



NINTH ITEM ON THE AGENDA

Other financial questions

Internal oversight

1. The Committee will recall that at its 267th Session (November 1996), the Governing Body approved amendments to the Financial Rules and the Staff Regulations concerning internal oversight.¹ These amendments had been requested by certain member States in order to introduce arrangements which would afford a greater measure of autonomy and independence to the Chief Internal Auditor.
2. Since then, arrangements in respect of internal oversight have further evolved in a number of organizations of the United Nations system, and the Director-General is of the view that the Office should adopt similar practices, through amendments to the Financial Rules and the Staff Regulations, in order to increase the effectiveness of the ILO's internal oversight function. The proposed changes relate to the appointment, termination, responsibilities and terms of reference of the Chief Internal auditor. The changes involved concern:
 - reporting by the Chief Internal Auditor directly to the Director-General;
 - the reporting of cases of fraud or presumed fraud to the Director-General through the Treasurer and the Chief Internal Auditor, with provisions for full confidentiality and protection for the official making the report;
 - the reporting, by individual staff members, of complaints and information concerning the possible existence of waste, abuse of authority or other irregular activities to the Chief Internal Auditor, together with provisions for full confidentiality and protection for the staff member making the report;
 - an increased level of detail of the Chief Internal Auditor's responsibilities and terms of reference;
 - prior consultation with the Governing Body on the appointment and termination of the Chief Internal Auditor;
 - responses to recommendations made by the Chief Internal Auditor.

¹ GB.267/PFA/9/1 and GB.267/PFA/9/1 (Corr.).

- 3. *The Committee may wish to recommend to the Governing Body that it approve the amendments to the Financial Rules and the Staff Regulations set out in the appendix.***

Geneva, 5 March 2001.

Points for decision: Paragraph 3.

Appendix

Amendments to the Financial Rules and the Staff Regulations

(Additions are underlined. Deletions are shown in square brackets.)

I. Amendments to the Financial Rules

XI. Property

11.40 TREATMENT OF CASES OF LOSS OF ASSETS[, FRAUD] OR UNRECOVERED DEBT

[(See Rule XIII.)]

Any loss of assets or unrecovered debt must be reported at once to the Treasurer who shall ensure that appropriate follow-up action is taken. The Treasurer shall inform the External Auditor and the Chief Internal Auditor of all such losses.

XIII. Accountability

13.10 CASES OF FRAUD, PRESUMPTION OF FRAUD OR ATTEMPTED FRAUD

Any case of fraud, presumption of fraud or attempted fraud must be reported to the Director-General through the Treasurer[. Full details of such cases shall be submitted to the External Auditor with the related accounts] and the Chief Internal Auditor. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. In all instances, the Treasurer, the External Auditor and the Chief Internal Auditor shall promptly be made aware of the full details of such cases with the related documents.

13.40 WRITING-OFF OF LOSSES

- (a) Where a loss is estimated as US\$400 or less, the writing-off may be authorised by the Director of the Financial Services Department. The Treasurer or the Committee on Accountability, in cases referred to it, may authorise the writing-off of losses exceeding the equivalent of US\$400. A statement of all losses over US\$400 which are written off shall be submitted to the External Auditor and the Chief Internal Auditor with the related [accounts] documents.

.....

XIV. Internal audit

14.10 RESPONSIBILITIES OF THE CHIEF INTERNAL AUDITOR

.....

- (b) [The Chief Internal Auditor shall prepare a report for the Governing Body on significant findings resulting from internal audit and investigation assignments undertaken in each year. The Director-General shall submit this report, together with any comments thereon he deems appropriate, to the first session of the Governing Body in the following year. Additional reports on significant internal audit and investigation findings may be similarly prepared by the Chief Internal Auditor and submitted to the Governing Body in the same manner, should he deem this to be necessary.]

The Chief Internal Auditor is responsible for internal audit, inspection, monitoring and evaluation of the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets as well as investigation of financial or administrative misconduct and other irregular activities. All systems, processes, operations, functions, programmes and activities within the Organization are subject to the Chief Internal Auditor's independent review, evaluation and oversight.

14.20 APPOINTMENT AND TERMINATION OF
THE CHIEF INTERNAL AUDITOR

The Director-General shall appoint a technically and professionally qualified Chief Internal Auditor in accordance with the provisions of article 4.2(d) of the Staff Regulations. The Director-General may terminate the appointment of the Chief Internal Auditor in accordance with the provisions of article 11.1 of the Staff Regulations.

14.30 TERMS OF REFERENCE GOVERNING INTERNAL AUDIT

Internal audit shall function in accordance with the following provisions:

- (a) The Chief Internal Auditor shall report directly to the Director-General.
- (b) Internal audit shall have full, free and prompt access to all records, property, personnel, operations, functions and any other material within the Organization which, in internal audit's opinion, are relevant to the subject matter under review.
- (c) In addition to receiving reports of fraud, presumption of fraud or attempted fraud as required under article 13.10 of the Financial Rules, internal audit shall also be available to receive directly from individual staff members complaints or information concerning the possible existence of waste, abuse of authority or other irregular activities. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected, unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. The Chief Internal Auditor shall immediately inform the Treasurer of any substantiated complaints or information involving loss of property or resources.
- (d) Internal audit shall report the results of its work and make recommendations to the Director-General, with a copy to the External Auditor and other persons designated by the Director-General. At the request of the Chief Internal Auditor, any such report shall be submitted to the Governing Body, together with any comments thereon by the Director-General as he deems appropriate.
- (e) The Chief Internal Auditor shall additionally submit a summary report annually to the Director-General, with a copy to the External Auditor, on internal audit activities of the previous year, including the orientation and scope of such activities, as well as the implementation status of recommendations. This report shall be submitted to the Governing Body together with any comments thereon by the Director-General as he deems appropriate.
- (f) The Director-General shall ensure that all internal audit recommendations are responded to and implemented as appropriate.

II. Amendments to the Staff Regulations

ARTICLE 4.2

Filling of vacancies

- (d) Vacancies in the Director and Principal Officer category shall be filled by the Director-General by transfer in the same grade, promotion or appointment. Such promotions or appointments, other than to vacancies in technical cooperation projects, shall be reported to the Governing Body with a short statement of the qualifications of the persons so promoted or

appointed. The position of Chief Internal Auditor shall be filled by the Director-General after [consulting the Officers of] consultation with the Governing Body.

ARTICLE 11.1

Provisions governing termination

The Director-General may terminate the appointment of an official in accordance with the terms of his contract of employment and the provisions of these Regulations. The Director-General shall consult the [Officers of the] Governing Body before terminating the appointment of the Chief Internal Auditor.