

Board of the Centre

74th Session, Turin, 1-2 November 2012

CC 74/4/5

FOR DECISION

FOURTH ITEM ON THE AGENDA

Audit Charter

1. In 2012, the Centre revised its Financial Rules, which are submitted for approval to the current session of the Board. The proposed amendments to the Financial Rules reflect the amended Financial Regulations that were approved in 2011, *inter alia*, to ensure consistency with the International Public Sector Accounting Standards (IPSAS) and to be more consistent with ILO Financial Rules. As part of the proposed changes, the section covering internal audit has been revised to strengthen the role of internal audit at the Centre and align it with the ILO.
2. To complement these proposed changes, an Internal Audit Charter is attached which underpins the role of the internal audit function and describes in more detail the IAO's mission, mandate, scope of work, and the responsibility of the Chief Internal Auditor.

Point for Decision

3. *The Board is invited to approve the Internal Audit Charter attached as an Appendix to this paper.*

Turin, 6 June, 2012

Appendix

INTERNATIONAL TRAINING CENTRE OF THE ILO, TURIN

INTERNAL AUDIT CHARTER

Mission

1. To provide the Board and the Director of the International Training Centre of the ILO in Turin (the Centre) with an independent, objective assurance activity designed to add value and improve the Centre's operations. Internal Audit and Oversight (IAO) assists the Centre in achieving its objectives by utilizing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Mandate

2. The mandate of the Office of Internal Audit and Oversight is described in Article 19(d) of Chapter VII of the Centre's Financial Regulations, and Section XIV of the Centre's Financial Rules (2012 Edition) with which this Charter conforms.

Scope of work

3. The oversight provided by IAO covers the evaluation of the adequacy and effectiveness of the Centre's system of internal control, financial management and use and safeguarding of assets.
4. IAO assesses the operations of the Centre to provide periodic appraisals of the:
 - reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - effectiveness of the management controls and system used to account for and safeguard the Centre's assets, and as appropriate, verify the existence of assets;
 - internal control systems established to ensure compliance with the Centre's policies and procedures; and
 - activities of the Centre to ensure that the necessary internal controls are in place to manage its resources in an economic, effective and efficient manner.
5. IAO will prepare reports on the results of its audits and provide recommendations for improvement which will be discussed with the management of the Centre. The Treasurer takes the lead role to follow-up with responsible managers to ensure that corrective actions have been taken to address issues raised in internal audit reports. IAO will conduct follow-up audits as and when necessary.
6. The Internal Auditor shall receive reports of fraud, presumption of fraud or attempted fraud as required under article 13.10 of the Centre's Financial Rules; and complaints or information from staff members concerning the possible existence of waste, abuse of authority or other irregular acts.
7. IAO provides advisory services to the Centre as and when requested.

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8. Under normal circumstances, internal audit work is carried out by members of IAO. In cases of special need, IAO resources may be supplemented by the assistance of other suitable staff within the Centre and/or the ILO, or by the engagement of external consulting services.

Authority

9. When conducting assignments, IAO personnel have the following authorities:
 - The determination of areas subject to audit based on a risk assessment; the determination of the audit scope for each audit assignment; the allocation of resources, and the determination of the audit techniques to be utilised in achieving internal audit objectives.
 - Full, free and prompt access to all records, documents, personnel and physical assets relevant to the subject under review.
 - The right to communicate directly with all levels of staff and management in order to discharge IAO's responsibilities.
 - The right to request any staff member to furnish all information and explanations that IAO deems necessary to discharge its responsibilities.
10. In order to maintain an impartial, unbiased attitude and avoid perceived or potential conflicts of interest, the Chief Internal Auditor (CIA) and personnel of IAO are not authorised to be involved in the day-to-day operational or managerial activities of the Centre.

Accountability and independence

11. The CIA reports, and is accountable, directly to the Director of the Centre.
12. IAO operates independently from other parts of the Centre.

Responsibility of the CIA

13. The CIA is responsible for the work of IAO and is required to:
 - Effectively manage the IAO to ensure it adds value to the Centre.
 - Submit an annual report to the Director of the Centre for presentation to the Board, reflecting the results of audit work performed, and reporting on the results of corrective actions taken by management to address matters arising in previous audit reports. Any significant risk exposures, control issues and governance issues identified by IAO will be included in the report.
 - Submit an annual internal audit work plan, based on the results of a risk assessment by IAO to the Director of the Centre for review and approval. Should changing circumstances indicate a reprioritization of audit effort, the audit plan shall be amended accordingly, and the Director of the Centre informed.
 - Ensure that all IAO activities comply with the Internal Audit Standards and Practice Advisories issued by the Institute of Internal Auditors.
 - Ensure that investigatory work is carried out in conformity with the Uniform Guidelines for Investigations as adopted, and updated by the Conference of

International Investigators of the United Nations Organizations and Multilateral Financial Institutions.

- Adopt best practices in discharging the Internal Audit and Oversight function, and keep management informed of emerging trends in best practice.
- Ensure that IAO is staffed with professional and support staff, with sufficient skills, experience and other competencies needed to fulfil the mandate of IAO and to maximise the efficiency and effectiveness with which those resources are used.
- Ensure that internal audit assignments are performed with proficiency and due professional care.
- Liaise with the External Auditor to foster a cooperative and professional working relationship, optimize audit coverage while as far as possible avoiding the duplication of audit efforts. The CIA shall also share with the External Auditor information such as the internal audit work plans and all reports produced by IAO.
- Ensure that a quality assurance and improvement programme that covers all aspects of IAO activities is established.

Amendment of Internal Audit Charter

14. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date. This Charter is approved by the Board, after consultations with the Director of the Centre.
15. Any amendment of this Charter is subject to the approval of the Board after consultations with the Director of the Centre.