INTERNATIONAL LABOUR OFFICE

# Governing Body

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**Programme, Financial and Administrative Section**

**PFA**

**FOR INFORMATION**

# Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2016

**Summary:** This paper provides details of actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2016.

**Author unit:** Office of the Treasurer and Financial Comptroller.

**Related documents:** GB.329/PFA/7(Rev.) and GB.329/PV, paragraphs 724 and 725.

**1.** At its 329th Session (March 2017), the Governing Body considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2016. This paper addresses follow-up action taken by the Office on the Chief Internal Auditor's recommendations for 2016.

**2.** The Chief Internal Auditor's recommendations for improvements in the areas covered by the report are set out in Appendix I, together with the Office's responses and details of follow-up action taken. Appendix II contains a list of internal audit reports issued in 2016 and the status of the Office's follow-up.

**3.** ILO Management continues to work in close liaison with the Office of Internal Audit and Oversight (IAO) in order to derive full benefit from its recommendations, and to ensure that these are followed up and effectively implemented.

# Appendix I

| Recommendation title | Recommendation | Office response | Implementation status | Completion date |
|---|---|---|---|---|
| Information system network and application security | The Office should review the balance of centralized and decentralized information technology (IT) initiatives. This review should consider whether a move towards a more centralized model, with the Information and Technology Management Department (INFOTEC) responsible for management of the ILO's IT infrastructure and application landscape, would be more beneficial to the Office. If the current decentralized model remains as is, the Office will need to take the necessary steps to ensure that departments and offices who implement and manage decentralized IT applications comply with ILO IT directives, policies, procedures and standards. | During the Business Process Review (BPR) of INFOTEC, the current state of all existing ILO decentralized applications was assessed and rationalized. The BPR analysed the costs, expected benefits and risks of centralization and identified criteria to facilitate the decision-making process. In this context, the BPR recommended that 13 critical and 27 non-critical applications be centralized in INFOTEC, and proposed a way forward in that regard. The centralization of these applications is currently under consideration by the senior management team. As at the end of 2017, six of the 13 critical applications have been centralized in INFOTEC.<br>The existing ILO IT governance framework establishes the structures, processes and control mechanisms which seek to ensure that decentralized IT applications (those that did not meet the criteria for centralization) comply with current ILO IT directives, policies, procedures and standards. | Implementation in progress | 2018–19 biennium |
| Information system network and application security | The Office should also ensure that end-user departments have sufficient resources, capacity and skills to develop, manage and sustain these applications over the long term. In this context, it is important that all departments and offices seek guidance from INFOTEC before engaging in any IT-related initiative. | The ILO's IT governance process ensures that the resourcing of all proposed IT-related initiatives, whether centralized in INFOTEC or decentralized in departments and offices, includes both one-off and ongoing funding and staffing to ensure long-term sustainability. A minute was issued in September 2016 to all ILO directors reminding them of their responsibility to ensure that all IT-related initiatives are vetted by INFOTEC and approved by the IT governance process before they are launched. | Fully implemented | September 2016 |

| Recommendation title | Recommendation | Office response | Implementation status | Completion date |
|---|---|---|---|---|
| Management of the Agency Service Clearing Account (ASCA) and the management of suspense accounts at ILO headquarters | Given the high risks associated with suspense accounts and the findings of its review, the IAO recommends that the Office review roles and responsibilities with respect to ASCA processing and remind responsible officials of the need to account for ASCA transactions on a timely and accurate basis. | The Office has reviewed the roles and responsibilities and streamlined the processes with respect to ASCA processing by reinforcing the oversight of headquarters and regional offices.<br>Since mid-2016, a process has been put in place where the receipt of monthly ASCA reports from UNDP is centralized at headquarters. Information is disseminated and clear instructions provided for review and processing by field offices with either the Integrated Resource Information System (IRIS) or the Financial Integrated System for External Offices (FISEXT). Organizational structure/capacity in some regions has driven the required centralization of certain processes which has improved the recording of expenditure upfront and systematic reconciliation exercises. With the further rollout of IRIS to country offices, this process will be considered in other regions and offices. In addition, review of ASCA balances is also included in the General Ledger review process undertaken in April and September of each year.<br>These measures have already had a positive impact on improving the timeliness and accuracy of the ASCA reconciliation process, thus the risks related to suspense accounts and potential write-offs are reduced. | Fully implemented | Mid-2016 |
| IT governance | The IAO recommends that the Office review IT activities taking place in the field to determine if there is a need to strengthen the communication and role of the Information Technology Governance Committee (ITGC) in addressing field IT issues. | The ILO field structure is represented in the ITGC by a senior director from the Field Operations and Partnerships Portfolio (Deputy Director-General for Field Operations and Partnerships). The ITGC Charter specifically defines the roles and responsibilities of ITGC members with respect to communication. This includes the responsibility to ensure that IT-related activities taking place in the field and IT-related decisions that have an impact in the field are reviewed and discussed with all stakeholders.<br>The BPR of INFOTEC also recommended improvements related to both project governance and communication. These recommendations are currently being implemented with a view to improving the transparency of decisions related to IT projects and priorities. | Fully implemented | December 2017 |

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| Relocation of the Regional Office for Africa | The lesson learned from the regional office relocation and renovation is to establish clear roles and responsibilities at the outset of any similar future activity, and to ensure that suitably qualified staff and/or consultants provide a realistic assessment of any renovation needs as part of the planning stage. | In April 2017, the Director-General established a Buildings and Property Committee, chaired by the Deputy Director-General for Management and Reform and composed of representatives of the Financial Management Department, the Office of the Legal Adviser and the Facilities Management Unit (FACILITIES), to assess and provide guidance on the management of ILO accommodation worldwide. In this framework, any request for work exceeding the financial threshold of US$100,000 should be addressed to FACILITIES for analysis. For each request, FACILITIES will conduct a technical and financial assessment of the needs and make clear recommendations for the Buildings and Property Committee's consideration and decision.<br>Once a project has been approved, FACILITIES will assist the requesting office in the implementation of the appropriate methodology. The project plan will need to include all the costs related to engineering/architectural expertise for the design and follow-up of the project. Clear roles and responsibilities will be assigned from the start of the project under the supervision of FACILITIES so that the needs, the planning and the budget are clearly defined and monitored throughout the project.<br>The Office considers that this revised procedure will improve the coordination and oversight of renovation needs. | Fully implemented | April 2017 |
| Programme oversight | The Office should establish basic criteria whereby a programme that develops over a period should be subject to some form of technical review. This would reduce any risk of "scope creep", activities being undertaken that are not in line with the ILO's objectives and outcomes, and/or misuse of funds. | The Office has a set of clearly established criteria for appraisals, technical reviews, progress reports and the evaluation of projects and programmes. These are contained in the Development Cooperation Manual and the ILO Evaluation Policy, which are applied across the Office.<br>For the particular project highlighted in the Chief Internal Auditor's report, which was funded from multiple sources, the accumulated budget was below the threshold for an independent evaluation but progress reports should have been available and an internal evaluation conducted. The regional office in question has addressed the gap in consultation with the Evaluation Office by conducting a combined technical analysis and internal evaluation exercise. As necessary, this approach will be applied to similar projects in the future. | Fully implemented | June 2017 |

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| External collaboration contracts | As the rollout of IRIS progresses, the Office should standardize the identified issues as this will clarify procedures and help ensure that offices properly document contracting of consultants. | Having considered the specific recommendations related to external collaboration contracts, the Office has decided to undertake a more fundamental review of its policy in this regard and the administration of this contractual vehicle.<br>A concept note has been developed to outline the key issues at stake and propose a way forward for the senior management team's consideration. Further steps will be taken once the Office has considered the proposals contained in the concept note. | Implementation deferred | To be determined after consideration of the concept note. |

# Appendix II

## List of internal audit reports issued in 2016

| Title | IAO reference | Date | Implementation status | Completion date |
|---|---|---|---|---|
| Report on the internal audit of the renovation project for the ILO headquarters building | IA 7-1 (2016) | 21 January 2016 | Complete | 22 April 2016 |
| Report on the internal audit of the information system network and application security at ILO headquarters in Geneva | IA 4-73 (2016) | 16 February 2016 | Complete | 30 May 2016 |
| Report on the internal audit of information technology in the Africa region, in Addis Ababa, Ethiopia | IAO/102/2016 | 18 February 2016 | Complete | 25 August 2017 |
| Report on the internal audit of the administration and financial control of implementing agents, seminars and external collaboration contracts in the Africa region | IAO/103/2016 | 12 July 2016 | Complete | 14 November 2016 |
| Follow-up to the report on the internal audit of the ILO Country Office for Bangladesh, in Dhaka | IAO/104/2016 | 20 July 2016 | Complete | 8 November 2016 |
| Report on the internal audit of the ILO Country Office for Mexico and Cuba, in Mexico City, Mexico | IAO/105/2016 | 2 September 2016 | Complete | 14 January 2017 |
| Report on the internal audit of the oversight and management of the Agency Service Clearing Account (ASCA) and the management of suspense accounts at ILO headquarters | IAO/106/2016 | 4 November 2016 | Complete | 21 March 2017 |
| Report on the internal audit of information technology in the Latin America and the Caribbean region, in Lima, Peru | IAO/107/2016 | 24 November 2016 | Complete | 3 May 2017 |