief Internal Auditor and personnel of the IAO, as well as other persons or external consultants assisting the IAO, are not authorized to be involved in the day-to-day operational or managerial activities of the Office.

Internal audit activities

8. The IAO conducts its internal audit activities in conformity with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (IIA Standards), as regularly updated. In order to comply with IIA standards, the IAO shall be subject to external quality reviews as stipulated by the standards.
9. The IAO may undertake all types of internal audit activities, including operational, financial, compliance and performance audits. The IAO's biennial activities shall be determined by a

risk assessment, which underpins the IAO's biennial plan. Appraisals conducted by the IAO may include, but not necessarily be limited to:

- (a) the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - (b) the effectiveness of the management controls and systems used to account for and safeguard the Office's assets, and as appropriate, verify the existence of assets;
 - (c) the internal control systems established to ensure compliance with the Office policies and procedures;
 - (d) the operations of the Office to ensure that the necessary processes and internal controls are in place to utilize its resources economically and effectively.
10. The IAO shall prepare reports on the results of its audits and provide recommendations for improvement which shall be discussed with the responsible manager of the entity under audit, and other managers as deemed appropriate. Management shall be given the opportunity to respond within a reasonable period of time.
11. The Office of the Treasurer and Financial Comptroller takes the lead role to follow-up with responsible managers to monitor that corrective actions have been taken to address issues raised in internal audit reports. The IAO shall conduct follow-up audits as and when necessary.
12. The IAO shall provide advisory services to the Office as and when requested.

Authority

13. When conducting internal audit assignments, IAO personnel have full authority to:
- (a) Determine the areas subject to audit and the determination of audit scope, the allocation of resources, and the determination of the audit techniques to be utilized in achieving internal audit objectives.
 - (b) Obtain full, free and prompt access to all records, documents, personnel and physical assets relevant to the subject under review.
 - (c) Communicate directly with all levels of staff and management in order to discharge the IAO's responsibilities.
 - (d) The right to request any staff member to furnish all information and explanations that IAO deem necessary to discharge its responsibilities.

Appointment or termination of the Chief Internal Auditor

14. The Chief Internal Auditor is appointed in accordance with article 4.2(d) of the ILO Staff Regulations, which provides that the position shall be filled by the Director-General after consultation with the Governing Body. Article 11.1 of the Staff Regulations provides that the Director-General shall consult with the Governing Body before terminating the appointment of the Chief Internal Auditor. Consultation with the Governing Body shall include consideration of any advice that the Independent Oversight Advisory Committee (IOAC) may provide.

Responsibility of the Chief Internal Auditor

15. The Chief Internal Auditor is functionally and operationally independent but reports to, and is organizationally accountable to, the Director-General for the provision of internal audit and investigation functions and services in accordance with this Charter. The Chief Internal Auditor also has unrestricted access to the Chair of the Independent Oversight Advisory

Committee (IOAC). The Chief Internal Auditor is responsible for the work of the IAO and is required to:

- (a) Effectively manage the IAO to ensure it adds value to the Office.
 - (b) Submit an annual report to the Director-General, copying the IOAC, for presentation to the Governing Body, reflecting the results of audit work performed, and reporting on the results of corrective actions taken by management to address matters arising in previous audit reports. Any significant risk exposures, control issues and governance issues identified by the IAO shall be included in the annual report.
 - (c) Submit a risk-based biennial internal audit workplan to the Director-General. The audit plan shall first be submitted to the IOAC for its review and then to the Director-General. The submission shall reflect advice that the IOAC may have provided to the Chief Internal Auditor. Should changing circumstances indicate a reprioritization of audit focus during the biennium, the audit plan shall be amended accordingly and the Director-General informed.
 - (d) Ensure that all IAO activities comply with the IIA Standards.
 - (e) Adopt best practices in discharging the Internal Audit and Oversight function, and keep management informed of emerging trends in best practice.
 - (f) Ensure that the IAO is staffed with professional and support staff that possess sufficient skills, experience and other competencies needed to fulfil the mandate of the IAO and to maximize the efficiency and effectiveness with which those resources are used.
 - (g) Ensure that internal audit assignment activities are performed with proficiency and due professional care.
 - (h) Liaise with the External Auditor to foster a cooperative and professional working relationship, optimize audit coverage while as far as possible avoiding the duplication of audit efforts. The Chief Internal Auditor and the External Auditor shall also share information such as internal and external audit workplans and all reports produced by both the IAO and the External Auditor.
 - (i) Meet with the IOAC during its regular sessions and as requested by either party participate in a private session.
 - (k) Meet with the Director-General on a regular basis, and periodically attend Senior Management Team (SMT) meetings, as and when required.
 - (l) Promote the work of the IAO through outreach, participation in meetings and holding awareness sessions on anti-fraud and/or other significant audit matters.
 - (m) Ensure that a quality assurance and improvement programme that covers all aspects of IAO activities is established.
16. The performance of the Chief Internal Auditor shall be evaluated in accordance with the established regulations, rules and practices of the ILO's performance management system. In assessing the performance of the Chief Internal Auditor, the IOAC may provide advice to the Director-General on the Chief Internal Auditor's performance and that of the audit function.

Amendment of ILO Internal Audit Charter

17. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date. This Charter is approved by the Governing Body, after consultations with the Director-General.
18. Any amendment of this Charter is subject to the approval of the Governing Body after consultations with the Director-General.

Office of Internal Audit And Oversight

ILO Investigation Charter

Purpose

1. The purpose of this Charter is to set out the Office of Internal Audit and Oversight's (IAO) audit and investigation functions, which are governed by Article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules and carried out under the overall responsibility of the Chief Internal Auditor.
2. This document should be read in conjunction with the ILO Internal Audit Charter.

Investigations

3. In accordance with Chapter XIV of the Financial Rules, the IAO is responsible for the conduct of ILO investigation activities concerning allegations of fraud, presumption of fraud or attempted fraud. The IAO shall also be available to receive directly from individual staff members complaints or information concerning the possible existence of waste, abuse of authority or other irregular activities. The IAO is not responsible to conduct investigations into those areas for which there is separate provision (e.g., workplace complaints such as harassment, personnel grievances arising from administrative decisions and allegations of whistle-blower retaliation).
4. The investigation function of the IAO forms part of the ILO's accountability framework, which is based on the ILO's regulations, rules, directives and procedures. An investigation is administrative in nature and a fact-finding exercise. The IAO's investigation activities shall always be objective, fair, impartial, and conducted with strict regard to confidentiality, respect for individual rights and obligations, and the presumption of innocence.
5. The IAO conducts its investigation activities in conformity with the *Uniform Principles and Guidelines for Investigations* as adopted and regularly updated by the Conference of International Investigators of International Organizations and Multilateral Financial Institutions.
6. The IAO shall be required to complete investigations and submit investigation reports as soon as possible, based on the priority and complexity of the case and available resources.
7. The IAO does not make recommendations on disciplinary measures. The separation of functions between fact-finding investigation and any subsequent disciplinary consideration and action provides the necessary checks and balances for the proper and fair administration of the ILO's regulatory system.
8. In accordance with the ILO Internal Audit Charter, the general responsibilities of the Chief Internal Auditor with respect to investigations are as follows:
 - (a) ensuring that investigatory work is carried out in conformity with the *Uniform Guidelines for Investigations* as adopted and regularly updated by the Conference of International Investigators of International Organizations and Multilateral Financial Institutions;
 - (b) conducting investigations with proficiency and due professional care;
 - (c) reporting any case of fraud, presumptive fraud or attempted fraud to the Director-General through the Treasurer and Financial Comptroller;
 - (d) respecting confidentiality and applying the ILO's whistle-blower protection policy when receiving allegations;

- (e) ensuring that investigations are conducted by appropriately experienced and qualified professional staff and external consulting services with contemporary investigation skills.

Authority

- 9. When conducting investigations, IAO staff and third parties acting on its behalf have full authority to:
 - (a) assume responsibility for the conduct of ILO investigation activities with respect to allegations of fraud, presumption of fraud or attempted fraud, possible existence of waste, abuse of authority or other irregular activities;
 - (b) obtain full, free and prompt access to all records, documents, personnel and physical assets relevant to the investigation being conducted;
 - (c) communicate directly with all levels of staff and management in order to discharge the IAO's responsibilities;
 - (d) request any staff member to furnish all information, documents, electronic data, and explanations that the IAO deem necessary to discharge its responsibilities;
 - (e) ensure due process is followed by respecting the rights of the individual(s) or third parties subject to an investigation and of the person(s) or entity that brought the allegations to the attention of the Treasurer and Financial Comptroller or the Chief Internal Auditor.
- 10. On completion of an investigation the Chief Internal Auditor shall submit a report, detailing the findings of the investigation to the Director-General and, as appropriate, the Treasurer and Financial Comptroller or the Director of the Human Resources Development Department. In exceptional cases the Chief Internal Auditor may deem it appropriate to submit a report to the Governing Body. Should the report substantiate allegations made the matter shall follow ILO's established procedure to determine if a disciplinary sanction is merited.

Amendment of the ILO Investigation Charter

- 11. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date. This Charter is approved by the Governing Body, after consultations with the Director-General.
- 12. Any amendment of this Charter is subject to the approval of the Governing Body after consultations with the Director-General.