



## SECOND ITEM ON THE AGENDA

### **Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2001**

1. At the 283rd Session (March 2002) 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 2001. The Chief Internal Auditor's recommendations are addressed below in the order in which they appear in the report and are submitted for information.

#### **Headquarters audits**

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

2. Recommendations made by the Chief Internal Auditor to improve travel and external contract administration have been addressed by COOP. A detailed workplan was prepared for 2002-03 and mission planning is now being carried out on the basis of the workplan, adjusted as necessary. Improved procedures concerning the preparation of external collaboration contracts and the monitoring and assessment of work carried out under such contracts have also been implemented. The ACOPAM evaluation took place as planned and a project document for the worldwide dissemination of the ACOPAM experience has been prepared and submitted to the donor. The compilation of information that the Chief Internal Auditor recommended for missions, seminars and external collaborators to enhance reporting capacities as regards the contributions they make to the operational and strategic objectives of the ILO would be a very useful management tool and the Office will consider implementing this for Office-wide use in conjunction with the ERP under development. COOP has improved its database on ongoing and pipeline projects as recommended by the Chief Internal Auditor. A database on evaluation of projects is maintained by CODEV and COOP staff is maintaining a schedule of evaluations for their projects.

<sup>1</sup> GB.283/PFA/6 – Report of the Chief Internal Auditor for the year ended 31 Dec. 2001.

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

3. At its 144th meeting in 2001, the SHIF Management Committee discussed the actions taken by SHIF to implement the Chief Internal Auditor's recommendations. The Committee agreed that the procedures in place concerning the management of the SHIF transitory accounts should be reconsidered with a view to resolving the deficiencies noted by the auditor and invited the Fund's secretariat and the Financial Services Department to continue their cooperation in clearing long-outstanding balances. The present status of action taken is as follows:
- The SHIF officer who is responsible for supervising claim processing has been assigned the duty of monitoring and reconciling advances and will be assisted by the SHIF computer specialist. Advances are now systematically monitored using the information available in the Health Insurance Information System (HIIS).
  - HRD has regrouped SHIF, the Compensation Secretariat and PENSION in the HR/POLADMIN Branch in order to facilitate information sharing. The Compensation Secretariat offices have been relocated close to the SHIF offices in order to improve coordination between the two units.
  - SHIF periodically receives a list from HRD showing staff members who are about to retire. Other information concerning insured staff members who are about to separate from the Office is generated for SHIF by the PERSIS-HIIS computer interface. Although there is no established procedure for the recovery of unsettled advances from terminal benefits at the date of separation, it is possible for PAIE to proceed with such recovery upon SHIF's request.
  - COMPT has opened a separate account to record compensation recovered by SHIF from third parties and other insurers. SHIF has drafted written procedures to be applied to reimbursement claims relating to expenses arising from third-party liability or employment injury, with a view to improving their identification and follow-up.
  - The scope of the IRIS project includes appropriate interfaces for the HIIS, which will facilitate the matching of advances on medical benefits and expense claims. In the interim, matching and regular reporting procedures are being developed in consultation with TREASURY.

***Verification of control over cash held in the Cash Office in the Treasury Operations Section (TRES/OPS) of the Treasury and Accounts Branch***

4. The recommendations made by the Chief Internal Auditor concerning improved internal control in the Cash Office are included in current standard procedures.

**Field offices**

5. All the recommendations referred to in the report concerning field offices have been addressed by the offices concerned.
6. New verification methodology, which was developed by the Office in collaboration with the External Auditor, was introduced in January 2002. This is expected to result in improved working procedures and methods as well as a higher level of internal control.

New account coding has also been introduced which will assist in monitoring expenditure on the basis of strategic objectives and indicators.

7. In April 2001, a new monitoring and reporting system was introduced to improve controls over personal accounts in field offices. Every six months, Regional Offices compile a status report on any irregularities identified in these accounts, and the necessary action is requested from the office concerned. This ensures that the number of unreconciled transactions is kept to a minimum and that such transactions are identified and cleared without undue delay.

### **Audit of technical cooperation projects**

#### ***GAB/00/02/IBR: Projet d'appui à la réhabilitation de la caisse nationale de sécurité sociale du Gabon***

8. The problems reported by the Chief Internal Auditor for this project resulted from inappropriate design and a short time frame, and were intensified by inadequate coordination to ensure the timely remittance of funds and the supply of equipment. The project's duration was extended with the agreement of all parties concerned, the workplan was revised and a budget revision made. A mission from the PROCUREMENT section of headquarters took place which permitted the acceleration of the process for the procurement of all equipment within the applicable rules. This, as well as the recruitment of all required personnel (national consultants), was achieved in accordance with the revised work schedules. All hurdles blocking project implementation were thus removed and delivery has been made to the satisfaction of all parties concerned. The recommendations of the Chief Internal Auditor have been noted for the organization of similar projects in the future.

#### ***IPEC project SAF 98/05/051: Survey of young people, South Africa***

9. The Survey of Young People, South Africa, has been completed and the final report published. Since the survey was conducted, IFP: In-Focus Programme on Child Labour (IPEC) has significantly increased its backstopping capacities in both headquarters and the field. There are now four officials posted in Africa with responsibility for backstopping IPEC projects, including two officials who support and provide technical inputs for statistical surveys. IPEC has also strengthened its financial controls with the hiring of a Financial Manager who now deals with all waivers of the requirement for an exclusive bank account and ensures sufficient alternative controls are in place. The time required for the approval of the addendum to the project agreement was unusual and largely the result of the donor's funding cycle. Such delays are rare and IPEC has not encountered any similar problems since the approval of this addendum. The loss of some US\$20,000 referred to by the Chief Internal Auditor has been recovered.
10. In conclusion, all the main recommendations made by the Chief Internal Auditor in his report for the year ended 31 December 2001 have been implemented, and the Office will continue to work in close liaison with the Chief Internal Auditor regarding follow-up on other recommendations that are in the course of being implemented.

Geneva, 21 January 2003.