



## SECOND ITEM ON THE AGENDA

**Follow-up to the report of the Chief  
Internal Auditor for the year ended  
31 December 2003**

1. At the 289th Session (March 2004) of the Governing Body, the Committee considered the report of the Chief Internal Auditor<sup>1</sup> on significant findings resulting from internal audit and investigation assignments undertaken in 2003 which also referred to findings noted in his report for 2002. Since details of the Office's follow-up action to the 2002 report were provided to the Governing Body in March 2004,<sup>2</sup> this paper addresses follow-up action taken by the Office on the Chief Internal Auditor's 2003 recommendations.

**Headquarters audits****Procurement at headquarters from regular budget funds**

2. This audit was reported by the Chief Internal Auditor in his report on significant findings for the years 2002 and 2003. Following a request by the Treasurer and Financial Comptroller for the audit of the procurement of office furniture for headquarters, the Office had introduced stricter competitive bidding procedures and systematic price comparisons in 2000. In 2001, it carried out a full evaluation for the awarding of a contract for the supply of office furniture and although it had been originally planned to issue a new international invitation to tender in 2004, this exercise was postponed until the next biennium as no significant purchases were imminent.
3. The recommendation referred to by the Chief Internal Auditor concerning conflicting duties and responsibilities of the Purchasing Officer with regard to the delivery of goods had been implemented in June 2003 and the recommendation concerning the improvement to the division of duties in the ILO's Payment Authorization Section was implemented in May 2003.

<sup>1</sup> GB.289/PFA/7.

<sup>2</sup> GB.289/PFA/6.

## Field offices

4. In 2003, four offices were visited by the staff of the Internal Audit Office, namely Beijing, Budapest, Kathmandu and Moscow. Paragraphs 12-51 of the Chief Internal Auditor's report refer to audit findings and recommendations relating to these field offices.
5. The need for improved training, especially for administrative support staff in regional offices, is recognized and we are coordinating with these offices whenever training courses are organized. Every effort is being made by the Office to address this ongoing and continuing need from resources available.
6. As reported in the paper on the Office's follow-up to the report of the External Auditor on the accounts for 2002-03, currently before this Committee,<sup>3</sup> the analysis of suspense accounts is also an ongoing activity. In mid-2004, all regional offices were requested to carry out a comprehensive analysis of outstanding external offices suspense account balances and report their findings to FINANCE. The results of this analysis have enabled a large number of balances to be cleared. At the same time, the Office introduced new reporting requirements that disclose the details of each suspense item that remains outstanding at the end of each month. This will enable external offices to ensure that items in suspense are cleared and charged to expenditure within a reasonable limit of time.
7. Temporary high cash balances can occur when monthly replenishments are received from headquarters or the regional offices or when extra-budgetary contributions are received locally from donors. External office bank accounts are monitored on a continued basis by the regional and headquarters verification units. Cases of high balances are brought to the attention of the director of the regional office or field office concerned and action is taken to reduce the balance. In early 2004 an in-depth verification exercise was carried out on all bank and cash balances in the field. Awareness by field office directors of the risks involved in maintaining excessive bank balances was increased and should result in improved cash and bank balance management.
8. As confirmed by the Chief Internal Auditor in his report on the year ended 31 December 2004, currently before this Committee,<sup>4</sup> the field offices referred to in his report for 2003 provided comprehensive reports of action taken. All the significant recommendations were reported as having been implemented and the Office will work closely with the Chief Internal Auditor to ensure that any outstanding information is provided without delay.

## Conclusion

9. In conclusion, the ILO management continues to work in close liaison with the Office of Internal Audit and Oversight in order to derive full benefit from its recommendations, and to ensure that these are properly followed up and effectively implemented.

Geneva, 4 February 2005.

*Submitted for information.*

<sup>3</sup> GB.292/PFA/4.

<sup>4</sup> GB.292/PFA/3.