



FOURTH ITEM ON THE AGENDA

**Follow-up action on the report of the
Chief Internal Auditor for the year
ended 31 December 1998**

1. At the 274th Session (March 1999) of the Governing Body, the Committee considered the report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 1998.¹ The Chief Internal Auditor's observations and recommendations are addressed below in the order in which they appear in the report.

Headquarters audits**Cash office in the Treasury Operations Section
(TRES/OPS) of the Treasury and Accounts
Branch (TRESOR) in the Financial
Services Department**

2. The Chief Internal Auditor reviewed the cash reconciliations, examined the safekeeping and security arrangements and assessed the effectiveness of the internal control and work processes. The audit did not reveal any major security or procedural weaknesses, but made recommendations to improve efficiency. The cashbook has now been set up on a spreadsheet, and procedures regarding payment authorizations and requisite documentation have been clarified and tightened. The independent verification of cash balances is now carried out more frequently and is formally certified by the Chief of TRES/OPS.

**Treasury Operations Section (TRES/OPS) of the
Treasury and Accounts Branch (TRESOR) in the
Financial Services Department**

3. The Chief Internal Auditor reviewed the procedures to assess controls for bank reconciliations and signatory panels, and to ensure that agreements signed with investment institutions are correctly maintained in accordance with the Office's legal requirements.

¹ GB.274/PFA/3.

The audit did not reveal any irregularities, but identified areas where improvements in control and work procedures were required. The approach to the preparation and related documentation of bank reconciliations has now been standardized and includes the regular analysis and follow-up of long-outstanding items. Accounting for bank interest, bank charges and differences on exchange are made on receipt of the appropriate information from the banks. A major exercise has been undertaken to rationalize the headquarters bank accounts. This has led to a reduction in the number of banks used and, as far as possible, bank accounts are maintained where electronic systems can be used for the rapid transfer of funds between accounts. Action to update the signatory panels has been completed, and management of the bank accounts used by external offices has been decentralized to the regional offices. Action has also been taken to ensure that signed copies of management agreements and signatory panels for investment funds are kept on the Treasury Files.

Personnel Administration Branch (P/ADMIN) and Personnel Planning and Career Development Branch (P/PLAN) of the Personnel Department (PERS)

4. While commenting that performance in P/PLAN and P/ADMIN was maintained at a very satisfactory level, taking into account available staff resources, the Chief Internal Auditor recommended that an overall review be made of the responsibilities and work methods of staff in the two branches and that policies and procedures embodied in a wide variety of documents be consolidated into personnel circulars. He also recommended that a procedures manual be created for the guidance of the staff of PERS, and a comprehensive personnel manual for the use of managers and officials outside PERS.
5. At its 276th Session (November 1999), the Governing Body took note of proposals by the Director-General for a new Human Resources Strategy for the ILO, which will undoubtedly entail radical changes in the policies, procedures and working methods of the Personnel Department. It would therefore not be appropriate to undertake the very substantial work effort that would be required to give effect to the Chief Internal Auditor's recommendations at this stage. Nevertheless, the considerations of efficiency and of transparency that motivated the auditor's recommendations will be guiding factors in the development of new policies, procedures and working methods for implementation of the proposed Human Resources Strategy.
6. With reference to other recommendations made by the Chief Internal Auditor, a briefing programme and three-day workshop for senior personnel officers in the regional offices was organized at headquarters in April 1999, and greater effort was put into ensuring the timely completion of performance appraisals by placing greater emphasis on this issue in the briefing of newly appointed managers and through reinforced follow-up on late reports. The handling of job applications will be reviewed in the context of new recruitment policies, to be developed in the framework of the Human Resources Strategy. PERS has also initiated a review of alternative methodologies for determining conditions of employment of national correspondents, the current methodology having encountered problems over the years due to difficulty in securing complete and reliable data on national remuneration systems and levels, on which the methodology relies.

Staff Health Insurance Fund (SHIF)

7. As reported in document GB.274/PFA/3, action on earlier recommendations by the Chief Internal Auditor that had not yet been implemented were linked to the effective implementation of a new Health Insurance Information System (HIIS) that was then under

development. HISS came into operation in April 1999, at about the same time as a new Secretary of the Fund was appointed, and while priority was given during the remainder of 1999 to perfecting the system, training the staff in its use and putting into effect new working methods, the Fund's Management Committee has designated a review of these outstanding recommendations as one of its priorities for the year 2000.

Official vehicles at ILO headquarters

8. Internal procedures regarding official vehicles at ILO headquarters have been established to ensure effective control over their use.

Field audits

9. In paragraphs 17 to 20 of his report, the Chief Internal Auditor, as a result of his visits to a number of field offices, made recommendations concerning general improvements to controls and procedures. In accordance with the Chief Internal Auditor's requests, the Directors of the field offices concerned submitted implementation reports setting out details of the action taken on the recommendations. As part of the Office's follow-up procedures, these reports were carefully monitored, and frequently recurring problem areas were discussed with senior regional financial officers during formal and informal consultations. Furthermore, training workshops for regional administrative and finance staff were used to ensure that the relevant controls and procedures had been both understood and implemented. Future reports by the Chief Internal Auditor on field offices will be carefully analysed so as to assess the effectiveness of these follow-up measures and identify areas where further improvement is required. Improved procedures for the verification of field accounts, using computerized techniques, are also being developed. These should ensure that a constant check of field offices is made by regional offices and that controls and procedures are strictly applied.
10. In 1999, rules and procedures for contracting and the international and local procurement of equipment, supplies, works and services at headquarters and in the field were completely updated and revised. These had previously been covered by a number of circulars and directives, but have now been incorporated into a single circular, thus simplifying reference to these rules by headquarters staff and field offices.
11. A new computer system for the purchase, distribution, maintenance and inventory control of equipment, office furniture and supplies was acquired in early 1999 and is being progressively installed. On-line access will be provided by the new system for field offices and headquarters programmes to improve control over inventories and the custody of equipment.
12. With regard to the findings noted in the report of the Chief Internal Auditor concerning IPEC programmes, action has been taken to address the recommendations made. Country programmes are being restructured to include fewer and larger action programmes. This change will allow IPEC national programme managers to devote more time to the monitoring and evaluations of action programmes. In addition, a monitoring and evaluation specialist was added to IPEC's core staff during the biennium. The top priority for this new position is to redesign IPEC's monitoring and evaluation procedures and tools and to provide training to staff members in applying the new methods. IPEC is also considering the use of professional accounting firms in the financial monitoring of action programmes. If this proves to be cost-effective, contracts will be issued to accounting firms in selected country programmes. At the request of the Director-General, the External Auditor of the ILO carried out a management review of the IPEC programme. The recommendations

made in the review are currently being implemented by a task force formed specifically for this purpose.

- 13.** The Office will continue to work in close liaison with the Chief Internal Auditor regarding follow-up on recommendations that are in the course of being implemented.

Geneva, 1 March 2000.