Governing Body

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Programme, Financial and Administrative Section

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Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2019

Summary: This document provides information on actions undertaken by the Office as follow-up to the Chief Internal Auditor's recommendations for 2019.

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

Related documents: GB.340/PFA/9(Rev.1); GB.340/PFA/PV, paragraph 214.

1. The Chief Internal Auditor submitted his report on significant findings resulting from internal audit and investigation assignments undertaken in 2019 for consideration at the 338th Session (March 2020) of the Governing Body. [1] Owing to the cancellation of that session, the report was resubmitted to the Governing Body for decision by correspondence at the 340th Session (October–November 2020), [2] and subsequently adopted by consensus.

2. This document provides information on follow-up action taken by the Office on the Chief Internal Auditor's recommendations for 2019.

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 2019 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.

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[1] GB.338/PFA/7.

[2] GB.340/PFA/9(Rev.1).

▶ Appendix I

Follow-up action taken by the Office in response to the Chief Internal Auditor's recommendations for 2019

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Risk management	In the IAO's view, there is an opportunity to document explicitly, on a consistent basis, risk assessments undertaken in the early stages of project formulation, to inform decisions on project design and before implementation begins.	Risk management is one of the building blocks of results-based planning, monitoring and reporting in the ILO. During the project design stage, 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. Any inadequacies in risk assessment in the design phase are noted in the final appraisal report and an adequate risk assessment is expected to be carried out by the project management during the project's inception phase. During the biennium 2018–19, templates and guidelines were developed and updated to assist development cooperation project designers in carrying out a risk analysis. In the third update of the *Development Cooperation Internal Governance Manual*, the risk section was revised in line with the current guidance. Going forward, the Office will continue to improve compliance with the requirement in respect of conducting risk assessments in the early stages of project formulation.	Fully implemented	Ongoing activity

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Audit of Information Technology Project Office Operations	The IAO encourages the Office to implement this recommendation as soon as is practical to secure remaining applications managed outside of the Information and Technology Management Department (INFOTEC) and avoid potential security and maintenance problems in the future.	The majority of critical in-house ILO information systems are now managed by INFOTEC. In 2020, INFOTEC took responsibility for managing systems supporting the International Labour Standards Department (NORMES) and the Official Meetings, Documentation and Relations Department (RELMEETINGS). Further reviews are under way with regard to remaining systems that are currently decentralized, in particular those managed by the Internal Services and Administration Department (INTSERV) in relation to facilities and inventories.	Partially implemented	August 2020 (applications previously managed by NORMES and RELMEETINGS) In progress (applications managed by INTSERV)
Audit of the Building Renovation Project for ILO headquarters in Geneva	The IAO recommends that, for future projects, the Office should establish with the selected contractor the type of bank guarantee that would provide the best protection for the ILO.	As stated by the Chief Internal Auditor, this recommendation, i.e. establishing an abstract guarantee instead of a joint guarantee with the selected contractor in order to provide the best protection for the ILO, is a forward-looking one. The Office has taken note of it and will consider its applicability when establishing contracts related to future renovation works.	Fully implemented	Noted for future contracts

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Cash advances to staff	While seeking technology-based alternatives to cash advances is the desired option, in some countries cash advances may be the only practical means to distribute cash to vendors and/or beneficiaries due to poor infrastructure. Nevertheless, poor control over cash advances increases the Office's risk to fraud and the Office should take further steps to improve internal control and ensure prompt reconciliation as is required by the Office's rules.	The Office agrees with the Chief Internal Auditor that cash advances may be the only practical means to distribute cash in some countries. Therefore, the responsible units should provide approval for cash advance requests only where it is deemed required due to shortcomings in the banking and business environment, and where there is no efficient or economic alternative available. Where cash amounts are significant, arrangements have been made where feasible with financial institutions or with the venues hosting events for a cash disbursement facility to manage the safety risk for both staff and beneficiaries. In addition to the existing procedures, the Office is making an ongoing effort to improve the current processes in order to ensure prompt reconciliations.	Fully implemented	Ongoing activity
Accounting for grants	The IAO believes that the Office should reinforce the requirements and applicability of the grants mechanism to ensure procedures are correctly followed.	The two offices referred to in the Chief Internal Auditor's report where the specific cases of misuse of the grant account code were found have reported full implementation of the audit recommendations. As a general rule, individual grants and grant schemes of over US$50,000 are approved by headquarters, which not only provides the financial approval but also reviews the appropriateness of choosing a grant as contractual modality. To improve operational responsiveness and flexibility, the approval authority for grants below US$50,000 has been delegated to each external office director. The regional offices also conduct reviews in order to further strengthen the controls. The Office will continue to provide clarification and guidance to individual field offices with regard to the requirements and applicability of grant agreements.	Fully implemented	Ongoing activity

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Governance and the capacity to handle development cooperation projects	The Office should weigh the risks associated with further development cooperation project expansion, and if necessary take appropriate action to ensure that the country offices concerned adequately maintain internal controls over project governance, risk management, operational and financial management, administration and human resources. Such reviews should form part of the ongoing risk management process.	As stated by the Chief Internal Auditor, in the two offices audited during 2019 where there was significant development cooperation project expansion, the IAO found that internal control was functioning adequately. The Office has taken note of the recommendation and will continue to monitor the development cooperation portfolio in field offices, taking into consideration any potential risks of further expansion that might arise. The review of risks associated with further development cooperation project expansion in the field offices concerned is part of the ongoing quality assurance process. The appraisal mechanism now includes the regional finance and administrative units in order to assess the operational, financial and administrative capacity of field offices for the implementation of development cooperation projects. Subsequently, mitigation measures, provisions in budgets andmanagement arrangements are considered during the appraisal. The adequacy of internal controls is monitored and adjusted beyond individual project cycles and considered as part of overall internal governance and office management procedures and practices.	Fully implemented	Ongoing activity
IT security awareness	The Office should define the grace period and thereafter follow up with those officials who use ILO IT equipment and have not completed the course, prompting them to do so. This would help improve security and reduce the risk of cyberattacks through individuals.	The Office's IT Security Awareness Programme was made mandatory starting January 2020. Staff are not able to receive an ILO smartphone, tablet or laptop without completing this course. As at January 2021, nearly 90 per cent of all staff had completed the course. The Office has a process in place to ensure full compliance by the end of February 2021.	Partially implemented	Completion of programme by all remaining staff in 2021

Recommendation title	Recommendation	Office response	Implementation status	Completion date
Access to the ILO's Integrated Resource Information System (IRIS)	When projects are being designed, the Office should assess if it is feasible and cost effective to grant IRIS access. If the assessment is positive, the project proposal should include resource estimates to establish IRIS.	All development cooperation projects are now requested to include associated IT infrastructure costs at the planning stage. This includes infrastructure and licence costs as well as the costs of standard ILO PCs, which are required in order to access IRIS securely, where cost effective. The instructions have been included since mid-2020 in the results-based budgeting guide for development cooperation projects, which is available on the websites of the Financial Management Department (FINANCE) and the Partnerships and Field Support Department (PARDEV), and a new Office Procedure has been issued for Office-wide application as of January 2021.	Fully implemented	Instructions issued in 2020 and ongoing activity

List of internal audit reports issued in 2019

Title	IAO reference	Date	Implementation status *	Completion date
Report on the Internal Audit of the ILO Country Office for Viet Nam in Hanoi, Viet Nam	IAO/1/2019	29.01.2019	Complete	24.01.2020
Report on the Internal Audit of the ILO Office for Turkey in Ankara, Turkey	IAO/2/2019	13.02.2019	Complete	15.05.2019
Report on the Internal Audit of Information Technology Project Office Operations	IAO/3/2019	08.03.2019	Complete	28.05.2019
Report on the Internal Audit of the ILO Amman Project Office, Jordan	IAO/4/2019	27.06.2019	Complete	23.01.2020
Report on the Audit of the Building Renovation Project for ILO headquarters in Geneva	IAO/5/2019	18.07.2019	Complete	16.09.2019
Report on the Internal Audit of the Information Security Management System	IAO/6/2019	24.09.2019	Complete	16.12.2019
Report on the Internal Audit of the ILO Country Offices for Ethiopia, Djibouti, Somalia, Sudan and South Sudan, and for the Special Representative to the AU and the ECA	IAO/7/2019	01.11.2019	Complete	22.09.2020
Follow-up to the Report on the Internal Audit of the ILO Projects Office for Haiti in Port-au-Prince, Haiti	IAO/8/2019	06.11.2019	Complete	28.01.2020
Report on the Internal Audit of Regional Information Technology for Asia and the Pacific	IAO/9/2019	06.11.2019	Complete	15.02.2021
Report on the Internal Audit of the Sustaining Competitive and Responsible Enterprises (SCORE) Programme, Phase III	IAO/10/2019	21.11.2019	Complete	29.01.2021
Report on the Internal Audit of Data Centre Operations	IAO/11/2019	25.11.2019	Complete	26.01.2021
Pre-Implementation Review of Better Work's Systems	IAO/12/2019	20.12.2019	Complete	08.09.2020

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