▶ Appendix VI

Charter of the Office of Internal Audit and Oversight

Introduction

1. This document establishes the Charter of the Office of Internal Audit and Oversight (IAO) of the ILO. It specifies the purpose, mandate, professional standards, and operational and oversight responsibilities of the IAO.

2. The IAO fulfils an internal independent oversight function, as established under article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules (see annex). The Director of Internal Audit and Oversight discharges the responsibilities of the Chief Internal Auditor.

3. The Charter revises, consolidates and supersedes the ILO Internal Audit Charter and the ILO Investigation Charter. It comes into force on approval by the Governing Body. It is due to be reviewed at the latest in March 2030.

Purpose

4. The purpose of the IAO is to strengthen the ability of the ILO to create, protect and sustain value by:

   (a) providing the Director-General, ILO management and, through the annual report, the Governing Body, with independent, risk-based and objective assurance, advice, insight and foresight; and

   (b) conducting inspections and investigations into wrongdoing by ILO staff or others.

5. The IAO enhances the ILO's:

   (a) successful achievement of its objectives;

   (b) observance of its ethical standards and values;

   (c) governance, risk management and control processes;

   (d) safeguards against fraud, waste and abuse;

   (e) decision-making and oversight;

   (f) reputation and credibility with its stakeholders; and

   (g) ability to serve the global public interest.

6. The ILO is committed to an effective IAO, based on:

   (a) internal auditing and investigations that are performed by competent professionals in conformance with the Global Internal Audit Standards of the Institute of Internal Auditors or the Uniform Principles and Guidelines for Investigations of the Conference of International Investigators, as applicable;

   (b) the IAO being independently positioned, directly accountable to the Director-General and reporting at least annually to the Governing Body;

(c) the Independent Oversight Advisory Committee providing the Director-General and the Governing Body with independent, external, senior-level, expert advice, among its other responsibilities, on the independence, effectiveness and objectivity of the IAO; and

(d) the staff of the IAO, who are free from undue influence and committed to making objective assessments.

Mandate

Authority

7. The IAO's authority derives from its direct reporting relationship to the Director-General and the Governing Body, supported by expert advice from and monitoring by the Independent Oversight Advisory Committee. Such authority allows the Director of Internal Audit and Oversight:

(a) to have unrestricted access to the Director-General and the Independent Oversight Advisory Committee; and

(b) to report to the Governing Body annually, on any matters that the Director of Internal Audit and Oversight considers require the Governing Body's attention.

8. The Director-General authorizes the IAO to:

(a) have full and unrestricted access to all functions, data, records, information, physical property and personnel pertinent to carrying out its responsibilities, taking into account that the staff of the IAO are accountable for confidentiality and for safeguarding records and information;

(b) require any staff member to provide any information, documents, electronic data and explanations that the IAO deems necessary to discharge its responsibilities;

(c) allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques and issue communications to accomplish its objectives; and

(d) obtain the assistance from the staff of the ILO and other specialized services from within or outside the ILO needed to provide the services of the IAO.

Independence, organizational position and reporting relationships

9. The Director of Internal Audit and Oversight will be positioned at a level in the Organization that enables IAO services and responsibilities to be performed without interference from management, thereby establishing the independence of the IAO. The Director will report functionally and administratively to the Director-General. This positioning, with the monitoring and expert advice from the Independent Oversight Advisory Committee, and the authority to submit reports to the Governing Body, supports the ability of the IAO staff to maintain objectivity and provides it with the organizational authority and status to bring matters directly to senior management and to escalate matters to the Director-General or to the Governing Body when necessary and without interference.

10. The Director of Internal Audit and Oversight will confirm annually the organizational independence of the IAO in a statement issued to the Director-General, copied to the Independent Oversight Advisory Committee, and to the Governing Body. If the governance structure does not support organizational independence, the Director will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

11. The Director of Internal Audit and Oversight may disclose to the Director-General any interference that staff of the IAO encounter related to the scope, performance or communication of work and results of the IAO. The disclosure will include communicating the implications of such interference on the IAO's effectiveness and ability to fulfil its mandate. The Director of Internal Audit and Oversight may also advise the Independent Oversight Advisory Committee and the Governing Body of the matter.

Commitment to professional standards

12. The IAO will adhere to the mandatory elements of the International Professional Practices Framework of the Institute of Internal Auditors, including the Global Internal Audit Standards, Topical Requirements and the Uniform Principles and Guidelines for Investigations.

13. The Director of Internal Audit and Oversight will report in its annual report on the IAO's conformance with these standards, which will be assessed through a Quality Assurance and Improvement Programme.

Services provided by the IAO

14. The scope of the IAO's services covers the entire breadth of the Organization [1] and extends across all locations and all of the ILO's departments, offices, outcomes, programmes, projects, activities, assets and staff. IAO activities encompass, but are not limited to, investigations, inspections, and assurance and advisory services. Investigations and inspections are conducted in conformity with the Uniform Principles and Guidelines for Investigations, and assurance and advisory services are provided in conformity with the Global Internal Audit Standards.

Investigations

15. The IAO investigates issues referred to it by the Director-General and allegations of wrongdoing such as fraud, attempted fraud and presumption of fraud, sexual exploitation and abuse, retaliation, abuse of authority and related forms of misconduct, unethical behaviour, and violations of ILO rules, regulations and policies. Such allegations are subject to investigation, whether committed by ILO officials, external collaborators, implementing partners, vendors or other third parties.

16. The IAO does not normally investigate workplace complaints such as harassment, discrimination or personnel grievances or disputes arising from administrative decisions. The IAO may, however, upon request by the Director-General, investigate allegations of harassment or discrimination when such allegations have been reported to it as misconduct and are not subject to a grievance under article 13.4 of the Staff Regulations.

17. The purpose of an investigation is to establish facts, gather evidence and provide analysis to determine whether the allegations are substantiated, and, to the extent possible, the entities or persons responsible.

18. 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.

[1] The IAO also provides assurance, advisory, investigation and inspection services to the International Training Centre of the ILO. This is the subject of a separate charter.

19. An IAO investigation report will not make recommendations on disciplinary measures. Responsibility for establishing the facts will be separated from deciding on the subsequent disciplinary action, in order to provide the checks and balances needed for the proper and fair administration of the ILO's regulatory system.

20. As part of its responsibilities for investigations, the IAO will maintain a hotline and other mechanisms so that ILO officials, external collaborators, implementing partners, vendors, resource partners, beneficiaries and other stakeholders and third parties can report allegations of wrongdoing directly to the IAO.

Inspections

21. Inspections are inquiries undertaken in an area with a high risk of fraud or related wrongdoing.

22. Inspections are narrower than audits and normally focus on compliance and quality. The conclusions of an inspection are referred for investigation or internal audit or to the relevant ILO management for information or further action.

Assurance services

23. The purpose of the IAO's assurance services is to increase stakeholder confidence in the adequacy and effectiveness of the ILO's governance, risk management and control processes over an issue, condition, subject matter or activity.

24. Assurance services are delivered through internal audit engagements. They may include evaluating whether:

    (a) risks relating to the achievement of the ILO's outcomes and strategic objectives are appropriately identified and managed;

    (b) the actions of ILO officials and contractors or other relevant parties comply with its policies, procedures, regulations and governance standards;

    (c) the results of operations and programmes are consistent with established goals, outcomes and objectives;

    (d) operations and programmes are being carried out effectively, efficiently and ethically;

    (e) established processes and systems enable compliance with the policies, procedures and regulations that could significantly impact the ILO;

    (f) the integrity of information and the means used to identify, measure, analyse, classify and report such information is reliable; and

    (g) resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Advisory services

25. The purpose of the IAO's advisory services is to support management decision-making, without providing assurance or assuming management responsibilities. The nature and the scope of the services are agreed with the relevant stakeholders. Advisory services include:

    (a) offering advice on the design, development and implementation of new policies, processes, systems, strategies and products;

    (b) providing insights on emerging trends and issues that may impact the Organization;

    (c) delivering training;

(d) participating in working groups and internal committees to share expertise and facilitate decision-making; and

(e) facilitating research on risks and controls.

Director of Internal Audit and Oversight: Roles and responsibilities

Ethics and professionalism

26. The Director of Internal Audit and Oversight will ensure that the staff of the IAO:

(a) conform with applicable professional standards, whether:

(i) the Uniform Principles and Guidelines for Investigations, especially with regard to confidentiality, due professional care, whistleblower protection, respect for individual rights and obligations, and the presumption of innocence; or

(ii) The Global Internal Audit Standards, including the principles of ethics and professionalism, namely: integrity, objectivity, competency, due professional care and confidentiality.

(b) understand, respect, meet, and contribute to the legitimate and ethical expectations of the Organization, and are able to recognize conduct that is contrary to those expectations; and

(c) report organizational behaviour that is inconsistent with the Organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

27. The Director of Internal Audit and Oversight will ensure that the IAO remains free from all conditions that threaten the ability of the staff of the IAO to carry out their responsibilities in an unbiased manner, including matters of the selection of investigations or audit engagements, scope, procedures, frequency, timing and communication. If the Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

28. IAO staff will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality and do not subordinate their judgement on audit or investigation matters to others, either in fact or appearance.

29. IAO staff will have no direct operational responsibility or authority over any of the activities they review. Accordingly, IAO staff will not implement internal controls, develop procedures, install systems or engage in other activities that may impair their judgement, including:

(a) assessing specific operations for which they had responsibility within the previous year;

(b) performing operational duties for the ILO or its affiliates;

(c) initiating or approving transactions external to the IAO; and

(d) directing the activities of any ILO employee that is not employed by the IAO, except to the extent that such employees have been appropriately assigned to an IAO team or to assist IAO staff.

30. IAO staff will:

(a) disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties, as prescribed in the Internal Audit Manual;

(b) exhibit professional objectivity in gathering, evaluating and communicating information;

(c) make balanced assessments of all available and relevant facts and circumstances; and

(d) take necessary precautions to avoid actual, perceived or perceivable conflicts of interest, bias and undue influence.

Managing the IAO

31. The Director of Internal Audit and Oversight has the responsibility to:

(a) develop and implement the internal audit strategy, ensuring alignment with the Organization's goals and risk management framework;

(b) at least biennially, develop a risk-based internal audit plan that considers the input of the Director-General and senior management, and reflects advice from the Independent Oversight Advisory Committee; discuss the plan with the Director-General, senior management and the Independent Oversight Advisory Committee; and submit the plan to the Director-General for review and approval;

(c) communicate the impact of resource limitations on the plan to the Director-General, senior management, the Independent Oversight Advisory Committee and the Governing Body;

(d) review and adjust the plan, as necessary, in response to allegations of wrongdoing received and changes in the ILO's outcomes and objectives, risks, operations, programmes, systems and controls;

(e) identify and consider trends and emerging issues that could impact the ILO and communicate to the Director-General, senior management and the Governing Body as appropriate;

(f) communicate with the Director-General, senior management, the Independent Oversight Advisory Committee and the Governing Body if there are significant interim changes to the plan;

(g) coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the Director of Internal Audit and Oversight cannot achieve an appropriate level of coordination, the issue must be communicated to the Director-General and the Independent Oversight Advisory Committee;

(h) consider emerging trends and successful practices in internal auditing and investigations;

(i) ensure that the IAO collectively possesses or obtains the knowledge, skills and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and the Uniform Principles and Guidelines for Investigations and fulfil the mandate of the IAO;

(j) develop procedures, manuals and other operating practices to ensure IAO services are performed, documented and communicated in accordance with the Global Internal Audit Standards or the Uniform Principles and Guidelines for Investigations, as applicable;

(k) establish and ensure adherence to methodologies designed to guide investigations, and assurance and advisory services; and

(l) ensure adherence to the ILO’s relevant policies and procedures; if such policies and procedures conflict with this Charter, the Global Internal Audit Standards or the Uniform Principles and Guidelines for Investigations, such conflicts will be documented and a proposal for alignment communicated to the Director-General.

32. The Office of the Treasurer and Financial Comptroller monitors the implementation of recommendations and decides whether actions are sufficient to address the audit finding and whether deadlines for implementation can be extended. The Director of Internal Audit and Oversight will monitor and report on the implementation of recommendations to the Director-General and to the Governing Body, with the information copied to the Independent Oversight Advisory Committee. The Director of Internal Audit and Oversight will assess and report on, as appropriate, the efficacity of the measures introduced.

Communication with the Governing Body, the Director-General and senior management

33. The Director of Internal Audit and Oversight will submit an annual report to the Director-General and senior management, and to the Governing Body, copied to the Independent Oversight Advisory Committee, regarding:

(a) the IAO’s mandate;

(b) the internal audit plan and performance relative to its plan;

(c) the IAO’s budget;

(d) the implementation status of the IAO’s recommendations;

(e) significant revisions to the internal audit plan and the budget of the IAO;

(f) potential impairments to independence, including relevant disclosures as applicable;

(g) the results of the Quality Assurance and Improvement Programme, which will include information on the IAO’s conformance with the Global Internal Audit Standards and the Uniform Principles and Guidelines for Investigations and the internal audit plan to address any deficiencies and opportunities for improvement;

(h) significant risk exposures and control issues, including fraud risks, governance issues and other areas of focus for the Director-General and the Governing Body that could affect the achievement of ILO’s outcomes and objectives;

(i) investigations undertaken and the results of assurance and advisory services;

(j) resource requirements; and

(k) the management’s responses to risks that the IAO determines may be unacceptable or acceptance of a risk that is beyond the ILO’s risk appetite.

34. The Director of Internal Audit and Oversight will make audit reports available for consultation by the Governing Body members in the offices of the IAO upon request to the Director-General, as set out in document GB.303/PFA/9/3 (November 2008).

Quality Assurance and Improvement Programme

35. The Director of Internal Audit and Oversight will develop, implement and maintain a Quality Assurance and Improvement Programme that covers all aspects of the IAO. The programme will include external and internal assessments of the IAO’s conformance with the Global

Internal Audit Standards and the Uniform Principles and Guidelines for Investigations, as well as performance measurement to assess the IAO's progress towards the achievement of its objectives and promotion of continuous improvement. The programme will also assess compliance with ILO rules and regulations relevant to investigations and internal auditing. Also, if applicable, the assessment will include plans to address the IAO's deficiencies and opportunities for improvement.

36. The Director of Internal Audit and Oversight will communicate with the Director-General and with the Governing Body, with the information copied to the Independent Oversight Assurance Committee, about the IAO's Quality Assurance and Improvement Programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

37. External assessments of investigatory, assurance and advisory services will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the ILO. For the external assessment of assurance and advisory services, at least one assessor must hold an active Certified Internal Auditor credential, with preference given for assessors with competencies and knowledge in the international public sector. A self-assessment will be conducted at the latest three years after the last external assessment.

Oversight of the IAO

Governing Body

38. To establish, maintain and ensure that the IAO has sufficient authority to fulfil its duties, the Governing Body will:

(a) approve the Charter of the IAO, which includes the IAO's mandate and the scope and types of services to be provided by the IAO;

(b) be consulted by the Director-General on the appointment of the Director of Internal Audit and Oversight and on the termination of their appointment, if the termination occurred on grounds other than resignation or retirement; and

(c) receive reports from the Director of Internal Audit and Oversight, with any comments from the Director-General that the Director-General deems appropriate.

Director-General

39. To establish, maintain and ensure that the IAO has sufficient authority to fulfil its duties, the Director-General will:

(a) discuss with the Director of Internal Audit and Oversight the appropriate authority, role, responsibilities, scope and services of the IAO;

(b) ensure that the Director of Internal Audit and Oversight has unrestricted access to, and can communicate and interact directly with, the senior management of the ILO and the Independent Oversight Advisory Committee, including in private meetings without senior management present;

(c) discuss with the Director of Internal Audit and Oversight other topics that should be included in the Charter of the IAO;

(d) participate in discussions with the Director of Internal Audit and Oversight about the "essential conditions" described in the Global Internal Audit Standards, which establish the foundation that enables an effective IAO;

(e) submit for approval by the Governing Body the Charter of the IAO, which includes its mandate and the scope and types of services it provides;

(f) review the Charter of the IAO at least annually with the Director of Internal Audit and Oversight to consider changes affecting the Organization, such as the employment of a new Director or changes in the type, severity and interdependencies of risks to the Organization;

(g) approve the risk-based internal audit plan;

(h) make appropriate inquiries of senior management, the Independent Oversight Advisory Committee and the Director of Internal Audit and Oversight to determine whether scope or resource limitations are inappropriate;

(i) review and approve the IAO's human resources administration and budgets;

(j) appoint the Director of Internal Audit and Oversight, after consultation with the Governing Body, ensuring the highest standard of competence, efficiency and integrity;

(k) consult the Governing Body before terminating the appointment of the Director of Internal Audit and Oversight on grounds other than retirement or resignation;

(l) review the performance of the Director of Internal Audit and Oversight;

(m) receive communications from the Director of Internal Audit and Oversight about the IAO, including its performance relative to its risk-based plan;

(n) attach comments to any report of the Director of Internal Audit and Oversight to the Governing Body, if he deems it appropriate; and

(o) ensure that a Quality Assurance and Improvement Programme has been established and review the results annually.

Independent Oversight Advisory Committee

40. The Independent Oversight Advisory Committee 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 respect of the fulfilment of their governance responsibilities, including with regard to ensuring the effectiveness of the ILO's internal control systems and risk management and governance processes. This role includes the responsibility to advise the Governing Body and the Director-General on the independence, scope, plan, resources, policies and performance of the IAO. The full terms of reference and responsibilities of the Independent Oversight Advisory Committee can be found on the ILO website.

41. The Governing Body may request the Independent Oversight Advisory Committee to provide advice on the appointment or termination of the Director of Internal Audit and Oversight.