



Governing Body

350th *bis* Session, Geneva, 3 June 2024

Programme, Financial and Administrative Section

PFA

Audit and Oversight Segment

Date: 13 May 2024

Original: English

Second item on the agenda

Proposed amendments to the terms of reference of the Independent Oversight Advisory Committee

Purpose of the document

This document contains the proposed amendments to the terms of reference of the Independent Oversight Advisory Committee, as well as the options for its future membership rotation, for the Governing Body's approval (see the draft decision in paragraph 8).

Relevant strategic objective: Not applicable.

Main relevant outcome: Enabler B: Improved leadership and governance.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Follow-up action required: IOAC membership appointments and extensions to be submitted to the Governing Body for approval at its 352nd Session (October–November 2024).

Author unit: Office of the Treasurer and Financial Comptroller.

Related documents: [GB.341/PFA/8](#); [GB.350/PFA/6](#).

► Background

1. At its 350th Session (March 2024), the Governing Body considered the Independent Oversight Advisory Committee (IOAC)'s annual report for the period from February 2023 to January 2024,¹ and took note that the Committee had undertaken a review of its terms of reference and would submit any proposed amendments to the 350th *bis* Session of the Governing Body in June 2024.

► Proposed amendments

2. The Appendix of the present paper contains the proposed amendments to the terms of reference, which address the following key points:
 - **Chief Internal Auditor:** A footnote has been added to reflect that the Chief Internal Auditor, who is also the Director of IAO (Office of Internal Audit and Oversight), covers the functions of internal audit, investigation and inspection. As such, the title "Director of IAO" is used in all subsequent paragraphs.
 - **Ethics:** The Committee's role on ethics has been more accurately reflected, which includes:
 - (a) advising the Governing Body and the Director-general on the independence, effectiveness and objectivity of the ethics function;
 - (b) reviewing the scope, plan, resources, policies, performance of the ethics function and the appropriateness of its independence; and
 - (c) providing advice to the Director-General on the performance, appointment and/or termination of the Ethics Officer
 - **Internal audit and investigation:** The element concerning the function of providing advice to the Governing Body in cases of allegation of misconduct or allegation of retaliation concerning the Director-General has been moved out of this item in paragraph 3(d) and listed as a separate item under paragraph 3(e).
 - **Knowledge and skills of the IOAC members:** Some additions are proposed on financial reporting, investigation, programme evaluation and internal controls.
 - **IOAC selection process:** A provision has been added for the Governing Body selection panel to consult with the current IOAC members on the competencies of the candidates.
 - **Number and modality of meetings:** An amendment has been proposed to state that there are three regular Committee meetings per year, with any additional meetings to be held in virtual format. The most appropriate timing and location of the meetings will depend on the agreed workload of the Committee.
 - **Membership rotation:** An amendment has been proposed to limit the maximum number of members to be replaced to two (instead of three) at any given time, ensuring continuity

¹ GB.350/PFA/6.

in the Committee membership with better retention of knowledge and a more efficient interaction with the Governing Body and the Office.

3. The current rotation policy provides for the five members to be replaced after two three-year terms, resulting in a six-year maximum term on the IOAC. Given the current methodology, this results in a split of three members leaving at the end of one term (for example, 31 December 2024), with two members leaving at another (for example, 31 December 2027). This reduces the efficiency of the IOAC as the arrival of three new members at the same time requires a large transition of knowledge.
4. In this connection, the IOAC had proposed that the timing of the replacements be staggered under two options to reduce the impact of change and the work of the IOAC. Neither of the two options will have a budgetary impact to increase the costs for the independent selection process, which will continue to be run at a three-year interval to support a new appointment cycle. The two options proposed on changing the replacement cycle over the three-year term period are as follows:
 - (a) Option A (2-1-0): replace two members in year 1, then one member in year 2. Year 3 would have no changes, with a new selection process for the next period. As an interim impact, this requires the extension of one existing IOAC member for one year; or
 - (b) Option B (1-1-1): replace one member in year 1, one member in year 2, then one member in year 3, with a new selection process for the next period. As an interim impact this requires the extension of two existing IOAC members, one for two years and one for one year.
5. Given the potential timing difference from the selection process to the point of appointment, under both options, it is proposed that the Governing Body Selection Panel continue to keep four candidates on the reserve list. In case of confirmed non-availability of the candidate appointed by the Governing Body for a future year, the IOAC members would conduct a mini evaluation from among the candidates on the reserve list pre-approved by the Governing Body, taking into account the need to replace the skills of the outgoing member, and inform the Governing Body of their selection.
6. Comments from the Governing Body groups were received from the informal consultations undertaken in March–April 2024 on the proposed amendments described in paragraph 2 above, as well as on the options for future membership rotation. The Office has taken these comments into account and reflected them as track changes contained in the Appendix of the present document.
7. On behalf of the IOAC, the Office submits the options for future membership rotation to the Governing Body for debate, guidance and decision.

► Draft decision

8. **The Governing Body:**
 - (a) **approved the proposed amendments to the terms of reference of the Independent Oversight Advisory Committee, as contained in the Appendix to document GB.350bis/PFA/2, which would take effect as of the date of approval;**
 - (b) **approved [Option A/Option B] of the Committee's future membership rotation as per paragraph [4(a)/4(b)] of document GB.350bis/PFA/2.**

► Appendix

Terms of reference for the Independent Oversight Advisory Committee of the International Labour Office ¹

Purpose

1. The Independent Oversight Advisory Committee (IOAC) is a subsidiary body of the Governing Body. It serves in an expert advisory capacity and provides independent, external, senior level, expert advice to the Governing Body and to the Director-General in fulfilling their governance responsibilities, including ensuring the effectiveness of the International Labour Office's (ILO) internal control systems, risk management and governance processes. The IOAC aims to add value by strengthening accountability and governance within the ILO.
2. The IOAC will provide advice to the Governing Body and the Director-General on:
 - (a) the quality and the level of financial reporting, governance, risk management, and internal controls in the ILO;
 - (b) the responses and actions taken by ILO management on the external audit and the Office of Internal Audit and Oversight (IAO) recommendations, as well as Joint Inspection Unit recommendations as appropriate;
 - (c) the independence, effectiveness and objectivity of the external audit, ~~and~~ the IAO and ethics functions and their coordination with other oversight functions including ~~ethics and~~ evaluation; and
 - (d) the interaction and communication between the Governing Body, the External Auditor, the Chief Internal Auditor ²/Director of IAO, the Ethics Officer, the Director of the Evaluation Office (EVAL) and ILO management.

Responsibilities

3. The specific responsibilities of the IOAC include advising the Governing Body and the Director-General on the following:
 - (a) Financial statements: issues arising from the audited financial statements and reports produced by the External Auditor for the Governing Body.
 - (b) Accounting: the appropriateness of accounting policies, standards and disclosure practices and any changes and risks thereto.
 - (c) External audit: the scope, plan and approach of the External Auditor's work. The IOAC may be requested by the Governing Body to provide advice on the appointment of the External Auditor.
 - (d) Internal audit and investigation: the scope, plan, resources, policies and performance of both functions, and of the ~~Chief Internal Auditor~~Director of IAO, and the appropriateness of the independence of these functions. The Governing Body may request the IOAC to

¹ As revised by the Governing Body at its 341st Session (March 2021).

² Covering the functions of internal audit, investigation and inspection.

provide advice on the performance, appointment and/or termination of the ~~Chief Internal Auditor~~Director of IAO.

- (e) The IOAC may also provide advice to the Governing Body in cases of allegation of misconduct or allegation of retaliation concerning the Director-General.
- (f) Ethics: the scope, plan, resources, policies, performance of the ethics function and the appropriateness of its independence. The Director-General may request the IOAC to provide advice on the performance, appointment and/or termination of the Ethics Officer.
- (ge) Risk management and internal controls: the effectiveness of the ILO's internal control systems, including the Office's risk management and internal governance practices.
- (hf) Financial regulations and rules: the operation and effectiveness of the Financial Regulations and Financial Rules.
- (ig) Compliance and probity: the systems established by the ILO to maintain and promote compliance with laws, regulations, policies and high standards of integrity, accountability and ethical conduct. ~~The Director-General may request the IOAC to provide advice on the performance, appointment and/or termination of the Ethics Officer.~~
- (jh) Perform any other duties consistent with the mandate as requested by the Governing Body.

Authority

4. The IOAC shall have all the necessary authority, including free and unrestricted access to information, records or staff within the ILO in order to fulfil its responsibilities.
5. The IOAC will have unrestricted and confidential access to the ~~Chief Internal Auditor~~Director of IAO and the External Auditor, the Ethics Officer, and vice versa.
6. Any proposed amendment to these terms of reference shall be submitted to the Governing Body for approval before becoming effective.
7. The IOAC, as an advisory body, has neither executive authority nor other operational responsibilities.

Composition

8. The IOAC shall comprise five independent expert members serving in their personal capacity.
9. Professional competence, experience and integrity shall be of paramount consideration in the selection of members. Membership shall reflect the tripartite and international nature of the International Labour Organization and have due regard to:
 - (a) geographical distribution;
 - (b) gender balance;
 - (c) public- and private-sector experience; and
 - (d) developed and developing countries.
10. All IOAC members should have experience and appropriate qualifications as a senior oversight professional, auditor or senior financial manager.
11. All IOAC members shall be proficient in at least one of the three working languages of the ILO.

12. To undertake their role effectively, members of the IOAC should possess knowledge, skills and senior-level experience in at least one of the following areas:
 - (a) ~~finance~~ financial management and reporting, ~~and~~ audit and investigation;
 - (b) organization governance and accountability structure, including ~~investigation~~, ethics, programme evaluation ~~and~~ risk management and internal controls;
 - (c) senior-level management;
 - (d) the organization, structure and functioning of the United Nations system and/or other intergovernmental organizations; and
 - (e) a general understanding of the ILO's mandate, values and objectives.

Collectively, the committee should possess knowledge, skills and senior-level experience in all of the above areas.
13. Members should have, or acquire rapidly, an understanding of the mandate, values and objectives of the Organization, its tripartite governance and accountability structure and the relevant rules governing it, and its organizational culture and control environment.

Independence

14. Since the role of the IOAC is to provide objective advice, members shall remain independent of the International Labour Office, the Governing Body and the International Labour Conference, and shall be free of any real or perceived conflict of interest.
15. Members of the IOAC shall:
 - (a) not hold a position or engage in any activity that could impair their independence from the ILO;
 - (b) not currently be, or have been within the five years prior to appointment to the IOAC, employed or engaged in any capacity by the ILO, or have an immediate family member (as defined by the ILO Staff Regulations) working for, or having a contractual relationship with, the ILO, nor shall the member have been an applicant for employment at the ILO within the same time period;
 - (c) not currently be, or have been within the three years prior to appointment to the IOAC, a member of the ILO Governing Body nor have an immediate family member (as defined by the ILO Staff Regulations) serving as a member of the ILO Governing Body;
 - (d) not currently be, or have been within the three years prior to appointment to the IOAC, an employee of a member of the United Nations Panel of External Auditors or a member of the Joint Inspection Unit; and
 - (e) not be eligible, nor an immediate family member, for any senior employment with the ILO for at least five years immediately following the last day of their tenure on the IOAC.
16. IOAC members shall serve in their personal capacity and shall not seek or accept instructions in regard to their work on the IOAC from any government, constituent or other authority internal or external to the ILO.
17. Prior to the first scheduled meeting of the IOAC in each calendar year, members of the IOAC shall sign an annual declaration of independence and statement of financial interests (annex). Members shall also inform the Director-General of any change in their professional situation, or any other matter that could be perceived to influence their independence or capacity to act.

Selection, appointment and term

18. Members of the Committee shall be appointed by the Governing Body following a triennial tripartite selection process as set out in the following paragraphs.
19. The Director-General shall:
 - (a) place a call for expressions of interest from suitably qualified and experienced individuals through, inter alia, advertisements in reputable international magazines and/or newspapers with wide geographical circulation, and on the Internet; and
 - (b) inform ILO Governing Body members and other member States of the search process.
20. The Director-General shall engage an external consultant, specialized in the recruitment for senior positions, to screen all applications, interview candidates deemed suitable, and prepare a shortlist of the most suitable candidates (at least 10, ideally, and not exceeding 15) based on the criteria contained in paragraphs 10–12 above. In finalizing the shortlist, the consultant shall have regard to the diversity referred to in paragraph 9. The consultant shall also provide a report containing a brief assessment of the unsuccessful candidates. The consultant will be engaged following a competitive procurement process in accordance with the ILO's Financial Rules and related procedures, the results of which shall be reported to the Governing Body.
21. A selection panel (comprising a representative of the Government group chair, representatives of regional groups, the Employers' group and Workers' group) shall receive the consultant's report, review the shortlisted candidates, taking into account the criteria contained in this document, and propose a list of candidates, equal to the number of current vacancies on the IOAC, to the Officers of the Governing Body. The selection panel may consult with the current IOAC members on the list of candidates as to the competencies required to replace the outgoing members. The information to be provided to the Officers shall include each candidate's name, gender, nationality, qualifications and professional experience. The decisions of the selection panel will be made to the extent possible by consensus. If there is no consensus the issue will be referred to the Officers.
22. The Officers shall review the proposal and, if in agreement, refer it to the Governing Body for final consideration and approval.
23. The selection panel shall also create and retain a list of at least four suitably qualified and diverse candidates for consideration by the Officers and the Governing Body, in order to propose alternative candidates should any candidate of the first list not be approved by the Officers or the Governing Body, or to fill a vacancy arising for any unforeseen reason (for example resignation or incapacity) during the term of the Committee.
24. Members of the IOAC are appointed to serve for a term of three years, renewable for a second and final term of three years, which need not be consecutive. To ensure continuity of membership, at the end of each term, a maximum of two ~~or three~~ members shall be replaced. ~~Where an insufficient number of members is completing a second term of membership, the drawing of lots will determine which members shall be eligible for reappointment.~~
25. New members should have a structured induction programme organized by the ILO Secretariat in consultation with current IOAC members, which provides an understanding of the objectives of the Organization, its structure and culture, and the relevant rules governing it.
26. The Chairperson shall be selected by the IOAC members from among their number and shall serve in this capacity for a maximum of one three-year term.

27. A member of the IOAC may resign his/her membership by giving notice in writing to the Chairperson of the Governing Body. A special temporary appointment for the remainder of the outgoing member's term shall be made in accordance with the provisions set out in paragraphs 23 ~~and 27~~ to cater for such a vacancy.
28. A member appointed by the Governing Body during the term of the Committee shall serve the remainder of the term of the outgoing member and shall be eligible for reappointment to the IOAC for a second and final term.
29. An appointment to the IOAC may only be revoked by the Governing Body.

Meetings

30. The IOAC shall meet, at least three times per year, normally in January, May and September, ~~and up to four times per year~~. The exact number of meetings per year will depend on the agreed workload for the IOAC and the most appropriate timing ~~and location for consideration of specific matters~~. Where ~~a fourth~~additional meetings ~~are~~is required, ~~they~~ it shall be conducted in virtual format, unless the overall budget allocation allows for an additional in-person meeting. Interpretation shall be provided during the meetings, as necessary, in the three official languages of the ILO.
31. Subject to these terms of reference, the IOAC may establish its own rules of procedure to assist its members in executing their responsibilities. The IOAC rules of procedure shall be communicated to the Governing Body for its information.
32. The IOAC's deliberations shall be through group discussion. As such members are expected to attend all scheduled sessions of the Committee. As members serve in a personal capacity, alternates are not permitted. The quorum for the IOAC is three members.
33. The Director-General, External Auditor, Treasurer and Financial Comptroller, ~~Chief Internal Auditor~~Director of IAO and the Ethics Officer, or their representatives, shall participate in meetings when invited by the IOAC. Other ILO officials with functions relevant to the items on the agenda of the IOAC may likewise be invited.
34. The deliberations of the IOAC and the minutes of its meetings are confidential. All documents and information submitted to or obtained by the members shall be used solely for the purposes of the IOAC deliberations and shall be treated as confidential.

Reporting

35. The Chairperson of the IOAC will present an annual report containing advice, observations and recommendations as appropriate, both in writing and in person, for consideration by the Governing Body at its March session.
36. Interim reports addressing key findings and matters of importance may be submitted to the Governing Body at the discretion of the IOAC or request of the Governing Body, at any time. The Chairperson of the IOAC may inform the Officers of the Governing Body at any time of any serious governance issue. The Chairperson of the Governing Body shall also ensure consultations with the Government group of the Governing Body.

Self-assessment and continuous review

37. The IOAC shall perform annually a self-assessment on its effectiveness relative to its terms of reference and report to the Governing Body the results of all self-assessments.

38. On a periodic basis or at least once every three years, in order to ensure that emerging priorities and best practices are identified, the IOAC shall review its terms of reference and propose amendments to the Governing Body as necessary.

Administrative arrangements

39. Members of the IOAC will provide their services pro bono.
40. Members of the IOAC shall, in accordance with the travel procedures applying to members of the Governing Body:
 - (a) receive a daily subsistence allowance for periods of attendance at IOAC meetings or when on other official IOAC business; and
 - (b) for those not resident in the Canton of Geneva or neighbouring France, be entitled to reimbursement of travel expenses, to attend the IOAC sessions.
41. The Treasurer and Financial Comptroller's office will provide secretariat support to the IOAC.
42. The ILO shall include in its biennial budget a specific allocation for the IOAC, providing for the costs associated with the Committee's mandated activities, namely three to four formal sessions per year, attendance by IOAC members at Governing Body sessions and at other meetings as required, support by the IOAC Secretariat, and, as required, external consultants.

Indemnity of members

43. The ILO will indemnify and hold the members of the IOAC harmless from and against any claims, damages or losses suffered by them as a result of activities performed in the course of exercising their responsibilities, as long as those activities are performed in good faith and with due diligence and that the ILO is immediately informed of any situation in which such claims, damages or losses might arise.

Annex

International Labour Office

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 of the International Labour Office's Independent Oversight Advisory Committee (IOAC), 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.

I also declare that I have no personal, financial or other interests that could or could be seen to influence the advice I am giving in the course of my duties as a member of the IOAC.

To the best of my knowledge, no member of my immediate family has personal, financial or other interests that could or could be seen to influence the advice I am giving in the course of my duties as a member of the IOAC.

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

Signed: _____

Date: _____