

## **Board of the Centre**

74th Session, Turin, 1-2 November 2012

**CC 74/4/4**

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**FOR INFORMATION**

### FOURTH ITEM ON THE AGENDA

## **Follow up to the recommendations of the Chief Internal Auditor for the year ended 31 December, 2011**

1. During its 73rd Session (November, 2011), the Chief Internal Auditor of the International Labour Office (ILO), who is also the Internal Auditor of the Centre, presented to the Board a report on significant findings resulting from its internal audit assignments undertaken at the Centre in 2010.<sup>1</sup> In 2010, the Internal Auditor's Office conducted an audit of the Centre's income generated from its training activities. This paper addresses follow-up action taken by the Centre on the recommendations contained in that report.
2. The Internal Auditor did not indicate any significant weakness in the Centre's system of internal control in the area of training income generation. The recommendations in the 2010 report, along with the Centre's responses and details of completed follow-up actions, are set out in Appendix I.
3. The Centre will continue to work with the Internal Auditor and keep him informed on progress on the implementation of outstanding recommendations, including those that will be implemented as part of the business process review exercise.

Turin, September, 2012

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<sup>1</sup> CC 73/5/3.

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## Appendix I

Recommendation no.	Recommendation	Centre response	Implementation Status	Completion date
1	<p>The Centre cannot presume that it can continue to generate surpluses, nor can it expect to benefit from windfall funding from elsewhere. Therefore, it is imperative that it budgets adequately for all of its training activities and has adequate systems in place to ensure that income is complete and received on a timely basis.</p>	<p>The Finance Committee meets at least every two months. To ensure that the Centre will not run into a budget deficit at the end of the year, the Finance Committee during its meetings, reviews the financial position of the Centre, revenue and expenditure projections, financial productivity and contribution to fixed costs of technical programmes vis-a-vis their targets and past year's performance.</p> <p>The internal procedure for clearance of funding agreements has been formalised. PRODEV will take over direct negotiation of funding agreements with potential sponsors. A centralised monitoring and bring-forward system is being established in PRODEV for ensuring timely follow up of contractual obligations in relation to project implementation (e.g. submission of progress and financial reports, budget revisions, extension requests) to ensure that income is complete and received on a timely basis.</p>	In progress	31 December, 2012
2	<p>In 2011, the Centre commissioned a business process review (BPR) of its activities, which had begun while the audit was taking place. The terms of reference of the BPR cover aspects of income generated from training activities. Therefore, the implementation of any changes as a result of IAO recommendations and findings as noted below will need to be considered after the conclusion of the BPR.</p>	<p>A BPR project team has been formally created and a BPR implementation plan approved by the Project Steering Committee. Expertise on BPR implementation is now on board to support the implementation of the recommendations of the BPR.</p>	In progress	31 December, 2013

Recommendation no.	Recommendation	Centre response	Implementation Status	Completion date
3	<p>IAO reviewed the workflow governing the processing of income generated from training activities and found scope for simplification in certain areas, especially regarding the role of technical training departments. There would also appear to be scope for the Financial Services Department (FinServ) to be directly involved in setting the Centre's contribution to its fixed costs, as well as reviewing the role of the Programme Development and Regional Cooperation (COORD) unit in approving the issuance of invoices.</p>	<p>FinServ has been reorganized so that the role of COORD in pricing, raising activity budgets and financial reporting has now been integrated with the Billing and Cost Control Units under the Budget Management and Financial Reporting Section. Cross-training between COORD, Billing and Cost Control staff as well as the testing of the streamlined and simplified procedure in the processing of income generated from activities is planned for October 2012.</p> <p>FinServ has been involved in the review of the 2012 pricing policy. In particular, FinServ validated and adjusted standard costs vis-à-vis actual expenditures of the relevant cost elements of the pricing policy.</p> <p>With the integration of COORD with FinServ, the recommendation that FinServ should be responsible for issuing invoicing instructions is now implemented. A consultation with the technical programmes on invoicing and requests for cash call down on projects is scheduled before the end of 2012.</p>	In progress	31 December, 2012

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4	<p>The various IT systems in place at the Centre related to managing costs of training activities, such as catering and accommodation services, are not integrated with the ORACLE financial management module, which has contributed to delays in collecting all information on the costs of each training activity; thus impacting on the time taken to issue an invoice. The lack of integrated systems has also led to the risk of duplication of effort and input errors as the database used predominantly to generate management information on training participation is not linked to the ORACLE financial management system.</p>	<p>A circular to enforce the timely closure of activity budgets was issued in June, 2012. The circular aimed at improving the flow of information on the costs of carrying out training activities from the technical programmes to the cost control unit thereby minimizing delays in collecting costs information of training activities and accelerating the invoicing process.</p> <p>The BPR team also pilot-tested a more automated process of issuing invoices on two courses that took place on the campus. The new procedure streamlined the process, but did not fully automate invoicing. This objective is high on the action plan of the BPR project team.</p> <p>On the lack of an integrated system, the BPR project team is investigating the feasibility of using ORACLE's project modules, a lighter version of ORACLE OGA used in Geneva, to consolidate key activity data into one central location, thereby eliminating the risk of duplication of effort, input errors and additional reconciliations on the database.</p>	In progress	31 December, 2013
5	<p>Within the Financial Services Department, there is scope for enhanced knowledge-sharing, through the identification of at least one additional staff member capable of carrying out each of the key tasks related to income collection.</p>	<p>Within existing staff resources at FinServ, a staff member has been identified and trained as back up to the Cost Control Unit.</p> <p>Moreover, an exercise documenting the key business and transactional processes at FinServ has been completed, including the identification of the corresponding back-up in case of absence of responsible staff members to ensure continuity of service.</p>	Completed	31 July, 2012

Recommendation no.	Recommendation	Centre response	Implementation Status	Completion date
6	<p>The amount of debt written-off in recent years has not been excessive. However, there is scope for the follow-up of unpaid invoices in a more proactive manner, especially when the sponsor of the training activity is within the UN System. To reduce levels of accounts receivable and write-offs, the Centre is looking into the possibility of an incentive scheme for sponsors. Levels could also be further reduced by following standard practice within the training profession by insisting on payments made fully in advance whenever possible, taking into account exigencies of individual donors.</p>	<p>In 2009-11, no amounts were written off from UN System organizations. The current procedure of vouching action taken to collect the receivable is performed by FinServ before a write-off is approved. This will be continued.</p> <p>Following the circular issued on Signature Authority, funding agreements, including payment schedules, are co-signed by the Treasurer. An internal procedure has been established to monitor payment of fees for open courses.</p> <p>As part of the contract clearance process, advances from sponsors will be waived case by case on the basis of prior experience with the same sponsor, the institutional importance of collaborating with the sponsor, the volume of funding at stake and the possibility of covering a deficit through other sources, if necessary.</p> <p>Invoice payments are continuously monitored with a view to identifying delays as soon as possible and taking corrective action, as required. FinServ will continue to follow-up collection of unpaid invoices by sending regular collection letters to donors and sponsors.</p>	Completed	31 July, 2012