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Written comments by Mthunzi Mdwaba on behalf of the Employers' group

GB.340/PFA/9: Report of the Chief Internal Auditor for the year ended 31 December 2019

We commend that the Office of Internal Audit and Oversight's mandate has been clarified to include sexual exploitation and abuse, and retaliation against whistle blowers. Both are important for any organization to have as they encourage a culture where wrongdoing can be addressed quickly and potentially before any regulatory action or damage to the ILO's reputation.

Overall, we appreciate the IAO did not identify any material weakness in areas that were subject to an internal audit in 2019, and that in the majority of the areas covered by the recommendations, the Office had put in place actions to address the control issues identified, and continue to embed risk management in its strategies and plans.

We bear in mind that a number of areas are still requiring efforts, for instance:

- in ensuring that internal controls continue to remain robust in offices with large increases in DC project allocations;
- in improving timely implementation and reporting on internal audit recommendations.

We note the positive evaluation made for SCORE. However, the ongoing High Level Evaluation on outcome 4 should allow us to get a better view of the possible strengths and weaknesses of the programme and therefore to open possible ways for improvement.

The field audit recommendations confirm that more needs to be done to improve the accountability and governance framework and matters related to finances. The field audits conducted indeed covered countries where substantial donor funding currently exists, hence the need to prioritize the response to the IOA's recommendation is critical to prevent the misuse and mismanagement of resources. Of particular concern is the risks associated with expanding DC projects. Not only are there risks related to internal controls over project governance, financial management and human resources, but there is a heightened risks that projects are hastily designed, without adequate consultation with constituents and those that are not aligned with the ILO's institutional framework (e.g. P&B, DWCP etc.). We also support the recommendation that the relevant regional offices should assess impact before accepting any new projects (as part of a formal risk assessment). In addition, the expansion of DC projects may challenge the ILO's capability to deliver. The delivery rate of DC projects needs to be monitored closely, and improved consequential management of units/programmes that fail to deliver is necessary. While evaluations provide a function to assess the impact of DC projects, the IOA can also serve an important function to ensuring that DC projects are not received and implemented at the expense of the ILO's reputation and mandate.

In relation to the IAO's outreach activities, if capacity permits, anti-fraud awareness training sessions should not be offered on an ad-hoc basis, but it should be mandatory for all staff or at least for units/programmes with substantial resources. A systematized training offer would reinforce staff in their duties, responsibilities and ultimately protect the organization.

Finally, we support the need to draw on the lessons learned from the investigations carried out in 2019 which identified a number of recurring key issues of fraud or misconduct. (need for improved diligent control before payments; need for awareness-raising on staff obligations regarding possible conflict of interest; need for due diligence work on the capacity of implementing partners). In relation to substantiated cases, the IOA may wish to consider providing a short anonymous summary of these cases so that staff are aware of the wrong-doings and greater awareness is raised.

**GB 340, PFA 9, Report of the Chief Internal Auditor for the year ended 31
December 2019
FINAL IMEC statement, 14.10.2020**

1. IMEC would like to thank the Office for the report of the Chief Internal Auditor for the year ended 31 December 2019, PFA 9, and also the virtual briefing held on 25 September. This was a very useful session which helped to supplement the report and we would welcome such briefings again in the future. Like in previous years, we would like to express our appreciation for work of the Chief Internal Auditor and the Office of Internal Oversight and Audit (IAO) that is so vital for the overall health of an organisation. Therefore, we encourage the Office to implement all audit recommendations in a timely manner. However, we draw attention to the following areas in particular.
2. IMEC is pleased the mandate of the IAO has expanded to include the authority to conduct investigations into allegations of Sexual Exploitation and Abuse and also retaliations against whistle-blowers. IMEC would like to underline the importance it places on timely and transparent investigations of such allegations. Whilst we note the backlog of investigations has reduced we remain concerned that a number of investigations are still to be resolved. In line with the recommendation made by the Internal Oversight Advisory Committee we encourage management to ensure adequate staffing and resourcing are dedicated to address this backlog.
3. Risk management at all levels is key for improving the transparency of ILO work and internal control. The IAO encourages further monitoring and updating of risks on a regular basis as a recurring managerial task. Strengthening and further integrating risk management into each manager's strategy and planning is essential. The strategic risk register is a practical tool for assessments of the risks that the Organization faces in its operations. By documenting risk assessments at the early stages of project formulation would help to inform decisions on project design and follow up of the implementation. In addition to IAO recommendations, we encourage the Office to review a recent report from Joint Inspection Unit (JIU) on *Enterprise risk management: approaches and uses in United Nations system organizations* and consider JIU recommendations as appropriate.
4. IMEC would like to welcome the focus on IT security that is noted several times in the report, both at field and HQ level. Given the current context and an increasing reliance on IT the recommendations are even more critical and we would urge the Office to implement fully the recommendations of the IAO without delay.

5. IMEC notes positively the conclusion of the external review of the building renovation project and would support the recommendation in relation to the type of bank guarantees provided by contractors for future projects.
6. IMEC would like to share the concern of the IAO relating to the rapid growth in development cooperation projects. Rapid and large increases place additional pressure on internal control measures and may result in high risks. IMEC would like to support the recommendations raised in paragraph 44.
7. IMEC notes that in 2019 the IAO begun a performance audit dedicated to contracting of external collaborators. External contracting makes up a sizeable amount of expenditure for the Office and plays a large role in the delivery of services at both headquarters and in the field. IMEC looks forward to learning more about the findings of this audit at the earliest appropriate moment.
8. IMEC supports the point for decision.

**Governing Body – 340th Session, October-November 2020
Programme, Financial and Administrative Section
Audit and Oversight Segment**

Workers' Group Comments

DOCUMENT FOR BALLOT BY CORRESPONDENCE

GB.340/PFA/9(Rev.1)

Report of the Chief Internal Auditor for the year ended 31 December 2019

We thank the Chief Internal Auditor for his report and recommendations on headquarters and field audits. We noted with satisfaction that no major weaknesses were identified in the ILO's system of internal control, although a number of areas required improvement. We invite the Office to follow-up on these recommendations as soon as possible.

We welcome the fact that the IAO's mandate now includes the authority to conduct investigations into allegations of sexual exploitation and abuse as well as retaliation against whistle-blowers referred by the Ethics Officer.

We welcome the recommendations made on IT particularly those related to: reviewing and actualizing the information security management system; strengthening information technology security through encryption of devices and ensuring timely completion of the online IT security awareness training course for all ILO officials; and providing further access to IRIS to development cooperation projects.

In respect of the information contained in paragraph 27, we fully support the recommendation on the update of IT security policies. IT security is particularly important in the current environment, where more than 50% of staff is working from home and most activities are carried out via online platforms. IT security policies should include security related to ILO work information, but also in respect of the protection of personal staff information at headquarters and in the field.

In respect of the audit of the HQ building renovation project we fully support the recommendation made in paragraph 36 and invite the Office to use an abstract guarantee which would better protect the ILO.

We also fully support the recommendation aimed at ensuring that external collaborators benefit from the same security protection as other ILO staff members when travelling as per the requirement of the UN Department of Safety and Security.

Regarding investigations, we welcome the information provided by the Chief Internal Auditor during the consultations held on the 25th of September concerning the recruitment of two persons to help clear the backlog of investigations of allegations.

Finally, we stress the importance for the Office to follow-up on the recommendations made. We agree with the decision point.