INTERNATIONAL LABOUR OFFICE

Governing Body

Programme, Financial and Administrative Committee

GB.292/PFA/4
292nd Session

Geneva, March 2005

PFA

FOURTH ITEM ON THE AGENDA

Follow-up to the report of the External Auditor on the accounts for 2002-03

1. At the 289bis Session (June 2004) of the Governing Body, the Committee considered the report of the External Auditor on the accounts of the 2002-03 financial period which included recommendations and observations relating to the implementation of the ILO's Integrated Resource Information System (IRIS), the human resources strategy and property management. Under financial matters, it also included recommendations on suspense accounts, staff advances and the maintenance of inventory records.

2. It is recalled that all the recommendations in the report of the External Auditor for the financial period 2002-03 have been accepted by the Director-General. The follow-up on the recommendations is provided, for information, in the appendix.

3. The Director-General will continue to work in close liaison with the External Auditor with regard to follow-up on his recommendations, as he attaches great importance to them and wishes to derive full benefit for the Organization from the work performed by the External Auditor.

Geneva, 14 February 2005.

Submitted for information.

Appendix

Action taken in response to the recommendations made in the External Auditor's report on the 2002-03 accounts

Recommendation	Response from ILO management
Review of the ILO's Integrated Resource Information System (IRIS)	
Recommendation 1: I recommend that the ILO ensure that comprehensive knowledge transfer protocols are established to maintain the effective post implementation support of IRIS.	Knowledge transfer from external consultants to ILO officials continues to be a priority and a concerted effort has been made to maximize the number of future IRIS users directly and indirectly involved in project activities such as testing and validation, as well as becoming full-time members of the team. A number of future users were assigned on a part-time basis to the project, for regular periods each week, which has facilitated participation. A "change leader" network was established within the user communities to identify and encourage candidates for early participation in the project.
	System testing has been performed by up to 40 future users sitting side-by-side in open-space facilities with consultants and ILO team members. System validation has also been undertaken exclusively by ILO officials. Furthermore, dependence on external consultants has been reduced in a gradual and controlled manner. In February 2004, the primary contractor was supplying over 40 consultants to the team. This number was reduced to approximately 30 by April, and is now down to 6. The roles and responsibilities have either been completed, or have been taken over by ILO officials, or in some cases, independent consultants already working on the project.
	The most notable example of both knowledge and managerial transfer was the handing over of responsibility for functional solution delivery from an external project manager to an ILO official in October 2004. A further initiative that enhances knowledge retention within the ILO is the revised training strategy that makes greater use of ILO officials as trainers rather than the previously planned external resources. This also lowers the overall cost of training.
	The combination of these initiatives will strengthen the ability of the ILO to be self-sufficient in post-implementation support.
Recommendation 2: I recommend that the ILO considers options for financing ongoing support costs including, for example, allocating an appropriate element to its programme support funds.	In November 2004, the Governing Body approved further funding to finance ongoing support costs in 2004-05 from exchange rate gains earned on the 2000-01 surplus. Programme and Budget proposals for 2006-07 have included the operating costs of IRIS. The three departments most involved in providing IRIS support, ITCOM, FINANCE and HRD, all receive an allocation from programme support income to support their activities.

Recommendation	Response from ILO management
Recommendation 3: I recommend that the ILO expands its existing IT strategy to include the post roll-out phase of IRIS and specifically for the inevitable upgrading of its software to keep pace with the market; this should include plans for the timing of upgrading and the identification of funding sources for such further upgrades to inform future budget proposals to the Governing Body.	In order to address the points raised in this recommendation, a "Total cost of ownership" study was commissioned by the IRIS project sponsor in April 2004. The results were delivered in September 2004 and include scenarios for both minor (regular, incremental) and major software upgrades at distinct intervals.

The study formed the basis of the calculations for funding the transitional phase from the 2004-05 and the 2006-07 Programme and Budget proposals. The Director-General has also included a proposal to provide for future major IT investments through transfers from the regular budget to the Information Technology Systems Fund.

The integration of the study's recommendations into an overall IT strategy will form part of the larger picture of how IRIS follows its natural evolution from being a stand-alone project to becoming an integral part of the information management structure in the ILO. |
| **Recommendation 4**: While this parallel running of systems can be expensive and time consuming, I consider it to be particularly important in ensuring systems are performing as expected and I urge the ILO to undertake this form of testing wherever practicable. | In early October 2004, payroll testing began using personnel data and payroll outputs from April to June 2004 as a benchmark. This testing was conducted to ensure the accuracy of the IRIS payroll versus the actual payroll results from the same period. This testing was completed successfully. In addition to this retrospective payroll parallel, IRIS will run a true payroll parallel in February and March 2005 as the system transitions into full operation to further ensure the accuracy of the new payroll system. |
| **Recommendation 5**: I recommend that the ILO ensures that all data for conversion be identified and cleansed as a priority to minimize the risk of processing failures or rejections after the system is implemented. | Data cleaning commenced in late 2003. This is an ongoing process and, together with data conversion, is being run as a distinct sub-project of IRIS with dedicated resources. Conversions are being tested in a series of "mock" conversion runs in order to identify and solve issues before the final conversion is performed. Computer programs have been and are being written to perform cleansing, where possible, during the conversion, while the help of future user communities has been solicited to perform manual cleansing where appropriate. |
| **Recommendation 6**: I recommend that prior to implementation in the field, management undertake cost benefit exercises to establish the efficiencies to be gained from the extension of project IRIS to users in the Regional Offices and other ILO offices worldwide. | Field implementation of IRIS will not take place before the system has stabilized in headquarters and, in any case, not before 2006.

A cost-benefit exercise will take place beforehand and furthermore it is intended that this exercise will include a complete analysis and rationalization of field-to-headquarters business processes. |
| **Recommendation 7**: I recommend that the ILO undertake a full process review to identify the impact on work practices and individual staff positions as a result of the implementation of project IRIS. This review should identify realistic post savings as a result of the changed technology and also new posts required as a result of the implementation of IRIS. | It is recognized that this exercise is necessary in order to reap the full benefits of IRIS. As a precursor to a complete Business Process Re-engineering (BPR) study, a task force has been set up by the Executive Director of Management and Administration Services to identify any immediate savings realizable through IRIS in its initial form. A number of efficiencies/savings have already been identified and incorporated within the 2006-07 programme and budget. As the new system stabilizes, and the BPR study is completed, further savings are expected.

Other inputs to this study will include the process and role mapping exercises currently being conducted (see response to Recommendation 8 below). |
| **Recommendation 8**: I recommend that the ILO should, as a matter of priority, identify the individual staff members who require training in each of the project areas and develop a detailed timetable to ensure their training prior to the planned "go-live" date of November 2004. | A comprehensive training plan is being set up by the change management team, with the help of the change leaders (see response to recommendation 1). Inputs to the plan include the future roles and responsibilities of officials which are being derived from the new process maps, the officials' profiles, the modules they will be trained in, the instructors and subject matter experts that will be involved, and logistical details such as classrooms and equipment. All this information is being centralized in a training database that will be used to manage the training programme. |

Recommendation	Response from ILO management
Recommendation 9: Prior to implementation, I recommend that the ILO ensure that all staff members have the opportunity to attend awareness-raising seminars and training detailing the capabilities of IRIS.	In April 2004, an IRIS communications strategy was developed and implemented to address awareness for IRIS pending the development of detailed information sessions and a comprehensive training programme. In all, seven introductory orientation sessions were held in May and June 2004, including a special session during the June Conference. These sessions answered the basic questions of IRIS' identity, aims and timetable. In September, two series of 12 information sessions were held over a period of four days each, covering all the major business processes. All sessions have been well attended, with audiences of up to 100 at a time. As field roll-out occurs, a similar process will be undertaken in the regions.
Recommendation 10: Furthermore, after the training needs have been fully identified, I recommend that the project should fully analyse the cost of the training and ensure that sufficient budget is made available.	The IRIS training programme is an integral part of the IRIS project and is budgeted as a sub-project within the project's planning and resource management tools. The training programme and budget has been re-analysed, and this new analysis was one of the driving factors behind the use of internal staff as trainers rather than external consultants (see also response to Recommendation 1).
Recommendation 11: I recommend that the ILO establish, promote and enforce a comprehensive IT security policy, with procedures and controls to ensure that all of the ILO's information systems are protected from unauthorized access.	The implementation of an ILO-wide IT security policy is currently under discussion. In the meantime, IRIS is working to implement a comprehensive security strategy for the new system. As regards access rights within the system, the IRIS technical team, together with the change management team, have identified which roles, and therefore which users, should have access to data and modules within the system. This is also being cross-checked with the change leader network and will be finally validated with management. At the same time, the IRIS technical team is working with ITCOM as well as the technical infrastructure provider (outsourcing partner) to implement security at the server, database and telecommunications network levels and to ensure the integrity of the ILO's data.

Property Management

Recommendation 12: I recommend that the ILO completes its survey to ensure that it compiles a comprehensive appraisal of its current accommodation portfolio, in order to complete its accommodation strategy and inform future management and Governing Body decisions.	The survey has been completed and data has been shared with the Governing Body and is being used in the development of an accommodation strategy.
Recommendation 13: I recommend that the ILO review its sources of funding for major building refurbishments, which might include the options for attracting private financing or the establishment of a regularly funded reserve specifically for future renewals.	The Office agrees with this proposal. Funding for headquarters repairs and refurbishments is the subject of a major review by the Office although within the constraints of a zero growth budget, any significant increases in the financing of such a reserve will require a major reduction in programme activities. At the current session of the Governing Body, options for financing have been submitted to the Building Subcommittee. Field offices have been reminded of the need to ensure that their operating budgets include sufficient resources to cover routine maintenance costs.

Review of the implementation of the human resources strategy

Recommendation 14: I recommend that the process in involving line managers in HR developments should be continued and given priority in order that line managers play a greater role in implementing the HR strategy within the Office.	The Office recognizes the importance of involving line managers. Regular meetings have been held with line managers to inform them of developments in HR development. HRD has also had consultations with line managers and staff when developing new HR policies, such as job grading, classification and staff mobility. HRD will continue this consultative process in the future.

Recommendation	Response from ILO management
Recommendation 15: I recommend that a new staff appraisal system be the next priority and be implemented by the end of the current biennium.	HRD has begun work to evaluate the current appraisal systems. This has involved a benchmarking exercise to identify good practice in this area. A policy paper has been prepared for submission to senior management prior to consultation with line management and the Staff Union. This outlines proposals for changes in the current performance management system. The relationship of the personal development plan process to a revised system will be reviewed in that context.
Recommendation 16: I recommend that cost benefit exercises are undertaken by HRD for all current and future areas of the human resources strategy to be implemented, to ensure an efficient prioritization of resources allocated.	The HR strategy paper currently before the Governing Body outlines the Office's proposal for a revised HR strategy, which will be undertaken within the normal allocations made available to HRD under the biennial programme and budget process.

Financial matters

Recommendation	Response from ILO management
Recommendation 17: I recommend that the ILO fully analyses its suspense accounts during, and at the end of each financial period, to ensure that all expenditure incurred is properly brought to account.	The analysis of suspense accounts is an important and ongoing activity. In June 2004 the Office requested all Regional Offices 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 a new reporting requirement for external offices that discloses the details of each suspense item that remains outstanding at the end of each month. This will assist external offices in ensuring that items in suspense are charged to expenditure within a reasonable limit of time and also enhances existing controls by Regional Offices and FINANCE over external office suspense accounts. It is inevitable that some suspense balances will exist, however, and this can be exacerbated by communications and security problems in individual offices.
Recommendation 18: I recommend that the ILO ensure that the long-outstanding education grants are cleared by the officials concerned and that the expenditure incurred is properly brought to account as a matter of priority.	The recording and clearance of education grant advances is, by its very nature, cyclical. As advances cover the full academic year, it is inevitable that balances will exist at the end of the biennium and that occasionally, due to delays in submissions or communications difficulties with educational establishments, further delays may occur. The Human Resources Department regularly follows up on outstanding education grant claims and, together with the Payments Authorization Section, carried out a full analysis of the education grant accounts which determined that, as of October 2004, only one advance of US$5,000 remained outstanding. This case is being followed up with the educational institution concerned for the school year completed in 2003. Furthermore, the submission deadline for education grant claims and the policy of payroll recovery of outstanding advances have been modified in an ILO circular dealing with education grants, in order to minimize long-outstanding balances in the future.
Recommendation 19: I recommend that the ILO take steps to ensure that it receives inventory returns from all offices during and at the end of each biennium to ensure accurate disclosure of inventory held.	In April, 2004, the Treasurer issued a reminder to all external office directors, emphasizing the need for good financial and management discipline and referring specifically to the findings of the External Auditor concerning inventory returns and the importance of regular and timely physical checks. As the current biennium draws to a close, a further reminder will be sent and will be closely monitored by the Office.

Recommendation	Response from ILO management
Follow-up of earlier recommendations	
Paragraph 103: the Office of Internal Audit and Oversight (IAO)	
Preparation of an Internal Audit Manual	The ILO Internal Audit Manual was finalized at end of September 2004 and has been issued on CD-ROM.
Use of an electronic audit package	A suitable electronic audit package has been identified and evaluated by the IAO and will be implemented in 2005.

Recommendation	Response from ILO management