



SIXTH ITEM ON THE AGENDA

**Follow-up action to the report of the
Chief Internal Auditor for the year
ended 31 December 2002**

1. At the 286th Session (March 2003) of the Governing Body, the Committee considered the report of the Chief Internal Auditor¹ on significant findings resulting from internal audit and investigation assignments undertaken in 2002. The follow-up on the Chief Internal Auditor's recommendations is submitted below.

Headquarters audits

**Audit of the ILO Cooperative Branch (COOP) in the
Job Creation and Enterprise Development Department
(EMP/ENT)**

2. This audit was conducted in 2001 and the Chief Internal Auditor recommended that information be compiled for missions, seminars and external collaborators to enhance the reporting capacities as regards the contributions they make to the operational and strategic objectives of the ILO. The Office remains committed in its intention to implement this recommendation for office-wide use in conjunction with the Integrated Resources Information System (IRIS) under development.

**Audit of the transitory accounts of the Staff Health
Insurance Fund (SHIF) of the ILO and ITU**

3. The Chief Internal Auditor had recommended in 2001 that SHIF should regularly report to its Management Committee the status of the medical expense advance accounts. In May 2003, SHIF reported to the Management Committee on the status of the advance accounts and such reporting will henceforth be regularly undertaken twice a year.

¹ GB.286/PFA/3 – Report of the Chief Internal Auditor for the year ended 31 Dec. 2002.

4. The Chief Internal Auditor had also recommended that the Financial Services Department should consider the feasibility of linking the Health Insurance Information System (HIIS) to the SHIF's advance accounts in the mainframe to facilitate monitoring and accounts reconciliations. Pending inclusion of appropriate interfaces between HIIS and IRIS, SHIF and TREASURY have been working together on the matching and reporting of medical advances and related expense claims.

Procurement of office furniture at headquarters

5. This audit had been requested by the Treasurer and Financial Comptroller in order to assess procurement procedures being applied for the purchase of headquarters office furniture. As noted by the Chief Internal Auditor, all orders placed in the two-year period covered by the audit had been delivered to the ILO, payments to suppliers had been processed correctly on the basis of receiving reports and all items purchased were included in the ILO's inventory records. However, price competitions and purchase requests for headquarters furniture had not always been carried out.
6. The Chief Internal Auditor recommended that procedures should ensure that a market evaluation, through competitive bidding, is made at least every two years. The Office had commenced action to implement stricter competitive bidding procedures in 2000 and an evaluation was carried out in 2001, awarding the contracts to two suppliers. The Office will shortly launch a new competitive bidding exercise for headquarters furniture to be acquired in the current biennium, based on a thorough analysis of cost effectiveness, safety and ergonomic considerations.
7. In 2000, the Office also introduced a monitoring system for all headquarters contracts which, inter alia, tracks the duration of the agreements and ensures that contracts are evaluated on a regular basis. In 2001 this system was extended to include external office contracts.
8. The Chief Internal Auditor also recommended that flow charts and short narratives, clarifying the procurement cycle and processing times, be prepared. PROCUREMENT has already commenced this exercise in connection with the upcoming IRIS project implementation. A new circular that clearly describes procurement processes will be prepared towards the end of this year and will include simplified procedures facilitating adherence to ILO financial rules and regulations, and additional information which will enable the circular to be used for training purposes.

Submission to the United Nations Joint Staff Pension Fund (UNJSPF) of separation documents and other data by its member organizations (MOs)

9. The Chief Internal Auditor had observed delays in the processing of separation documents related mainly to participants in the field, and made four recommendations specific to the ILO to improve the processing of separation documents:
 - (a) enlist more proactively the field HRD units in collecting the required information from members separating from the Fund before staff separation takes place;
 - (b) improve the internal ILO form to allow better tracking of the processes involved to obtain the information and documentation required for separations;

- (c) provide this ILO form on the HRD web site with instructions and guidance to participants on their completion; and
 - (d) develop automatic transfer of data between the ILO and UNJSPF.
- 10.** External offices were contacted by HRD in 2003 and requested to ensure that pension affiliation and separation data is provided in a timely manner. A more formal reporting procedure will be introduced when HRD completes the review of the internal ILO separation form and includes it as a part of the improvement of their Web Site on the ILO Intranet, which is currently in progress. The automatic transfer of data between the ILO and the UNJSPF requires action by both organizations and the possibility of interfacing with the IRIS project will continue to be pursued.

Field offices

- 11.** With the exception of one office in Africa, for which information regarding the implementation of some of the audit recommendations is still awaited, reports received from the field offices concerned confirm that the main recommendations and control weaknesses referred to in the report of the Chief Internal Auditor have been addressed by them. The Office will be working closely with the Regional Office for Africa and the ILO office concerned to ensure that the outstanding information is provided to the Office.
- 12.** The Office recognizes the risk of internal control weaknesses in the external offices and the need for greater effort to achieve efficient and effective operations in compliance with established rules and procedures. Following the issue of the Chief Internal Auditor's report for 2002, the Treasurer met with the regional directors and emphasized the importance of their stewardship role, including ensuring that internal audit recommendations are effectively implemented. This will be corroborated this year by an internal system of periodic reporting from the regional offices on the effective implementation of audit recommendations addressed to offices in their respective regions, and on consistency in their applications region-wide.

Investigations

- 13.** For the two investigations referred to by the Chief Internal Auditor, disciplinary action has been taken by the Office against the parties concerned and arrangements have been made for the recovery of the losses incurred.
- 14.** In conclusion, the ILO management continues to work in close liaison with the Office of Internal Audit and Oversight (IAO), to derive full benefit from the recommendations, and monitoring procedures are systemized to ensure that all audit recommendations are properly followed up by management and effectively implemented.

Geneva, 6 February 2004.