

Board of the Centre

78th Session, Turin, 29-30 October 2015

CC 78/4/4

FOR DISCUSSION AND GUIDANCE

FOURTH ITEM ON THE AGENDA

**Report of the Chief Internal Auditor for the year ended 31
December, 2014**

Introduction

1. The Office of Internal Audit and Oversight (the IAO) of the International Labour Office provides internal audit services for the Centre. Chapter VIII, article 18(d) of the Financial Regulations stipulates that the Director of the Centre shall maintain an internal financial control and internal audit. IAO's mandate is established under article 14.10 of the Centre's Financial Rules, which specifies that "the Internal Auditor shall carry out such independent examinations and make such reports to the Director or persons designated by the Director..... in order to ensure an effective internal audit in accordance with Chapter VIII of the Financial Regulations."
2. The IAO's mission is to provide the Director of the Centre and the Board with an independent, objective assurance activity designed to add value and improve the Centre's operations. In its work, the IAO adopts a proactive approach to facilitating the assessment of risks and internal controls, and promotes a cohesive approach to risk management in support of management's processes to enhance efficiency, effectiveness and value for money in the activities of the Centre.
3. 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. The IAO has full and free access to all records, personnel, operations, functions and other material relevant to the subject matter under review.
4. The IAO's audit activities conform to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

Summary of audit results

5. In 2014, IAO issued two assurance audit reports:
 - The first report concerned IAO's audit of internal governance at the Centre. IAO also reviewed the Centre's risk management strategy and generally found that the Centre has made significant efforts in recent years to improve governance, with a demonstrated awareness by the Director and her senior management team of the strategic importance of this. IAO identified some areas where the Centre could continue to build on the work already carried out in the area of internal governance, for instance to further develop risk management strategies at a unit level; and finalise the Centre's business continuity plan. IAO also suggested that the Centre could present periodic business briefings to the ILO's Independent Oversight and Advisory Committee (IOAC) during its regular sessions. The Centre has since presented to the IOAC.
 - The second audit report covered IAO's review of Training Programmes at the Centre. Overall, the results of the audit indicated that the Centre has in place a sound internal process to ensure it delivers a well-balanced portfolio of training courses to its constituents. The audit identified some opportunities to further enhance the control environment.

Internal governance at the Centre

6. The Institute of Internal Auditors (IIA) defines governance as the combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the Organization toward the achievement of its objectives.
7. Governance is an extremely wide-ranging subject encompassing a variety of areas that could in themselves merit separate audits. The scope of IAO's audit was therefore limited to three areas:
 - review existing principal mechanisms in place to support the internal governance process: the Risk Management Committee, the Finance Committee, business continuity planning and fraud/ethics policies;
 - review some key areas related to IT governance, including IT organization structure; strategic and operational planning and its crisis management; service delivery and measurement; risk management; and financial management; and
 - analyse selected high-level governance mechanisms that are not currently implemented by the Centre, for instance independent audit oversight committees.
8. IAO reviewed progress made by the Director in developing a robust governance structure within the Centre, and noted many positive steps that had been taken. These include the development of a results-based Strategic Plan, which includes Information Technology (IT); an effective Finance Committee; and a Contracts Committee. IAO identified an opportunity to present financial information in the IT Strategic Plan regarding the projected costs required to implement the strategic IT initiatives.
9. Considerable progress has also been made in the area of risk management. IAO identified some scope to further develop risk management strategies at a unit level, building on what has already begun, and noted that the residual risks in the risk register should be reviewed and target dates for planned mitigation actions should be reinstated.
10. On business continuity, IAO noted that good progress has been made especially regarding IT issues. Given the importance of having a business continuity plan in place, IAO recommended that the Centre continues to develop and finalise its business continuity plan to include a wider range of operational aspects.
11. The Director has issued very clear procedures confirming the Centre's commitment to zero tolerance against fraud, and a strong ethics culture among all staff. IAO recommends that the circulars on fraud and ethics be amended slightly to bring them fully into line with the Centre's Financial Rules. The Centre would also benefit from regular visits from its Ethics Officer, to further improve communication of expectations for all staff.
12. IAO noted that the Centre's Strategic Plan 2012-15 had a key priority of enhancing the governance role of the Board. Currently, the Centre does not have an independent oversight advisory body similar to that of the ILO. The establishment of oversight advisory bodies is considered to be good practice in terms of enhancing governance. However, a number of factors have to be taken into account before a decision can be taken to establish such a committee, such as size of the

organization, risk profile, and available resources. IAO set out options for the Centre to consider before deciding on the most appropriate way forward. As the Centre is a controlled entity of the ILO, one option was for the Centre to provide periodic business briefings to the IOAC. The Centre has since implemented this option and provided such a briefing to the IOAC.

Review of Training Programmes at the Centre

13. The audit reviewed the procedural controls that the Centre has in place concerning visa applications for participants in the training activities. It found that the Centre has controls in place to reduce the risk of any unauthorized use. IAO recommended that the Centre ensure full and strict compliance with these procedural controls by all responsible managers.
14. The Centre has been developing its communications strategy since 2011 and is positioning the latest version of the strategy as a set of guidelines to achieve one of the objectives of the Centre's 2012-15 Strategic Plan, which is to diversify the Centre's resource base and increase outreach. IAO found that the guidelines focus exclusively on external communications and do not address the need to improve internal communications within, and between, the Training Programmes.
15. IAO also identified opportunities to improve controls over areas relating to the Centre's training needs assessment methodology, optimizing the use of the on-line training course evaluation system, reducing paper-based transactions when invoicing customers, and under reporting of the usage of the Centre's e-learning training materials.

Audits underway during 2015

16. At the time of writing this report, IAO has completed the field work for the audit of procurement at the Centre and the report shall be issued shortly. The Chief Internal Auditor shall provide an oral update on this at the Board meeting in October 2015.
17. Also at the time of writing this report, IAO has begun a review of the Centre's publication activities and shall undertake a review of the Centre's management of external collaboration contracts later in 2015. The results of these two audits will be reported to the 79th Session of the Board (October, 2016).

This report is submitted to the Board for discussion and guidance.

Turin, 3 July, 2015