Governing Body

347th Session, Geneva, 13–23 March 2023

Programme, Financial and Administrative Section

Audit and Oversight Segment

Date: 15 February 2023
Original: English

Eighth item on the agenda

Report of the Chief Internal Auditor for the year ended 31 December 2022

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 2022, for consideration by the Governing Body (see the draft decision in paragraph 4).

Relevant strategic objective: None.

Main relevant outcome: 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: Internal Audit and Oversight Office (IAO).

1. 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 2022.

2. 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.

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

Draft decision

Report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2022

Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>7</td>
</tr>
<tr>
<td>Summary of activities</td>
<td>8</td>
</tr>
<tr>
<td>Assurance audits</td>
<td>8</td>
</tr>
<tr>
<td>Follow-up of internal audit recommendations</td>
<td>16</td>
</tr>
<tr>
<td>Investigation results</td>
<td>17</td>
</tr>
<tr>
<td>Other activities</td>
<td>19</td>
</tr>
</tbody>
</table>

Appendices

I. List of internal audit reports issued in 2022                                           21
II. List of investigation reports issued in 2022                                               23
III. Substantiated cases by category, completed 2018 to 2022                                   24
Introduction

Vision

1. To enhance and protect the ILO's value to its constituents and other internal and external stakeholders by providing independent and authoritative risk-based assurance, advice, investigations and insight.

Mission

2. The Office of Internal Audit and Oversight (IAO) aims to provide relevant, timely and high-quality internal audit and investigation services. Through its activities, it supports the organizational objectives of a high-performing, influential ILO, responsive to the needs of constituents in pursuing its social justice mandate. The IAO provides expert advice on governance, risk management and internal control processes to enhance the efficiency, effectiveness and economy of the ILO's operations, and support management to promote a continued ethical culture in the ILO.

Mandate

3. The IAO of the ILO 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 Governing Body-approved Audit and Investigation Charters.

4. The IAO's mandate includes responsibility to conduct fact-finding investigations into allegations of financial or administrative misconduct and other irregular activities. Since 11 November 2019, the IAO's mandate has been clarified to include the authority to conduct investigations into allegations of sexual exploitation and abuse and allegations of retaliation against whistle-blowers referred by the Ethics Officer.

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, free and prompt access to all records, personnel, operations, functions and other material relevant to the subject matter under review.

6. 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 as adopted by the Conference of International Investigators of the United Nations Organizations and Multilateral Financial Institutions, and the IAO's Standard Operating Procedures for Investigations.

Statement of independence

7. The Chief Internal Auditor confirms his independence and that the IAO's activities have been carried out within the limits of available resources and free from interference by management or other stakeholders.
Summary of activities

8. This section provides an overview of the main activities undertaken by the IAO in 2022. In those areas that were subject to the IAO’s review (both audit and investigation), only two instances of material weakness in the system of internal control were identified. One related to a project office where there was significant scope to improve the management and monitoring of an implementing partner’s activities (this was identified during an investigation); and the second concerned audit recommendations that the IAO considered critical with respect to the ILO’s Staff Health Insurance Fund (SHIF). The Office has since taken steps to address the issues raised and strengthen internal control.

Assurance audits

9. Since 2020, the coronavirus (COVID-19) pandemic has affected the IAO’s work procedures. From 2022, ILO offices began reverting to normal operating conditions, with complete teleworking no longer the norm. New working methods introduced early in the pandemic, such as remote auditing and outsourced audit reviews, continued to be used, although to a lesser extent. During 2022, the IAO resumed mission travel as permitted under local conditions and taking into consideration the working practices of the staff in the field offices concerned.

10. The IAO issued nine assurance audit reports and three advisory minutes during the year. The assurance audits covered one field office location, in Asia and the Pacific; four headquarters-related reports; and four related to a development cooperation project (see Appendix I). The advisory minutes addressed information technology security issues at headquarters. During 2022, the IAO was in the process of completing a further six audit assignments, which are in various stages of reporting. The Chief Internal Auditor will present a summary of the findings of those assignments to the Governing Body at its 350th Session (March 2024) along with the audits undertaken during 2023.

11. The staffing of the Assurance Audit Unit was temporarily reduced in 2022 from three senior internal auditors to two. One Senior Auditor left the ILO in December 2021 and the replacement Senior Auditor was hired effective 1 September 2022.

Summary of audit results

12. In the audit reports and advisory minutes issued in 2022, the IAO made 103 recommendations: 92 arising from the assurance audits and 11, rated of high significance, from the advisory minutes. The IAO assessed the assurance audit recommendations to be of varying significance, with levels of critical, high, medium and low importance.

13. The IAO’s analysis of its 2022 audit findings by significance, for audits at headquarters, in the field office, and for all four development cooperation projects, is shown in figure 1.
Figure 1. Assurance audit recommendations by significance and area of audit

The 103 audit recommendations of 2022 are presented by priority and subject area shown in figure 2.

Figure 2. Assurance audit recommendations by significance and subject area

14. The 103 audit recommendations of 2022 are presented by priority and subject area shown in figure 2.
15. As a result of the audit reports referred to later in this report, the IAO is making the following seven strategic recommendations to the Office, which apply across the ILO:

- **Business Process Review**: With respect to any future major project, management should put in place a system to formally document all discussions justifying key decisions. This would enhance transparency and accountability.

- **Business Process Review**: For future large projects, management should establish a single repository for project documentation containing all primary records and pertinent documents, taking into consideration the need to maintain the confidentiality of some documentation.

- **ILO Sexual Harassment Policy**: The Office should build on progress made on issues concerning sexual harassment in the ILO. In particular, the Office should review and update its policy as necessary, including the procedures to report and communicate allegations of sexual harassment, and finalize and roll out its training module on preventing and responding to sexual harassment.

- **PROSPECTS**: The IAO has raised the issue of moving from cash payments to mobile payments in previous reports. The IAO understands that the Office is implementing a pilot programme to enable the use of mobile payments among other means of disbursement, where applicable, and encourages the Office to prioritize this.

- **PROSPECTS**: The Office should assess whether the standard operating procedures codifying processes for requesting and reporting on work months to support projects could be applied to all relevant officials. The IAO understands that this may have implications for a wide range of staff for whom work months are issued and that it may require awareness-raising on the importance of record-keeping. However, this change could improve reporting of results at the project and programme levels.

- **Field audits**: Issuing contracts to bridge breaks in project funding is an Office-wide issue that has been identified in previous field audits. Although the issuance of external collaboration contracts was exceptional in the case reviewed, the Office should strongly discourage it and should formulate a policy on how such situations can be managed effectively on a consistent basis.

- **Field audits**: The IAO noted that decisions have been taken at the local level to use electronic signatures. This exposes the ILO to unnecessary legal and financial risks. Pending any decision to implement Office-wide use of electronic signatures, the IAO recommends that the Office should reinforce the instructions from the Financial Management Department that it is not the ILO’s policy to use electronic signatures and that staff should stop using them in those locations where they have been applied.

### Summary of investigation activity

16. In 2022, the IAO received 74 new referrals for review, compared to 44 in 2021, 54 in 2020 and 50 in 2019. While the number of referrals was expected to increase after pandemic-related measures ended, this is the highest number of referrals recorded by the IAO.

17. In 2022, the IAO began mission travel following the lifting of pandemic-related restrictions. Lessons learned from remote investigation work during this time have been incorporated into a new way of working.
18. A breakdown of the status of cases as at 31 December 2022 is shown in paragraph 46 below and a list of issued reports is included in Appendix II.

19. The IAO identified lessons learned, which reflect lapses in control that were detected during investigations and are for the consideration of management. They are listed in paragraph 48 below.

Office response to the pandemic

20. The pandemic continued to affect working arrangements during 2022, particularly at the start of the year. ILO offices around the world started to reopen to staff, while still prioritizing their health, welfare and safety, and teleworking operations continued even after staff began returning to the office. The IAO continued to limit travel as necessary and carried on with virtual meetings as practicable.

21. The IAO had intended to undertake an audit of the Office's response to the COVID-19 pandemic and lessons learned. However, the Evaluation Office undertook a major review of the effect of the pandemic on the ILO's work, and issued its report, *Independent High-Level Evaluation of ILO's COVID-19 response 2020–22*, in August 2022. Given the scope and depth of this report, the IAO did not undertake its planned review of the Office's response to COVID-19 and lessons learned, as it would have resulted in duplication of effort.

Headquarters assurance audits

Report on the internal audit of accounts payable at ILO headquarters

22. The audit indicated that the payment function is operating effectively and identified no duplicate or unauthorized payments. Some recommendations to improve operations were made, to include opportunities to strengthen the internal control environment for conducting supplier due diligence, supplier master data maintenance, referencing ILO purchase orders on supplier invoices and processing accruals for supplier payments. The audit recommended that the supplier master file should be reviewed periodically to ensure that all vendors are still valid ILO business partners and to reduce the risk of undetected duplicate suppliers or errors in bank account information, supplier addresses or other important information, which would expose the Office to a higher risk of duplicate payments or fraud. The Office noted that every six months the system ends supplier records for which the ILO has not received invoices in the preceding 24 months. Ad hoc checks to identify duplicate suppliers are carried out, and corrective actions taken to ensure that duplications are removed. Furthermore, incorrect supplier payment information is identified through the rejected payments logs, and every case is followed up in order to correct the information for future processing.

Report on the internal audit of the business process review at ILO headquarters

23. The Business Process Review, which was initiated in April 2016 and carried out in collaboration with an external consulting firm, analysed business processes for administrative functions across the Office at headquarters and identified opportunities to realize cost savings. The firm trained ILO staff on the methodology, and subsequently progressively withdrew from direct involvement in the Review, which was completed by an ILO team. The cost of the ILO's partnership with the consulting firm amounted to approximately US$13.5 million over four years.
24. The Business Process Review defined success in the terms of reference for selecting the consultancy firm as:
   • a significantly lower share of the budget devoted to administrative and business processes;
   • improved responsiveness of administrative services;
   • more streamlined and modernized procedures requiring less work time of both support staff and users, so that users can focus on delivering technical services, knowledge and quality policy advice to constituents.

25. In conjunction with other initiatives already under way, the audit found that the Business Process Review achieved budget reductions in the Management Services and Support functions (as previously reported by the Office to the Governing Body); made improvements in administrative business processes; and contributed to changing culture by making efforts to improve staff morale, team skill levels and inter-department communication and cooperation. It was also a catalyst for management to implement new business applications which improved efficiencies in administrative processes, including digitizing business procedures to achieve efficiency gains and developing electronic business applications.

26. Although the audit deemed the Business Process Review to have been successful, it identified two opportunities to improve overall project governance. Management should have formally documented the discussions justifying the scenario selected to implement the Review (the consulting firm proposed three scenarios from which to choose); otherwise, the absence of documentation outlining the relative merits and challenges of each option could be perceived as a lack of transparency in the decision-making process. The second recommendation addressed the establishment and retention of a document repository containing all primary records and pertinent documents relating to the Business Process Review. Without this, not all documentation may be available for reference in future iterations of the project or for other initiatives.

Report on the internal audit of the effectiveness of the ILO sexual harassment policy and implementation

27. This targeted audit reviewed the status of the ILO's implementation of its current strategy on preventing and responding to allegations of sexual harassment and assessed the effectiveness of the ILO's policies and procedures in preventing and dealing with cases of sexual harassment.

28. Overall, the audit commended the Office for establishing a sexual harassment policy and offered suggestions on how to strengthen the policy, its implementation mechanisms, the organizational culture of zero tolerance for sexual harassment, and communications and awareness-raising on the policy and its implementation. Several recommendations were made, the most significant being:
   • The Office should update the ILO Policy on Sexual Harassment and bring it fully in line with the UN System Model Policy on Sexual Harassment, emphasizing its commitment to non-discrimination and a gender-sensitive and inclusive response to sexual harassment.
   • The Office should develop an encompassing strategy for awareness-raising on sexual harassment and capacity-building to prevent and respond to it, and finalize its draft training course on sexual harassment. It should be mandatory for all staff to complete the course and regular refresher training.
• The Office should improve information and communication to significantly increase staff awareness in all duty stations of the support available, reporting mechanisms and the process of investigation that follows a complaint.

29. Finally, the audit recommended that reporting lines and investigation procedures should be simplified and brought in line with the report of the Joint Inspection Unit on the state of the investigation function, 1 which concluded that one internal entity should handle all intake, preliminary assessments and decisions to investigate. The IAO understands that the Office is conducting internal consultations on this issue.

Report on the internal audit of the Staff Health Insurance Fund at ILO headquarters

30. This year's audit of the SHIF included a review of the implementation status of the recommendations that the IAO made in its previous audit report, issued in October 2018. The audit identified a number of areas that the IAO assessed as critical and made nine recommendations to address them. The areas covered by the recommendations addressed issues relating to timeliness of decision-making by the Fund's Management Committee, proof of payment, anti-fraud measures, management of potentially fraudulent claims, external assistance to verify medical claims in field locations, as appropriate, and developing an anti-fraud plan.

31. The audit also found that improvements had been achieved. The SHIF satisfactorily maintained operations despite the mandatory teleworking during the COVID-19 pandemic. The online claims portal that management implemented in 2019 helped to improve processes and address the IAO's previous recommendations. Good practices implemented include increasing the number of claims settled directly with healthcare providers, and SHIF staff regularly requesting advice from the Medical Adviser on claims that raise questions about the prescribed doses of medicines or specific medical treatment. These last two examples demonstrate that the SHIF is improving its anti-fraud measures, although further work is needed.

Report on the internal audit of the Partnership for improving prospects for forcibly displaced persons and host communities (PROSPECTS) programme at ILO headquarters

32. The IAO conducted an audit of the Partnership for improving prospects for forcibly displaced persons and host communities (PROSPECTS) programme. It is a partnership programme funded by the Government of the Netherlands and implemented with the International Finance Corporation, the United Nations High Commissioner for Refugees, the United Nations Children's Fund and the World Bank. Signed in October 2019, the agreement runs from July 2019 to June 2024 with a budget of US$94 million. PROSPECTS is divided into eight decentralized projects, operating in the Arab States and Africa, with activities in three areas: education, jobs and social protection, and protection (including legal status). The global role of PROSPECTS is that of coordination and obtaining technical support from various technical units at headquarters.

33. The audit comprised four parts: a review of operations at headquarters and three field audits. Audit work started in 2021; due to the pandemic conditions at the time, the examination of field activities was outsourced through the IAO's long-term agreement, while IAO auditors reviewed headquarters operations. Part of the findings from the field reviews are covered in the section on field audits.

1 JIU/REP/2020/1.
34. The audit found that, overall, internal controls were operating satisfactorily. Governance structures were in place in line with programme requirements, reports to donors were submitted on a timely basis, and there was a division between headquarters oversight and regional and local management of individual country operations, which were adequate for the programme’s needs.

35. The audit found opportunities to formalize delegated authority to Chief Technical Advisers in all the countries in which PROSPECTS operates. Having in place formal delegated authorities would ensure proper accountability and would avoid confusion and possible delays in processing transactions.

36. Two further recommendations were made that would benefit both the programme and the entire ILO. One addressed the ability of the project to make payments to participants via mobile applications in countries where their use is widespread. This would reduce the risks to staff carrying large sums of cash. The Office is implementing a pilot programme to enable mobile payments, and the IAO encourages it to prioritize this. The second recommendation addressed the audit finding that, although the project provides work months to technical branches to ensure monitoring support, there is no guidance or standard operating procedures on how work months are quantified or measured, nor is there any template for reporting the output produced for the work months provided. To address these concerns, the project has indicated that it will develop a set of relevant standard operating procedures to codify processes for requesting and reporting on work months. This is a good initiative, which could benefit the entire ILO and provide more accountability and more precise reporting against outcomes.

Advisory minutes on information technology security issues at ILO headquarters

37. The IAO issued three advisory minutes in 2022: two analysed IT security breaches, and one assessed the security of the e-voting system used by the ILO. Each advisory minute provided recommendations on improving the related security environment.

- **E-voting system security assessment for the election of the ILO Director-General.** The application that was in use is around 20 years old and the IAO identified inherent security weaknesses. Furthermore, the programme was not included under the monitoring and alerting system of the ILO’s Information and Technology Management Department (INFOTEC), which would advise of security breaches. The IAO cautioned against using the e-voting system for the election of the ILO Director-General and suggested conducting thorough research on acquiring a commercially available electronic voting system or commissioning a modern package with enhanced security. Electronic voting was not used, and a new e-voting solution was identified and procured in 2022, with implementation activities under way. The system is expected to be in place at the end of the second quarter of 2023.

- **Information security data breach on the Decent Work for Youth website.** A third-party service provider with a contractual relationship to host websites and related business applications informed the Office that unknown intruders had breached its systems, posted a message on the Decent Work for Youth website and exfiltrated the database containing the personal information of subscribers to the website. INFOTEC determined that the intruders were able to infiltrate the website as a result of poor maintenance on the part of the vendor. The IAO recommended that contracts with third parties for application development and website hosting services should stipulate a set of minimum application development standards and provide periodic security maintenance for the applications.
Secure application development standards are currently being drafted and should be completed by the end of the first quarter of 2023.

- **Information security data breach on the FACILITIES computer network.** The Facilities Management Unit (FACILITIES) maintains the computer network infrastructure that operates business applications at headquarters, including: the building access control system; fixed-line telephony; the lifts; and the heating, ventilation and air conditioning systems. This is independent from the regular ILO network, although the two are connected. In February 2022, INFOTEC found evidence that unknown third parties had infiltrated the FACILITIES network and created user accounts with administrator access privileges on the server. The IAO highlighted the risks of not maintaining the latest security patches and updates on critical business applications on this network, the need to assess skills gaps in managing and operating the FACILITIES infrastructure, and the importance of defining service-level agreements that clearly specify the roles and responsibilities in collaborating and maintaining the network and its component parts. The Office commissioned an audit of the operational network at the end of 2022, and recommendations will be reviewed in early 2023. The implementation of an Integrated Workplace Management System, intended to replace ten of the stand-alone buildings management legacy systems, began in January 2023.

**Field audits**

38. In 2022, the IAO issued one assurance audit report on work conducted for an ILO field office in the Asia and the Pacific region, in addition to three reports covering field operations of the PROSPECTS programme. These audits were started in 2021, and due to the inability of IAO officials to travel to the countries concerned during the pandemic, the first was conducted remotely and the three project audits were co-sourced. The reports made 26 recommendations, of which ten were of high significance, nine of medium significance and three of low significance. Audit recommendations addressed the areas of external collaboration contracts, electronic signatures and gender equality.

**Summary of main observations of field audits**

**External collaboration contracts**

39. The field office audit report highlighted issues relating to the use of external collaboration contracts when there was a timing gap between the end of a project and confirmed funding of the next phase. The situation was exacerbated by the impact on travel due to the COVID-19 pandemic, which meant that the development cooperation project staff concerned were unable to travel from their duty station to their home at the end of their employment contract. The field office explained that the individuals affected were placed on external collaboration contracts with specific outputs, following appropriate procedures.

40. While this situation was to some extent unique, the issue of managing development cooperation project staff where their employment contract ends and there is a gap before a donor confirms and provides funding for the next phase of a project is common. The use of bridging contracts is an Office-wide issue that has been identified in other field audits. The Office should formulate a policy on how these situations can be managed effectively.
Electronic signatures

41. The ILO Information Technology Strategy 2022–25 calls for enhanced use of automated processes and applications to increase business efficiency, including the “use of digital signature functionality”. To maintain maximum IT security and reduce the risk of fraudulent use of such signatures, this functionality is being rolled out gradually in both headquarters and the field. Until staff members in an office are sufficiently trained and authorized to use electronic signatures in documents, they must refrain from doing so.

42. The field office review and the audit of the PROSPECTS field operations in one location noted that, in these two cases, electronic signatures were being used without prior authorization from the ILO’s Corporate Services Cluster (formerly the Management and Reform Portfolio). Pending any decision to implement Office-wide use of electronic signatures, the IAO recommended that the use of electronic signatures to request financial commitments and to certify or approve contracts or payments be halted in any location which has been deploying it.

Gender equality

43. In the field office that was audited, the IAO’s review of selected documentation from development cooperation projects indicated that gender issues had been duly incorporated in the projects, and that there had been efforts to ensure gender balance when hiring staff. The field office also received funding from the regular budget supplementary account for its proposal to promote the Violence and Harassment Convention, 2019 (No. 190), in the country and encourage the Government to ratify it. The PROSPECTS audit noted that the programme ensured that gender issues were included in the project; seminars were held in the regions with gender and disability consultants to ensure that gender issues were integrated in project documents. Comments from the Gender, Equality, Diversity and Inclusion Branch (GEDI) on the documents thus developed were sought and incorporated. In addition, work months have been provided to GEDI to continue the cooperation. In the IAO’s view, this demonstrates a good practice.

Follow-up of internal audit recommendations

Office implementation reports

44. In 2021, the IAO issued four assurance audit reports, containing a total of 35 audit recommendations, and one verification exercise containing two recommendations. The audit report recommendations were assessed with the levels of low, medium, high and critical significance. The table below shows management’s assessment of the implementation status of the IAO’s recommendations. The Office accepted 31 of the 35 recommendations, or 89 per cent, a figure similar to that of previous years. By not agreeing to implement a recommendation, management accepts the risk and responsibility associated with the finding.

---

2 GB.343/PFA/4.
Implementation status of IAO recommendations as at 31 December 2022

<table>
<thead>
<tr>
<th>Recommendation status</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully implemented</td>
<td>8</td>
<td>9</td>
<td>2</td>
<td>19</td>
<td>61</td>
</tr>
<tr>
<td>Implementation in progress</td>
<td>7</td>
<td>5</td>
<td></td>
<td>12</td>
<td>39</td>
</tr>
<tr>
<td>Not accepted</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>17</strong></td>
<td><strong>14</strong></td>
<td></td>
<td><strong>3</strong></td>
<td><strong>35</strong></td>
</tr>
</tbody>
</table>

The IAO is pleased to report that all implementation reports for the previous year’s audits were submitted within the prescribed deadline. The IAO also reviewed the Office’s follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2021. The action taken by the Office in relation to the recommendations addressed the issues raised and the IAO is satisfied with the responses.

Investigation results

Investigation reports issued in 2022, completed investigations awaiting reporting and cases carried forward to 2023

The IAO received 74 case referrals in 2022, to add to the 60 that were carried forward from earlier years and the 24 cases pending reporting, that is, a total of 158 cases.

Reports issued

- 10 cases were investigated, report issued – substantiated;
- 7 cases were investigated, report issued – unsubstantiated;
- 35 cases were reviewed, of which:
  - 18 cases where no further action (NFA) was deemed necessary following an initial assessment;
  - 8 cases where no further action was deemed necessary following a preliminary investigation;
  - 1 case where the investigation was closed as unsubstantiated following a preliminary investigation;
  - 5 cases which were referred to the Human Resources Development Department following an initial assessment;
  - 1 case referred to management following an initial assessment;
  - 1 case referred to the Internal Audit Unit following a preliminary investigation;
  - 1 case that was considered to be outside the mandate of the IAO.

---

3 GB.347/PFA/INF/6.
Completed investigations in various stages of reporting

- 25 cases are awaiting reporting (13 awaiting reporting as substantiated cases, 5 awaiting reporting as unsubstantiated cases, 5 awaiting reporting as inconclusive and 2 awaiting reporting where no further action is deemed necessary).

Cases carried forward to 2023

- 81 active cases have been carried forward to 2023, of which:
  - 24 cases are the subject of full investigations at various stages of completion;
  - 25 cases are at the preliminary investigation stage;
  - 16 cases are at the initial assessment stage;
  - 16 cases have been recorded at the intake stage.

Figure 3. Status of IAO investigations as at 31 December 2022

Lessons learned arising from investigations

47. The IAO has analysed the substantiated investigation reports issued for the five years between 1 January 2018 and 31 December 2022 and has provided information on the types of cases by category in Appendix III.

48. The investigations completed in 2022 identified the following three key areas where lessons can be learned with respect to the department, office or project where fraud or misconduct
was substantiated. The lessons learned reflect lapses in control that were identified during investigations and are for the consideration of management. They are as follows:

- **The Office should put in place enhanced governance and management systems for the selection, suitability, monitoring and reporting of project activities carried out by implementing partners. In this instance, ineffective monitoring created an environment where the risk of the occurrence of sexual exploitation and abuse increased significantly, and verification of activities was difficult.**

- **Payment of dependency benefits and rental subsidy should be subject to closer monitoring and controls to reduce further the risk of fraud.**

- **Awareness should be raised among staff on the procedures to follow with regard to engagement in outside activities to reduce further the risk of fraud.**

### Other activities

49. The IAO provides internal audit and investigation services for the International Training Centre of the ILO in Turin, Italy. In 2022, the IAO completed two audit reports on the Centre, which consisted of reviews of different stages of the Centre's pavilion renovation project.

50. During 2022, the IAO attended the meetings of the Steering Committee for the Headquarters Renovation Project and of the Information Technology Governance Committee, as an observer.

51. As part of its outreach, the IAO conducted an online awareness-raising session on fraud and misconduct with the Country Office in Ankara, Türkiye.

52. As in previous years, the IAO provided advice to management upon request.

53. After two years of pandemic-related postponements and virtual events, officials from the IAO's Internal Audit Unit and Investigation and Inspection Unit participated actively in their respective oversight peer groups within the UN system: the Representatives of Internal Audit Services and the United Nations Representatives of Investigative Services. The IAO attended the latter's quarterly virtual meetings. The Conference of International Investigators was held in a hybrid format in 2022. The IAO attended and, as in previous years, ran a session on challenges facing small investigation units, with the support of colleagues from the Pan American Health Organization and the United Nations Industrial Development Organization. Similarly, officials from the IAO attended the Meeting of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions and facilitated a session on donor relations.

54. The IAO encourages its staff members to observe the continuing professional education requirements of the professional organizations to which they belong. As in previous years, the IAO organized a training course to assist them in obtaining the minimum credits necessary, and included staff from other organizations to share costs. The virtual course on Auditing Third-Party Risk Management, Operational Resilience and Ethics was attended online by 25 participants from the ILO and ten other UN agencies, international non-governmental organizations and multilateral development banks.
## Appendix I

### List of internal audit reports issued in 2022

<table>
<thead>
<tr>
<th>Index No.</th>
<th>Audit reference</th>
<th>Date issued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ILO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>2022–23 Biennium IAO Risk-Based Audit Plan</td>
<td>IA 1-6 (2022)</td>
</tr>
<tr>
<td>2.</td>
<td>Minute on the E-Voting System Security Assessment for the ILO Director-General Election</td>
<td>IA 1-22</td>
</tr>
<tr>
<td>4.</td>
<td>Minute on the Information Security Data Breach on Decent Work for Youth Website</td>
<td>IA 2-22</td>
</tr>
<tr>
<td>5.</td>
<td>Report on the Audit of the ILO Country Office for Indonesia and Timor-Leste (CO-Jakarta)</td>
<td>IAO/02/2022</td>
</tr>
<tr>
<td><strong>Turin Centre</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Turin Centre Audit Planning Memorandum for 2022–23</td>
<td>IA 1-6-1 (2022)</td>
</tr>
<tr>
<td>Index No.</td>
<td>Report on the Audit of the Pavilion Renovation Works at the International Training Centre of the ILO in Turin</td>
<td>Audit reference</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------------------------------------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>2.</td>
<td>Report on the Audit of the Pavilion Renovation Works (3rd Review) at the International Training Centre of the ILO in Turin</td>
<td>IA/TC/58</td>
</tr>
</tbody>
</table>
### Appendix II

**List of investigation reports issued in 2022**

<table>
<thead>
<tr>
<th>Index No.</th>
<th>Date issued</th>
<th>Substantiated (10 cases concluded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>07.02.2022</td>
<td>Undeclared outside activity</td>
</tr>
<tr>
<td>2.</td>
<td>21.06.2022</td>
<td>Discrimination and abuse of authority</td>
</tr>
<tr>
<td>3.</td>
<td>18.07.2022</td>
<td>Unethical behaviour</td>
</tr>
<tr>
<td>4.</td>
<td>13.09.2022</td>
<td>Sexual harassment</td>
</tr>
<tr>
<td>5.</td>
<td>27.09.2022</td>
<td>Undeclared outside activity</td>
</tr>
<tr>
<td>6.</td>
<td>29.09.2022</td>
<td>Sexual exploitation and abuse by an employee of an implementing partner</td>
</tr>
<tr>
<td>7.</td>
<td>17.10.2022</td>
<td>Poor monitoring, poor performance and lack of transparency in the use of funding by an implementing partner</td>
</tr>
<tr>
<td>8.</td>
<td>24.10.2022</td>
<td>Dependency benefit fraud</td>
</tr>
<tr>
<td>9.</td>
<td>03.11.2022</td>
<td>Fraud against the SHIF</td>
</tr>
<tr>
<td>10.</td>
<td>06.12.2022</td>
<td>Rental subsidy fraud</td>
</tr>
</tbody>
</table>

**Unsubstantiated/no further action (42 cases concluded)**

<table>
<thead>
<tr>
<th>Index No.</th>
<th>Date issued</th>
<th>Unsubstantiated/no further action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>15.03.2022</td>
<td>Sexual exploitation and abuse – no further action</td>
</tr>
<tr>
<td>2.</td>
<td>26.09.2022</td>
<td>Fraud against the SHIF – unsubstantiated</td>
</tr>
<tr>
<td>3.</td>
<td>30.09.2022</td>
<td>Fraud against the SHIF – unsubstantiated</td>
</tr>
<tr>
<td>4.</td>
<td>24.10.2022</td>
<td>Misuse of leave, travel and project vehicle – unsubstantiated</td>
</tr>
<tr>
<td>5.</td>
<td>25.10.2022</td>
<td>Fraud against the SHIF – unsubstantiated</td>
</tr>
<tr>
<td>6.</td>
<td>03.11.2022</td>
<td>Misuse of excoll procedures</td>
</tr>
<tr>
<td>7.</td>
<td>06.12.2022</td>
<td>Retaliation – unsubstantiated</td>
</tr>
<tr>
<td>8.</td>
<td>31.12.2022</td>
<td>Minute issued on cases where no further action taken (35 cases: 25 were closed following an initial assessment and 10 were closed following a preliminary investigation. Of the 35, five were referred to the Human Resources Development Department, one was referred to Internal Audit, one was referred to management and one was outside of the mandate of the Investigation and Inspection Unit).</td>
</tr>
</tbody>
</table>
## Appendix III

### Substantiated cases by category, completed 2018 to 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of cases</th>
<th>Bribery and corruption</th>
<th>Externally perpetrated fraud</th>
<th>Making fraudulent statements</th>
<th>Professional misconduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>2019</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2020</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2021</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>2022</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

**Grand total**: 47