

Governing Body

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Programme, Financial and Administrative Section
Audit and Oversight Segment

PFA

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SEVENTH ITEM ON THE AGENDA

Report of the Chief Internal Auditor for the year ended 31 December 2018

Purpose of the document

This document contains the report of the Chief Internal Auditor on the activities of the Office of Internal Audit and Oversight, including significant findings resulting from internal audit and investigation assignments conducted during 2018, for consideration by the Governing Body.

Relevant strategic objective: None.

Main relevant outcome/cross-cutting policy driver: Enabling outcome B: 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 document: GB.332/PFA/7.

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 2018.

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 Office of Internal Audit and Oversight are thoroughly evaluated and there is constant dialogue between managers and the Chief Internal Auditor to give effect to them.

Investigation work undertaken by the Chief Internal Auditor is an essential element of the Office's accountability mechanism by providing those responsible for making recommendations relating to allegations of fraud or other impropriety with invaluable independent findings.

Report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2018

Introduction

1. The Office of Internal Audit and Oversight (IAO) of the International Labour Office (the Office) 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 and Investigation Charters, which were approved by the Governing Body.
2. The IAO's mission is to enhance and protect the ILO's value by providing risk-based and objective assurance, advice and insight. The IAO 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, internal control and governance processes.
3. In addition, its mandate includes responsibility for conducting fact-finding 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 the allegations are substantiated based on evidence obtained during the fact-finding process. The IAO does not make any recommendations in its reports with respect to disciplinary or other actions to be taken against individuals or third parties.
4. The IAO conducts its activities in conformity with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the IIA standards), the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators of the United Nations Organizations and Multilateral Financial Institutions, and the IAO's standard operating procedure for investigations.
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 and Investigation Charters, the IAO has full and free access to all records, personnel, operations, functions and other material relevant to the subject matter under review.
6. The Chief Internal Auditor confirms his independence and that the IAO's activities have been carried out free from interference by management.

Summary of activities

7. This section provides a brief overview of the main activities undertaken by the IAO in 2018.

Assurance audits

8. During 2018, the IAO issued eight assurance audit reports relating to the International Labour Office and three relating to the International Training Centre of the ILO in Turin. Four of the assurance audit reports for the Office covered headquarters functions, and four related to audits covering ILO field office locations: two in Africa and one each in Latin America and the Caribbean and Asia and the Pacific (see Appendix I).
9. The three assurance audit reports for the Turin Centre comprised an audit of the Centre's training course evaluation systems, an audit of travel expenses and a report on the internal audit of business continuity planning. The Chief Internal Auditor will present a report summarizing the 2018 audit activities to the 82nd Session of the Board of the Turin Centre (October 2019). The Board will report on its deliberations to the 337th Session of the Governing Body (October–November 2019).
10. During 2018, the IAO completed the fieldwork for a further four audit assignments,¹ 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 2020 together with audits undertaken during 2019.

Investigations

11. In 2018, the IAO received 69 new referrals for review, compared to 41 in 2017, 32 in 2016, and 30 in 2015. There is a continued upward trend in reporting allegations of fraud and misconduct, which is indicative of an increasing awareness and understanding of accountability. The IAO also had a number of investigation referrals from the Staff Health Insurance Fund (SHIF) following on from the internal audit of the Fund.
12. A breakdown of the status of cases as at 31 December 2018 is shown in paragraph 56 below and a list of issued reports is provided in Appendix III.

Other activities

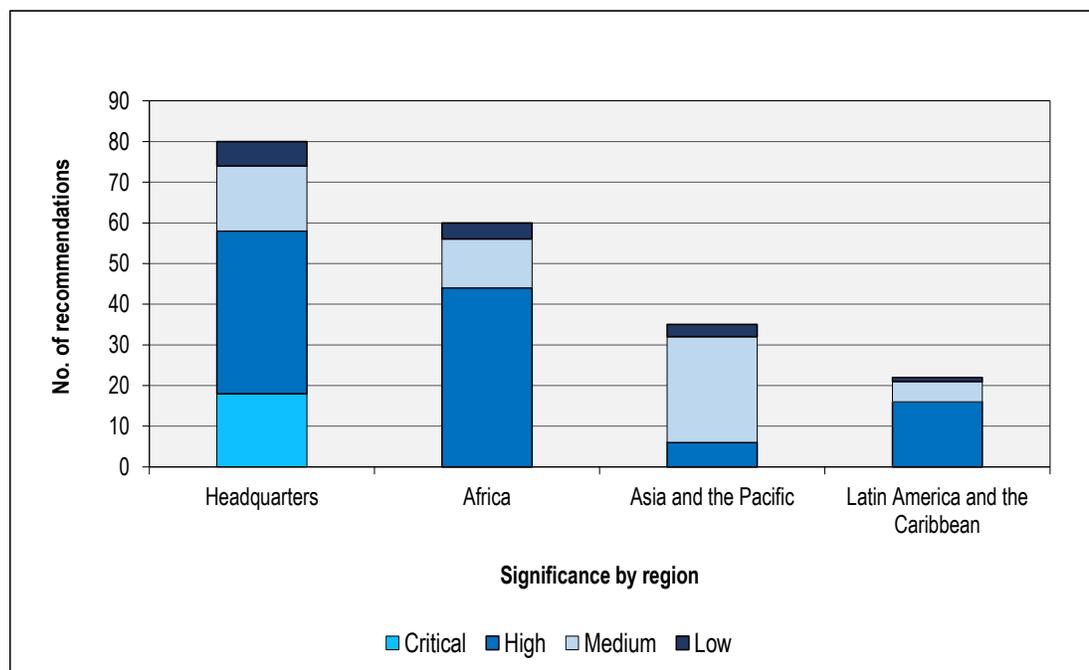
13. During 2018, the IAO attended the meetings of the Steering Committee for the Headquarters Building Renovation Project, the Risk Management Committee and the Information Technology (IT) Governance Committee as an observer. The IAO continued its outreach to promote awareness of common internal control issues identified during audits, and provided anti-fraud awareness sessions upon request. In addition, the IAO provided other ad hoc advice to management on request.
14. As in previous years, officials from the IAO's assurance audit and investigation units continued to actively participate in their respective oversight peer groups within the United Nations (UN) system: the UN Representatives of Internal Audit Services and the UN Representatives of Investigation Services. The IAO also participates in the annual meeting of the Heads of Internal Audit in International Organizations in Europe.

¹ The ILO Country Offices for Viet Nam, Jordan and Turkey, and project office operations.

Summary of audit results

15. In the eight audit reports issued in 2018, the IAO proposed 197 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 weaknesses in the ILO's system of internal control in those areas that were subject to an internal audit in 2018, except in the follow-up audit of the SHIF. The IAO's analysis of audit findings in 2018 by region and at headquarters and by significance is shown in figure 1.

Figure 1. Audit findings by region and at headquarters and by significance in 2018



16. The significant findings arising from the IAO's 2018 activities are detailed below. The IAO noted that although progress had been made since the IAO's last internal audit of the SHIF in 2015, internal control gaps remain in its operations, four of which the IAO rated as critical. Management has begun to address the issues raised by the IAO.

17. As a result of its 2018 activities, the IAO has also made a number of strategic recommendations in this report for consideration by the Office. These concern:

- improving guidance to assist managers in determining key performance indicators (KPIs) when putting together a project proposal;
- assessing whether the knowledge-sharing activities developed in the Better Work Branch could have wider ILO application;
- assessing whether the anti-fraud and risk management practices put in place by Better Work Cambodia could be replicated in other ILO offices;
- ensuring bank signatories have been properly updated when required;

- timely roll-out of the reporting dashboard for the Integrated Resource Information System (IRIS);
 - developing an Office-wide roster of external collaborators; and
 - ensuring management fulfils its responsibilities to reduce security risks with respect to external collaborators.
18. The IAO is pleased to note that in the majority of the areas covered by the recommendations, the Office reported that it had put in place actions to address the control issues identified by the IAO immediately following the audit and in subsequent implementation reports. These initiatives are considered when performing the IAO's risk assessment as part of its regular and ongoing audit planning process. As always, the IAO continues to conduct focused follow-up audits to verify implementation of internal audit recommendations.

Risk management

19. As part of each audit assignment, the IAO determines whether the entity under review has prepared and instituted a risk register in accordance with the ILO's risk management policy and assesses the register for reasonableness. From its review, the IAO was able to view how the risk registers developed by each department and office have improved, such that they can now be evaluated according to consistent criteria. This strengthens the initiative and further embeds risk management in managers' operations.
20. The IAO continues to liaise with the Senior Risk Management Officer on a regular basis to discuss matters concerning risk, and attends meetings of the Risk Management Committee as an observer. This enables the IAO to maintain an overall view of the continuing roll-out of risk management Office-wide. While the ILO is progressing well with embedding risk management in its operations, there is scope, in the IAO's view, to further strengthen engagement by managers at every level.

Headquarters audits

21. During 2018, the IAO issued four audit reports covering headquarters-based activities. These consisted of an audit of Payroll and Human Resource Oracle Modules; the Better Work Branch; the Invoice Automation and Optical Character Recognition Project; and a follow-up to the internal audit of the payment process of the SHIF claims, with a review of application security of the Health Insurance Information System. The main findings of the audits are listed below.

Audit of Oracle modules for payroll and human resources

22. This review was undertaken by a third-party consulting firm under the supervision of an IAO Senior Auditor. The audit confirmed that the ILO has in place a control framework in the Central Payroll Unit and the Human Resources Development Department (HRD) to ensure accuracy of entry and amendment of standing and transactional data, and that most of the controls reviewed were designed and operating effectively. It disclosed no high-risk findings, only eight medium- and six low-significance recommendations. The medium-risk findings

related to improving physical security of payroll information, employee bank detail changes, and division of duties. The Office has reported that it has taken action to address the issues raised in the internal audit report.

Internal audit of the Invoice Automation and Optical Character Recognition Project

23. The purpose of the Invoice Automation and Optical Character Recognition Project (OCR project) is to implement optical character recognition technology to automate the accounts payable business process for ILO offices worldwide. The project was implemented at headquarters in December 2016 and subsequently deployed in the field. The project costs as stated in the business case were estimated between US\$1 million and US\$1.8 million over five years.
24. The audit found that the OCR project has been successfully implemented at headquarters and in the field. It has improved efficiency and controls over the processing of supplier invoices, reducing the need for manual intervention.
25. During the audit, the IAO identified recommendations to improve the business case process used to justify projects, regulate document retention policies, better control access to electronic documents, and track project costs and any savings envisaged once a project is implemented. The IAO understands that savings are not always the main aim of a project as its purpose may be to improve the effectiveness and efficiency of a process or replace obsolete technologies. Nevertheless, the Office should develop basic guidelines to assist managers in determining meaningful KPIs when preparing a project proposal, including how return on investments can be better determined and measured if savings are anticipated in a project proposal.

Report on the internal audit of the Better Work Branch

26. The Better Work programme is a joint initiative of the ILO and the International Finance Corporation of the World Bank Group, and has been working since 2007 to improve working conditions and promote competitiveness in global garment supply chains. Although its activities in certain countries have been examined during other reviews, this was the first internal audit report of the Better Work Branch at headquarters. Overall, the IAO's review found that internal controls are generally working well to manage relevant risks.
27. The IAO made recommendations aimed at strengthening operational and financial processes through better monitoring of seminar budgeting and costs. With regard to training and staff development, the Better Work Branch stated that their staff members are not consistently invited to participate in ILO regional administration and finance workshops targeted at development cooperation project staff to ensure understanding of the ILO's rules and regulations. The Office confirmed that Better Work staff will be invited to future regional workshops.
28. The audit elaborated on two good practices. First, Better Work developed a number of websites dedicated to knowledge sharing, containing much useful information and serving as a repository of data. The applicability of the sites to the Office's current knowledge-sharing initiatives could be studied.

29. The second good practice was the development of a fraud risk assessment and risk register by Better Work's Better Factories Cambodia programme. With the assistance of the ILO's Senior Risk Officer, additional training was provided on risk matters together with mitigating actions and a process for the programme to maintain and update their assessments. This is a good initiative to institutionalize the practice of fraud awareness and risk management in the Better Work programme. The Office should assess whether this approach could be replicated in other departments and projects of the ILO, resources permitting.

Follow-up to the internal audit report on the review of the payment process of ILO SHIF claims and review of application security of the Health Insurance Information System

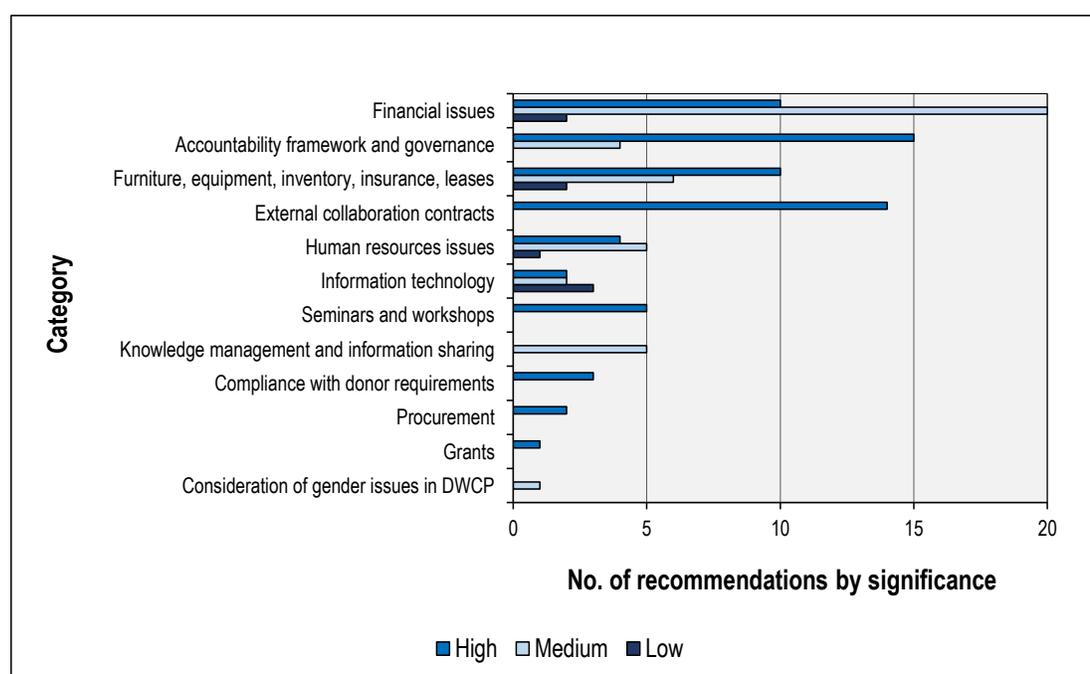
30. The IAO conducted a follow-up review to assess management's progress on implementing the recommendations made in its Internal Audit Report on the Review of the Payment Process of the SHIF, issued in August 2015.² During the follow-up, the IAO also reviewed application controls over the Health Insurance Information System (HIIS) and tested a sample of reimbursement claims for fraud prevention and detection, due diligence processes, and compliance with the SHIF regulations.
31. The results of the audit indicated that management has made good efforts to address the audit recommendations presented in the previous SHIF audit report. Of the original report's 23 recommendations, the IAO determined that eight had been fully implemented (35 per cent), seven had been partially implemented (30 per cent), and seven were in process (30 per cent), with one recommendation no longer applicable. In particular, in terms of information systems, the Office allocated approximately US\$1.5 million in 2016 to improve and automate the HIIS.
32. Notwithstanding management's efforts to implement the recommendations that the IAO presented in its 2015 report, the follow-up audit identified four critical areas to improve internal control and further reduce the risk of fraud, namely: (i) systematically requiring proof of payment for reimbursing health insurance claims; (ii) enhanced supervision to ensure that claims adjusters process claims uniformly and fully apply due diligence in respect of fraud; (iii) segregating duties over processing direct payments; and (iv) limiting access to the HIIS with respect to a third-party developer.
33. As part of the audit, the IAO conducted a benchmarking activity with two other UN entities that maintain their own health insurance systems, and where there are similarities of operations. The IAO raised the recommendation that the Office should explore the possibility to exploit synergies between the organizations. The IAO also benchmarked the SHIF's practices against a private sector company. As a result of the two benchmarking exercises, the IAO noted good practices from which the SHIF could learn and adapt, resources permitting, to improve anti-fraud measures.

² [GB.326/PFA/9\(Rev.\)](#), paras 21–22.

Field audits

34. In 2018, the IAO issued four assurance audit reports for audit work conducted at ILO field offices in Algeria, Myanmar, Peru and the United Republic of Tanzania. The IAO found that the offices had acceptable systems of internal control and were adequately managing the relevant risks. The reports also noted good practices in the control environments of those locations audited and thus brought them to the attention of management for replication in other environments.
35. The IAO offered recommendations to address the observations arising from its field audits in the respective reports to further improve their systems of internal controls. The main findings are detailed below, and figure 2 shows the number of recommendations per category and significance. The main findings relate to improving internal governance, risk management, and internal controls. The IAO notes that in 2018 the Office revised its Finance Manual, and included additional information based on previous recommendations from the IAO.³ The Office continued to refine and improve upon its internal letter of representation, and further clarified the managers from whom certification is required. The aforementioned improvements should help managers and other ILO officials better understand their fiduciary responsibilities, thus improving overall governance within the ILO.

Figure 2. Field audit recommendations by category and significance in 2018



³ GB.329/PFA/7(Rev.), para. 48.

Summary of main observations of field audits

Financial issues

- 36.** As shown in figure 2 above, issues revolving around finance represented the highest number of recommendations overall due to the focus the IAO places on the requirement for sound financial management.

Banking

- 37.** In three of the four field offices visited, the IAO found that the signatory list held by the bank was not up to date. This runs the risk that unauthorized transactions may be processed or, in the case of newly hired officials, that valid requests are rejected. Maintaining signatory panels up to date is a fundamental internal control to safeguard the ILO's cash assets, but inconsistency in implementation means that the need to update them remains a recurring finding in the IAO's field audits.
- 38.** The IAO noted that the Office had begun implementing its previous recommendation that banks be requested to certify in writing that they have enacted the requested changes.⁴ In these three cases, however, the bank had not been notified of the changes in ILO personnel. The IAO will continue to stress the importance of verifying the signatory lists at all banking institutions to minimize risk and ensure strong financial controls. The Office should take appropriate action to reinforce the message to field office directors that it is their responsibility to ensure signatory lists are updated and to follow up with the bank as necessary to check that changes have been fully effected.

Financial systems

- 39.** The offices visited in Africa were still using the ILO's legacy Financial Information System for External Offices (FISEXT), and the IAO noted the drawbacks of this application. Roll-out of IRIS to the region is scheduled for 2019 and should assist in strengthening internal controls and bring the offices in line with the rest of the Organization.
- 40.** For those offices already using IRIS, the IAO received feedback from users on the drawbacks concerning the data which can be extracted from the system. Officials demonstrated that in some cases they resort to maintaining manual spreadsheets in order to be able to monitor certain information. This finding has also been raised by the IAO in other field audits in the past. It is important to provide users with appropriate management information monitoring tools to help improve management control and delivery of activities. The Information and Technology Management Department (INFOTEC) aims to improve current IRIS reports by utilizing Oracle Business Intelligence. This should result in enhanced availability of relevant management reports for use by both the field and headquarters. The Office envisioned that the IRIS reporting dashboard would be implemented by the end of 2018. As at the time of reporting, the dashboard had not been rolled out. The IAO encourages the Office to finalize and rollout the dashboard as soon as is practical, taking into account user needs.

⁴ [GB.332/PFA/7](#), para. 39.

Field security and business continuity planning

41. The greatest number of high-significance recommendations related to field security, business continuity planning and delegation of authority.
42. The IAO made four high-significance recommendations related to security issues in one office in Africa. The ILO implements all requirements of the United Nations Department of Safety and Security (UNDSS), including that premises must meet the UNDSS Minimum Operating Security Standards. Although the field office completed a security self-assessment, no feedback had been received from the UNDSS as to whether the building meets the obligatory standards. Non-compliance could raise the risk of danger to ILO staff and visitors.
43. Overall security is enhanced by the development of a robust business continuity plan. Oversight of this in the Office has been delegated to the Senior Risk Officer, which is a good practice, as many aspects of risk overlap with a business continuity plan. Three of the four offices visited had drawn up such plans, and the IAO ranked it a high priority that the fourth office establish one, seeking assistance from the respective Regional Office. Furthermore, several project office locations, under the administrative responsibility of the offices visited, had not developed a business continuity plan. The IAO liaised with the Senior Risk Officer as to the criteria which would mandate the development of a business continuity plan based on the number of staff and projects, and guidance was issued. The IAO will continue to verify that such plans have been developed not only for ILO field offices but also for separate project offices in order to serve as a guide for actions needed in case security-related issues arise.

Delegation of authority

44. At the time of the audit, one office was responsible for 16 development cooperation projects, valued at some US\$24 million. For the purpose of timely project delivery and to encourage the culture of accountability within the office, the IAO recommended that authority for approving and contracting, within the limit of funds allocated, be delegated to the project Chief Technical Advisers. This would be in accordance with the various Office Directives and Procedures on delegation of financial authority, responsibilities of contracting officers, and responsibilities of approving officers. In addition to increasing responsibility for good fiscal stewardship by the Chief Technical Advisers, more time would be available for the office management to concentrate on monitoring regular budget activities and further ensure sound internal control.

External collaboration contracts

45. A number of high-significance recommendations related to the management of external collaboration contracts. According to the requirements of the UNDSS, all individuals under contract to a UN agency are entitled to protection under their purview. In order for such safety monitoring to be valid, online security courses must be completed by the individual, and a security clearance obtained for any travel under contract. The IAO found compliance with this to be lacking, thus increasing the risk that consultants would not be logged with the UNDSS in case of a security incident and would therefore not benefit from its protection. This is especially important for consultants who have to visit countries with a UNDSS high security level.

46. The requirements for the security training were abridged in December 2018 when the UNDSS released a simplified online course, entitled BSAFE. The IAO will continue to stress the importance that all individual contractors comply with all security regulations to reduce risk to both the consultant and the reputation of the ILO. In order to minimize physical risks to external collaborators, management should ensure that a contract is signed only once the external collaborator has provided evidence that he or she has completed the UNDSS online course, and when necessary obtained UNDSS security clearance.
47. The IAO also issued recommendations to remind offices of the ILO's requirements with regard to external collaborators, including the justification of the selection of contractors, the risks of issuing continuous contracts, and assessing the quality of the work performed after completion of the contract. The IAO also recommended that a roster of external collaborators be developed to support knowledge sharing, facilitate the selection process and further reduce risks associated with external collaborators. The Office responded in its implementation report that it was not feasible at present, given the technical and resource implications. Nevertheless, given that external collaborators are one of the main means of ILO intervention, the Office should keep the IAO's recommendation in mind and develop an Office-wide roster when resources permit and when such a development would not infringe on other strategic IT priorities.

Gender equality

48. The IAO has incorporated in its field office audit procedures an indicator related to audits as part of the ILO's compliance with the UN System-Wide Action Plan on Gender Equality and the Empowerment of Women endorsed by the Chief Executives Board for Coordination. In particular, the IAO reviews whether Decent Work Country Programmes (DWCPs) in the field offices audited contain adequate consideration of gender issues from a risk perspective. As such, the quality assurance mechanism for the draft DWCP review should incorporate input from the ILO Gender, Equality and Diversity Branch (GED).
49. During the year, the IAO continued to review compliance. In one case, the IAO was informed that, due to political considerations, very few DWCPs had been signed in the region. Only one DWCP had been signed recently, and the IAO found that GED was included in the quality assurance process and that its comments had been acknowledged and incorporated by the responsible office. This was a good practice to ensure that the comments of GED are solicited during the quality assurance process. In another office, no DWCP had been signed with the government, although one was in the process of being developed; the IAO recommended that field office consult with GED to ensure that gender issues are incorporated into the finalized DWCP.

External quality assessment of the IAO

50. The IAO adheres to the IIA standards, which require an internal audit function to conduct an external quality assessment of its conformity every five years. An external consulting firm was mandated in July 2018 to perform this assessment. The previous external quality assessment in 2013 assessed the IAO as being in overall conformance with the standards of the International Professional Practice Framework of the IIA.

51. The 2018 external quality assessment found that the IAO “generally conforms” with the mandatory elements of the International Professional Practice Framework, including the Mission and the Definition of Internal Auditing, the Code of Ethics, and the IIA standards, which is the highest of three possible ratings.
52. The external quality assessment identified strengths and improvement opportunities for each of the areas reviewed. Assurance work provided by the IAO is seen as making a positive contribution to the design and effectiveness of the internal control framework within the ILO. The consultant reported that the IAO is highly respected, well accepted and regarded as an objective and independent function within the Organization. The review found that the IAO has a broad and appropriate spectrum of skills and experience, with knowledge gaps fittingly compensated through the use of external resources, and that continuing professional education has been consistent with the requirements set by the IIA. The annual risk assessment and the biennial audit plan were determined to be systematic, risk-orientated and based on a sound methodology, with work supported by an audit tool which provides a structured and consistent working methodology.
53. Areas for improvement include a recommendation that the Chief Internal Auditor should formally confirm the organizational independence of the IAO’s activity on a yearly basis to the Independent Oversight and Advisory Committee and the Director-General, and should ensure that periodic internal assessments are undertaken and the results similarly reported. The IAO should consider to what extent the use of data analytics in its audits could increase the quality and efficiency of its work, and it should update its Internal Audit Manual to reflect current practice. The consultant also recommended making changes in internal audit reporting, including accelerating the issuance of reports.
54. The Chief Internal Auditor will provide the Independent Oversight and Advisory Committee with regular updates on the status of follow-up to the implementation of the recommendations of the external quality assessment.

Follow-up of internal audit recommendations

Office implementation reports

55. The IAO’s analysis of the six implementation reports provided by the Treasurer and Financial Comptroller, relating to the audit reports that the IAO issued in 2017, indicates that management has accepted 76 of the IAO’s 78 recommendations (97 per cent). The Treasurer and Financial Comptroller identified that, of the 76 recommendations, the Office fully implemented 55 of them (72 per cent), and partially implemented seven recommendations (9 per cent). There were 12 recommendations (16 per cent) still in progress, and implementation of the remaining two recommendations (3 per cent) was deferred due to budget constraints.

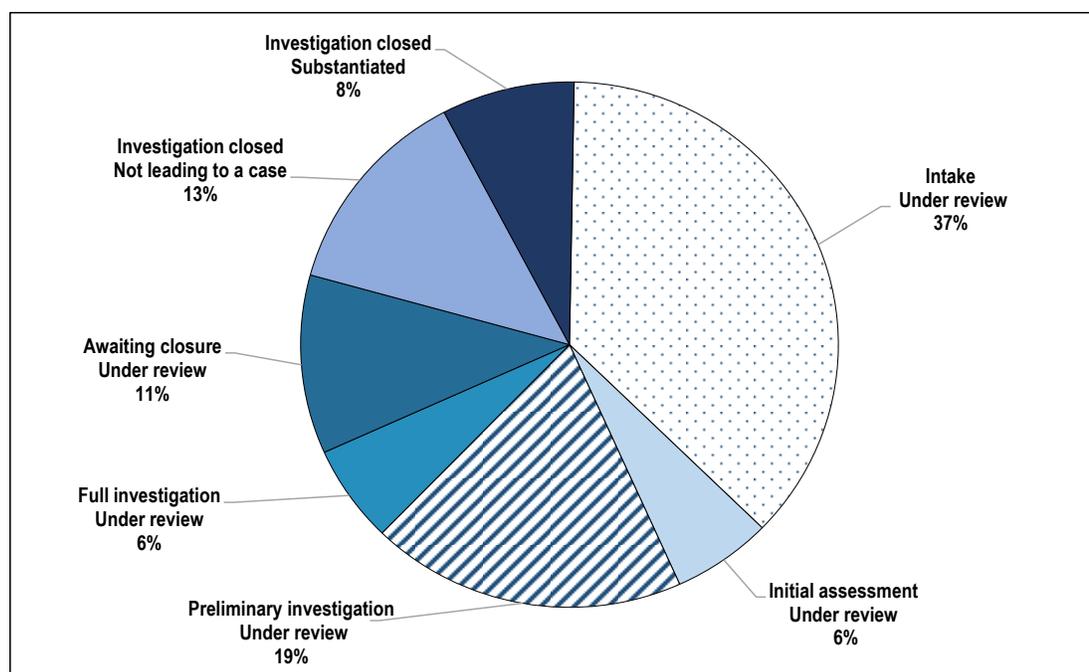
Investigation results

Investigation reports issued in 2018 and completed investigations awaiting reporting

56. The IAO received 69 case referrals in the course of 2018, to add to the 50 that were carried forward from earlier years, that is, a total of 119 cases. The breakdown of activity for 2018 is as follows:

- 10 allegations were investigated, a report was issued and the cases were substantiated;
- 16 allegations were reviewed and no further action was deemed necessary (one case was referred to HRD as it was considered outside of the remit of the IAO);
- 13 allegations are awaiting reporting (5 are awaiting reporting as substantiated cases and eight are awaiting reporting as unsubstantiated cases);
- 80 were carried forward to 2019, of which:
 - 7 cases are undergoing full investigations at various stages of completion;
 - 22 cases are the subject of preliminary investigations (6 are awaiting reporting as unsubstantiated cases);
 - 7 cases are at the initial assessment stage;
 - 44 cases require review and possible investigation of new allegations recorded by the IAO.

Figure 3. Status of IAO investigations as at 31 December 2018



Analysis of cases by category and subcategory for past three years

57. Information on the types of cases addressed in substantiated investigation reports issued between 1 January 2016 and 31 December 2018, disaggregated by category and subcategory, is provided in Appendix IV. The statistics indicate that there was no single category with a significantly higher incidence of fraud or misconduct compared to others, but they also indicate that fraud remains high risk with respect to implementing agents.

Lessons learned from investigations

58. The investigations carried out in 2018 identified a number of key issues where lessons can be learned with respect to the department, office or project where fraud or misconduct was substantiated, namely the need for:
- an improved understanding of the procedures for fraud, misconduct and investigation and individuals' responsibility in this respect;
 - better understanding among staff of their duties under the accountability framework, in particular the duty to self-inform of the rules and regulations;
 - improved diligent control before payments are made and benefits afforded;
 - adequate segregation of duties; and
 - improved and consistent monitoring of implementing agents and other collaborators.

Investigative processes

59. The IAO is continually reviewing internal investigative processes where appropriate. The standard operating procedures were issued in July 2018 and are available on the IAO public web page.⁵

⁵ <https://www.ilo.org/public/english/iao/whatwedo/investigation.htm>.

Appendix I

List of internal audit reports issued in 2018

Index No.	Audit reference	Date issued	
ILO			
1.	The IAO Audit Plan for 2018–19	IA 1-6-1 (2018)	12.02.2018
2.	Audit of Payroll and HR Oracle Modules	IAO/1/2018	06.02.2018
3.	Internal Audit Report of the ILO Country Office for Algeria, Libya, Morocco and Tunisia, in Algiers	IAO/2/2018	14.03.2018
4.	Report on the Internal Audit of the Better Work Branch	IAO/4/2018	26.04.2018
5.	Report on the Internal Audit of the Invoice Automation and Optical Character Recognition Project at ILO Headquarters	IAO/3/2018	04.05.2018
6.	Internal Audit Report of the ILO Liaison Office for Myanmar	IAO/5/2018	05.06.2018
7.	Follow-up to the Internal Audit Report on the Review of the Payment Process of ILO SHIF Claims and Review of Application Security of the Health Insurance Information System	IAO/6/2018	10.10.2018
8.	Report on the Internal Audit of the ILO Regional Office for Latin America and the Caribbean and the ILO Decent Work Technical Support Team and Country Office for the Andean Countries in Lima, Peru	IAO/7/2018	30.10.2018
9.	Report on the Internal Audit of the ILO Country Office for the United Republic of Tanzania, Burundi, Kenya, Rwanda and Uganda, in Dar es Salaam	IAO/8/2018	07.12.2018
Turin Centre			
1.	Turin Centre 2018 Audit Planning Memorandum	IA-TC-AP (2018)	29.03.2018
2.	Report on the Internal Audit of Evaluation Systems at the Turin Centre	IA-TC-53 (2017)	31.05.2018
3.	Report on the Internal Audit of Business Continuity Planning at ITC Turin	IA-TC-55 (2018)	17.09.2018
4.	Report on the Internal Audit of Travel Expenses at the International Training Centre of the ILO in Turin	IA-TC-54 (2018)	25.09.2018

Appendix II

Summary of recommendations

Internal audit of the Invoice Automation and Optical Character Recognition Project

1. The IAO understands that savings are not always the main aim of a project as its purpose may be to improve the effectiveness and efficiency of a process or replace obsolete technologies. Nevertheless, the Office should develop basic guidelines to assist managers in determining meaningful KPIs when preparing a project proposal, including how return on investments can be better determined and measured if savings are anticipated in a project proposal.

Report on the internal audit of the Better Work Branch

2. The audit of Better Work elaborated on two good practices. First, Better Work developed a number of websites dedicated to knowledge sharing, containing much useful information and serving as a repository of data. The applicability of the sites to the Office's current knowledge-sharing initiatives could be studied.
3. The second good practice was the development of a fraud risk assessment and risk register by Better Work's Better Factories Cambodia programme. With the assistance of the ILO's Senior Risk Officer, additional training was provided on risk matters together with mitigating actions and a process for the programme to maintain and update their assessments. This is a good initiative to institutionalize the practice of fraud awareness and risk management in the Better Work programme. The Office should assess whether this approach could be replicated in other departments and projects of the ILO, resources permitting.

Banking

4. The Office should take appropriate action to reinforce the message to field office directors that it is their responsibility to ensure signatory lists are updated and to follow up with the bank as necessary to check that changes have been fully effected.

Financial systems

5. The Office envisioned that the IRIS reporting dashboard would be implemented by the end of 2018. As at the time of reporting, the dashboard had not been rolled out. The IAO encourages the Office to finalize and rollout the dashboard as soon as is practical, taking into account user needs.

External collaboration contracts

6. In order to minimize physical risks to external collaborators, management should ensure that a contract is signed only once the external collaborator has provided evidence that he or she has completed the UNDSS online course, and when necessary obtained UNDSS security clearance.
7. Nevertheless, given that external collaborators are one of the main means of ILO intervention, the Office should keep the IAO's recommendation in mind and develop an Office-wide roster when resources permit and when such a development would not infringe on other strategic IT priorities.

Appendix III

List of investigation reports issued in 2018

Index No.		Date issued
Substantiated (ten cases concluded and one interim)		
1.	Falsely claiming travel and subsistence	08.02.2018
2.	Falsely claiming rental subsidy	16.02.2018
3.	Falsely claiming dependency allowance	20.02.2018
4.	Inappropriate behaviour by an ILO official	19.07.2018
5–6.	ILO official accepting a bribe and conflict of interest (two cases)	20.07.2018
7–8.	Misconduct, mismanagement and other matters (two cases)	25.07.2018
9.	Implementing partner fraud	16.08.2018
10.	Implementing partner fraud	22.11.2018
11.	Interim report: Fraud and corruption by an ILO official	22.11.2018
Unsubstantiated/referred (15 cases closed and one referred)		
1–12.	Memo closing 12 cases where no further action was taken	07.02.2018
13.	Attempted cheque fraud	07.02.2018
14–15.	Corruption (two cases)	07.02.2018
16.	Case outside of IAO remit, referred to HRD	21.02.2018

Appendix IV

Substantiated cases by category and subcategory completed 2016 to 2018

