



Governing Body

344th Session, Geneva, March 2022

Programme, Financial and Administrative Section

PFA

Date: 31 January 2022

Original: English

Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2020

Summary: This document provides information on actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2020.

Author unit: Office of the Treasurer and Financial Comptroller (TR/CF).

Related documents: [GB.341/PFA/9](#), [GB.341/PV](#), paragraphs 900–909.

1. The Chief Internal Auditor submitted his report on significant findings resulting from internal audit and investigation assignments undertaken in 2020 for consideration at the 341st Session (March 2021) of the Governing Body, which was adopted by correspondence.
2. This document provides information on follow-up action taken by the Office on the Chief Internal Auditor's recommendations for 2020.
3. 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 2020 and the status of the Office's follow-up.
4. ILO management is continuing 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 follow-up action is taken and that the recommendations are effectively implemented.

► Appendix I

Follow-up action taken by the Office on the Chief Internal Auditor’s recommendations for 2020

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Risk management	The IAO repeats its opinion that the use of risk assessments in the early formulation stages of development cooperation projects will assist in reducing the likelihood of fraud occurring during implementation. The IAO further suggests that for large-scale projects the department responsible for project development should liaise with the Senior Risk Officer at an early stage.	<p>As stated in the Office’s response to the Chief Internal Auditor’s recommendation in 2019, risk assessments are required in the early formulation stages of development cooperation projects. During the project design phase, the requirement is that, for projects over US\$1 million, risk assessment should be done in the form of a risk register; for projects under US\$1 million, the project document should include a short narrative of expected risks. An inadequate risk assessment in the design phase is noted in the final appraisal report and expected to be fully addressed by the project management during the project’s inception phase.</p> <p>The Partnerships and Field Support Department (PARDEV) regularly seeks the advice of the Senior Risk Officer, in particular in respect of larger value projects and those potentially of high risk. In addition, during 2021, as part of the Development Cooperation Learning Journeys on project design, PARDEV and the Senior Risk Officer delivered a training product for ILO staff on matters relating to risk. A workshop was also organized, in conjunction with the PARDEV project design help desk, following which additional tools would be provided to strengthen risk-based advice by the help desk for project formulators.</p>	Fully implemented	Ongoing activity

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Voluntary Thrift Benefit Fund (VTBF)	The IAO recommends that the Fund be wound up in accordance with the procedures set out and approved by the Governing Body. Should the VTBF Management Committee decide to maintain the Fund, the IAO recommends that the management and administration of the VTBF no longer remain in-house. If it does remain under the ILO's control, a number of measures would need to be implemented to bring the system of internal control up to an adequate standard, requiring investment in staff and information technology (IT).	The VTBF Management Committee made its recommendation to the Director-General to dissolve the VTBF in accordance with article 8 of the Statute of the Fund. The Office proposal for the dissolution and the related modalities for the distribution of the Fund's assets were endorsed by the Governing Body at its 341st <i>bis</i> Session in May 2021. Subsequently, at its 109th Session, the International Labour Conference decided that the remaining funds in Plan B of the Fund (amounting to CHF2,533,571 as at 18 March 2021), which would be returned to the Office after having covered all expenses and charges related to the dissolution process, should be credited, notwithstanding article 11 of the Financial Regulations of the International Labour Office, to the Terminal Benefits Fund. As of October 2021, the VTBF was dissolved and the remaining balance in Plan B was returned to the Terminal Benefits Fund.	Fully implemented	October 2021

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Verification of invoices	Prior to processing payment, country office financial departments should ensure that all invoices are thoroughly reviewed for accuracy and authenticity.	<p>The findings referred to in the Chief Internal Auditor's report related to cash payments for seminar expenses prior to the implementation of the Integrated Resource Information System (IRIS) in a particular field office. Since the audit, the field office concerned has reinforced its procedures by requesting quotations from suppliers prior to the seminar event and establishing purchase orders with the supplier selected in accordance with procurement principles, thus in full alignment with the standard process.</p> <p>In general, a payment in the ILO is processed in accordance with the three-way match principle: purchase order, receipt and invoice. With the full implementation of IRIS, all offices are using two interlinked systems to manage payments: IRIS for the creation of purchase orders and receipts for all transactions, and ALUSTA for scanning and processing the invoices. When there is an issue with an invoice and/or its matching with the purchase order and the receipt, automatic notifications are sent to the financial staff concerned for further review and onward verification with the supplier if necessary.</p>	Fully implemented	Ongoing activity
Cash advances	Rather than to continue to place a heavy reliance on cash advances to ILO staff members to cover costs related to seminar expenses, and to reduce the risk of robbery or fraud, the IAO recommends that the Office explore alternative electronic means to transfer funds to seminar participants and vendors, taking into account the cost-benefit of such alternative method.	<p>The Office is currently exploring the use of the mobile money transfer services (MMTS) provided by two of its global banking partners, which collaborate with local mobile network providers to provide the service through their e-banking application. The MMTS would enable an ILO office to transfer a predetermined cash allowance directly from the ILO bank account to the beneficiary's mobile phone as a substitute for physical cash delivery.</p> <p>The current payment processes will be adapted to ensure a streamlined process while retaining security and mitigating any additional risks. The necessary IT developments will be implemented and training will be delivered prior to implementation of the solution to selected pilot field office locations. Once the procedures are adjusted on the basis of the results of the pilot, the solution will be further rolled out to other locations/regions as and when feasible in 2022.</p>	Implementation in progress	End of 2022

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Grant agreements	The Office should reinforce the requirements and applicability of the grants mechanism to ensure they are used accurately and their procedures are correctly followed.	The Office is reviewing the procedures for the grants mechanism (IGDS No. 430) and will provide further guidance on the requirements and applicability of grant agreements in comparison to other contractual modalities, such as implementation agreements.	Implementation in progress	June 2022
Access to the ILO's Integrated Resource Information System (IRIS)	Although the Office has enacted criteria to determine whether a project may obtain full IRIS access, at least read-only availability should be considered in the case of smaller projects that may not meet the thresholds for full deployment. To facilitate decision-making, departments or field offices developing project proposals should ensure that any additional costs permitting IRIS read-only access are included in project budgets and that IT security concerns are addressed.	The Office has established procedures for the review of requests for IRIS access by project offices. Development cooperation projects have been asked to incorporate IT/IRIS costs in new project budgets. In advance of project inception, an IRIS feasibility review and implementation plan is considered by the Budget and Finance Branch (BUDFIN) and the Information and Technology Management Department (INFOTEC) and a decision is taken on a case-by-case basis in line with multiple criteria, such as IT infrastructure, project scale and duration, number of staff, and so on. Where the IT infrastructure permitted (good connectivity and appropriate equipment), appropriate access to project offices was systematically provided. If a project location does not meet the requirements to access IRIS, the administratively responsible country office will distribute the financial information to the projects on a regular basis.	Fully implemented	Ongoing activity
Timely implementation of internal audit recommendations	The IAO reiterates its previous recommendation that the Office take action to ensure that all responsible units respect the reporting deadlines and enact all internal audit recommendations in a timely manner.	By the end of 2021, the Office had responded to all internal audit reports issued by the IAO, with its recommendations either fully implemented or supported by an action plan and a target implementation date. Going forward, there will be more strict monitoring of reporting deadlines to ensure timely implementation of internal audit recommendations. In addition, the Office has included relevant information on the Manager Dashboard about recommendations requiring status updates and will launch an overall review in the first half of 2022 for their further follow-up.	Implementation in progress	June 2022

▶ Appendix II

List of internal audit reports issued in 2020

Title	IAO reference	Date	Implementation status *	Completion date
Report on the Internal Audit of the ILO Decent Work Technical Support Team for West Africa and Country Office for Senegal, Cabo Verde, Gambia, Guinea and Guinea-Bissau in Dakar, Senegal	IAO/1/2020	19.05.2020	Complete	26.10.2021
Report on the Internal Audit of the Voluntary Thrift Benefit Fund for ILO staff members	IAO/2/2020	23.12.2020	Complete	24.03.2021

* Complete = Implementation report submitted to the Chief Internal Auditor.