



TWELFTH ITEM ON THE AGENDA

**Report of the Chief Internal Auditor  
for the year ended 31 December 2005**

**Report of the Chief Internal Auditor on  
significant findings resulting from internal  
audit and investigation assignments  
undertaken in 2005**

1. In accordance with the decision taken by the Governing Body at its 267th Session (November 1996), the Director-General transmits herewith the report of the Chief Internal Auditor on significant findings resulting from audit and investigation assignments carried out during 2005 (see Appendix 1).
2. The Director-General considers the work performed by the Chief Internal Auditor to be extremely valuable in assessing strengths and weaknesses in operations, practices, procedures and controls within the office. Recommendations made by the Office of Internal Audit and Oversight are thoroughly evaluated and there is constant dialogue between managers and the Chief Internal Auditor to give effect to them.

Geneva, 16 February 2006.

*Submitted for information.*

## Appendix 1

### Report of the Chief Internal Auditor on significant findings resulting from internal audit and investigation assignments undertaken in 2005

#### *Introduction*

1. The Office of Internal Audit and Oversight (IAO) of the ILO fulfils an independent oversight function established under article 30(d) of the Financial Regulations. Through audit, inspection and investigation processes, the IAO determines the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets. Its aim is to provide reasonable assurance that the activities have contributed to the attainment of the Organization's goals and objectives. More specifically, to achieve this, the IAO reviews and appraises accounting, administrative and operating controls; evaluates the responsible, efficient and economic use of the Organization's resources; ascertains the extent of compliance with established rules, regulations, policies, procedures and plans; determines the extent to which assets are accounted for and safeguarded from loss; assesses measures taken to prevent fraud, waste and malfeasance; ascertains the reliability of financial and management information; and examines the adequacy of the planning and monitoring system with regard to the operations, functions, programmes and activities within the Organization. Where necessary, the Chief Internal Auditor makes recommendations to improve their adequacy, efficiency and effectiveness. The IAO adopts a proactive approach to facilitating the assessment of risks and controls and promotes a learning culture in support of management's process to enhance efficiency, effectiveness and value for money in the activities of the Organization.
2. The Office of Internal Audit and Oversight does not develop or install procedures or engage in any activity that it would normally review or appraise or which could be construed as compromising either its independence or objectivity. IAO has full and free access to all records, personnel, operations, functions and other material relevant to the subject matter under review. Its monitoring procedures are systematized to ensure that management properly follows up on, and implements, all audit recommendations.
3. The results of the IAO's audit undertaken in the field and at headquarters indicate there is no material weakness in the ILO's overall system of internal control and it is generally working well, but it is desirable that the Office improves Office-wide the unit work planning and monitoring systems in the manner recommended in this paper.
4. The incumbent Chief Internal Auditor is due to retire in April 2006 after just over seven years in the post. During his tenure, the internal audit function in the ILO has undergone further changes in audit and investigation methods and procedures, complying with appropriate professional standards that have enhanced its capacity to fulfil its mandate of providing assurance to management on the adequacy of the ILO's internal control system, and to undertake investigations. Further enhancement of the capacity of the Office of Internal Audit and Oversight is necessary, notably by endowing it with a professional investigation unit, as the Chief Internal Auditor has suggested in GB.292/PFA/3. The Chief Internal Auditor would recall that the staffing of the Office of Internal Audit and Oversight has remained unchanged since about 1986, whereas demands and expectations have increased, and there has been evolution in ILO programmes and the level of risks.

**Audit at headquarters**

## Audit of procurement functions in the ILO

5. The audit was carried out on the specific request of the Director-General in the context of reforms within the UN system. Due to the large volume of activity, and high-risk nature of the procurement function, the methods and approach of procuring goods and services within the UN system has come under greater scrutiny by senior management and donors, with the focus placed on the requirement for greater efficiency, economy, accountability and transparency in the procurement process. The objectives of the audit were to evaluate the adequacy of the ILO's financial rules and regulations, instructions and guidelines provided to staff to promote efficiency, economy, transparency and accountability in the procurement process.
6. The ILO's Procurement Section (PROCUREMENT) formed part of the Internal Administration Bureau (INTER), and the Chief of PROCUREMENT reported directly to the Chief of INTER. This presented a conflict of interest between requestor and purchaser by virtue of the fact that INTER's responsibilities for buildings, security and maintenance (headquarters and field) meant it was itself a major purchaser of goods and services. IAO recommended that PROCUREMENT should be removed from the Bureau of Internal Administration, set up as an independent section within the Management and Administration Sector, and have its reporting line changed. The Office has completed implementation of this recommendation.
7. Chapter X of the ILO's Financial Rules sets out the rules governing the procurement of equipment, supplies and other requirements in accordance with article 34 of the ILO's Financial Regulations. The Chief Internal Auditor considers that they are adequate to promote efficiency, economy, transparency and accountability in the procurement process, if properly supported by guidelines on procedures, and duly respected. The procurement guidelines, examined in detail, were in the form of circulars (last revised in the year 2000). They were found comprehensive, but not easy to interpret in all parts: there were many repetitions, they lacked in clarity of processes and in simplicity for proper interpretation and application of the rules. Indeed, several audits have identified lack of proper compliance with all rules and regulations or lack of documentation that would demonstrate effective compliance with the rules and regulations and transparency in the procurement process for goods and services. The Chief Internal Auditor recommended that the various procurement instructions and guidelines found in circulars should be consolidated in a procurement manual, providing clearer guidance on each type of procurement and on each stage of the procurement process, to obtain better comprehension of the applicable rules and thus improved compliance and transparency of processes. The manual should be compiled in such a way as to facilitate training and briefing in procurement matters.
8. Regarding the workings of the Contracts Committee, the Chief Internal Auditor was satisfied that the PROCUREMENT circulars as revised in 2000 provide adequate guidance on the documentation that should accompany a submission to the Committee to ensure that Committee members have all the necessary information to arrive at an informed recommendation for the attention of the Treasurer. The audit found that the majority of cases that have been submitted to the Committee originated from headquarters. This was principally attributed to the fact that IPEC subcontracts above US\$100,000 are eligible for the global waiver which was granted on application by PROCUREMENT on behalf of the Treasurer and Financial Comptroller.
9. In October 2003, a separate circular was issued, increasing the threshold for submissions to the Contracts Committee from US\$70,000 to US\$100,000. Early in 2005, following upon some restructuring in the Management and Administration Sector, the Contracts Committee made positive changes to its composition and procedures to preserve transparency and accountability with regard to its workings and decisions. These changes

are reflected in two separate internal communications circulated amongst the Treasurer and members of the Contracts Committee.

10. The Chief Internal Auditor recommended that improvements required to guidelines and instructions should incorporate: (i) the revised composition and working practices of the Contracts Committee; (ii) the revised threshold for submissions to the Contracts Committee; and (iii) procedures, steps and criteria that should be followed to select qualified IPEC implementing partners for IPEC subcontracts to qualify for the global waiver.
11. Part of PROCUREMENT's mission statement was vague, and its performance indicators were inadequate to measure performance of a function also having an oversight responsibility. The Chief Internal Auditor recommended that PROCUREMENT's mission statement and performance indicators should both be improved to bring them more into line with PROCUREMENT's mandate and objectives of ensuring and overseeing that goods and services across the ILO are procured in an efficient, economic and transparent manner, and in compliance with rules and regulations.
12. Current reforms within the UN system include promulgating guidelines on ethical responsibilities and specific standards of conduct for officials responsible for procurement actions. The Chief Internal Auditor noted that the ILO was actively involved within this UN reform movement and has committed itself to taking forward such reforms in the ILO's procurement function. There has been consultation between the Chief of PROCUREMENT and senior management on the approach to adopt with regard to ethics in procurement and it has been agreed that guidance on standards of conduct required of ILO staff engaged in PROCUREMENT would be issued on this matter. The Chief Internal Auditor recommended that ILO officials designated as responsible for procurement activities, both at headquarters and in the field, should also be required to sign annually a declaration of ethical responsibilities.

### ***Audit of field offices***

13. During 2005, IAO audited the operations of four field units: two in Asia and two (including one subregional office) in the southern part of Africa. The audit objectives were to evaluate the adequacy of the internal planning and monitoring system with regard to the operational activities of the offices; the effectiveness of their internal control system; the efficiency of work procedures; the extent of compliance with established policies, regulations and rules; the reliability of the accounting data and other information; and the extent to which assets were accounted and safeguarded from loss.

### **Work planning and monitoring systems**

14. There is guidance since 2002 on the Bureau of Programming and Management's (PROGRAM) web site on unit workplans, explaining their role within the concept of results-based management. The guidelines provide a description of the basic components that make up a unit workplan, and give examples of unit workplans. IAO's experience of auditing external field offices in recent years has indicated large variations in annual work planning and monitoring systems, sometimes within units in the same region.
15. In 2005, two out of the four offices visited had not prepared a unit operational workplan in conjunction with the relevant decent work country programme required since mid-2004 (ILO Circular, Series 1, No. 599). The two other offices had prepared workplans but they had not been updated (at the time of the audits in the second half of the year) to reflect accomplishments, new circumstances and/or priorities. IAO recommended to the respective external offices that they take steps to improve their work planning and monitoring systems that would ensure effective use of ILO resources in work programmes

to achieve approved objectives and targets, and provide the means to evaluate performance and report results.

16. Considering the inadequacies and variances in work planning systems and the growing importance of field offices and their activities in the Office strategy, the Chief Internal Auditor recommends that the Office adopts the best workplan design available in the field and standardize the unit workplan format (while ensuring it is user friendly) for Office-wide use. The Office should require the Directors of Regional Offices to oversee due execution of local annual work planning and monitoring systems in conjunction with the implementation of decent work country programmes.

#### General ledger reports

17. External offices used to receive, from headquarters, general ledger reports for financial monitoring and controlling purposes. These were reports detailing transactions posted to the general ledger accounts requiring clearance to expenditure, or receivables and payables. Following the implementation of IRIS at headquarters, the external offices visited were no longer obtaining the general ledger reports from headquarters. They, as all other offices in the field, were relying on their respective field office financial management system to monitor general ledger accounts. This was not satisfactory because the field office financial management system does not capture transactions originating from other external offices or headquarters.
18. IAO was informed that the IRIS team has developed a facility that would enable the Financial Services Department (FINANCE) to generate general ledger reports from IRIS, but for suspense account items only. This was not yet functioning at the time of writing.
19. Lack of access to general ledger reports generally weakens the ILO's internal control system for field operations. Pending the rolling out of IRIS to the field, the Office should develop the functionalities to provide monthly reports regularly on all general ledger accounts.

#### Value added tax (VAT)

20. In one of the African Offices visited, its VAT accounts recorded unclaimed VAT of some US\$270,300 during the period 1 January 2002 to 31 December 2004. IAO had in a previous audit report on the same office recommended that it should submit returns to the competent tax authorities on a monthly basis to obtain reimbursement of tax paid. The then Office Director reported in August 2002 that the recommendation had been implemented, but during the 2005 audit, IAO found that internal control thereon had relapsed. The new Office Director had assigned one official early in 2005 to process outstanding claims. Given the VAT laws in the country concerned, it is highly unlikely that the unclaimed VAT relating to 2002 and 2003 will be recovered. Should this be the case, the ILO would suffer a financial loss of some US\$146,400. Unless the Regional Office oversees and monitors the effective implementation by this office of the internal audit recommendation made in 2001, and ensures that internal control over such receivables operates satisfactorily throughout the region, the Office will run the risk of incurring further heavy losses. The Chief Internal Auditor recommends that the Office should require the Regional Office for Africa to instigate a system to monitor levels of value added tax recorded on the general ledger accounts throughout the region, and take appropriate follow-up action as necessary to ensure all receivables are timely and regularly collected.

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

### **Audit of the technical cooperation project “Employment sourcing and delivery system in Sri Lanka: JobsNet” (SRL03/01M/SID)**

21. The project (JobsNet), launched in March 2004, was funded over three years by the Swedish International Development Cooperation Agency (SIDA) with a contribution of US\$2,162,397. At its core, JobsNet is an Internet-based job matching service, which has as its primary purpose the matching of jobseekers to advertised jobs, using electronic technology. The project built on the base of a previous technical cooperation project funded by the Norwegian Government.
22. The objectives of the audit were to review the effectiveness and efficiencies of the project’s operations, including compliance with financial and administrative rules, regulations, policies and procedures; and review progress being made towards the project’s objectives. The audit conclusions were that the JobsNet project was satisfactorily controlled and well monitored by the ILO Office in Colombo. Progress towards the project’s objectives was satisfactory. Recommendations made were principally geared at achieving improvement in the implementing partner’s financial reporting to the ILO to enhance the ILO’s means of control over funds deployed for project activities. Reports were received that the recommendations have been acted upon.

### **Audit of technical cooperation project “Improving labour systems in southern Africa (ILSSA)” (RAF/03/M20/USA)**

23. The project, launched in September 2004 with a budget of US\$4,048,000 funded by the United States Department of Labor (USDOL), is due to be completed by end of April 2008. It aims to provide technical assistance to the Ministries of Labour throughout the southern African countries (Botswana, Lesotho, Namibia, Swaziland, Malawi and Zambia) to increase compliance with new labour legislation by promoting awareness among the workers and employers, and increasing capacity within the ministries to enforce the new law.
24. The objectives of the audit were limited to evaluating compliance with financial and administrative rules, regulations, policies and procedures. The results of the audit were positive.
25. The audit noted that the project Chief Technical Adviser (CTA) was also managing another USDOL-funded project – Strengthening Labour Administration in Southern Africa (SLASA) – also covering several southern African countries. The CTA of the project reported to ILO-Pretoria whereas ILO-Lusaka was responsible for the administration of the SLASA project. The Chief Internal Auditor recommended that the administration of the SLASA project be transferred to ILO-Pretoria to remove cumbersome administrative procedures, improve the efficiency of the project operations, as well as generate savings on communication, including travel and communication costs.

## ***The Integrated Resources Information System (IRIS)***

26. The Chief Internal Auditor’s previous report to the Governing Body<sup>1</sup> referred to a questionnaire issued by IAO to the IRIS executive project sponsor covering staffing, organization and security of the ORACLE database and applications. The IRIS manager provided IAO with a comprehensive response to the questionnaire, in two phases. The questionnaire provides IAO with a solid base of information on the ORACLE database and its applications from which IAO can draw on when conducting audits of IRIS.

<sup>1</sup> GB.292/PFA/3.

27. An audit of access and security administration is currently in progress to assess if effective controls are in place to manage key risks. Given the tight biennium closure timetable, for the first time using IRIS, IAO agreed to defer the completion of the audit until after the closure of the ILO's accounts is ended. The Chief Internal Auditor has issued an interim report to the Executive Director, Management and Administration, on initial findings and recommendations. A formal report will be issued on completion of the audit, and the results will be reported to the March 2007 Governing Body.

### ***International Training Centre of the ILO (ITC)***

28. IAO conducted an audit of external collaborator contracts issued by the ITC, covering the period 2004 and 2005. The objectives of the audit were to assess the adequacy of: (i) the ITC's management and oversight of external collaborators contracts; (ii) ITC's rules, regulations and instructions concerning employment of external collaborators; and (iii) administrative controls over payments to external collaborators. Reporting is currently in progress. IAO will report on the significant audit results to the March 2007 Governing Body.

### ***Investigations***

29. During 2005, IAO carried out an investigation into reports of non-compliance with directives from the Director-General's Office, referred to the Chief Internal Auditor by the Treasurer and Financial Comptroller. The investigation confirmed the reports of non-compliance with directives from the Director-General's Office and also found evidence of financial and administrative irregularities. The Chief Internal Auditor communicated the results of the investigation to the Treasurer and Financial Comptroller for appropriate action.
30. The Chief Internal Auditor also examined a verification report of the Regional Office for Africa on a technical cooperation project in the region, which pointed to financial irregularities, and did necessary follow-up on the case. Financial irregularities by a national project official were confirmed and the Treasurer and Financial Comptroller considered the report for appropriate action.
31. The Treasurer and Financial Comptroller referred both above cases to the Committee on Accountability.
32. A preliminary investigation is currently under way on the basis of allegations of misconduct received from outside the Office.

### ***Proposal for a specialized investigation unit***

33. In his previous report to the Governing Body,<sup>2</sup> the Chief Internal Auditor proposed the creation of a specialized investigation unit – dedicated solely to conducting proactive and reactive investigations – within the Office of Internal Audit and Oversight itself. The proposal was aimed at providing an effective way to manage the risks to the Organization that are associated with misconduct, fraud, presumptive fraud and other irregularities.
34. The need for, and advantages of, a unit dedicated to investigation were given in paragraphs 44 to 48 of GB.292/PFA/3, namely, that it would:
- (i) improve capacity to react immediately to allegations of staff misconduct, fraud, and corruption;

<sup>2</sup> GB.292/PFA/3.

- (ii) play a function of deterring intended acts of fraud and corruption;
  - (iii) strengthen the general control environment;
  - (iv) employ specialists in investigation techniques and skills;
  - (v) ensure that international investigative protocols and standards are followed;
  - (vi) ensure that all due process requirements are observed;
  - (vii) promote consistency and rigour in investigations;
  - (viii) instil confidence of staff, constituents and donors in the capacity of the Office to deal with alleged acts of misconduct, fraud and corruption;
  - (ix) demonstrate the commitment of the ILO to combat fraud and corruption within and outside the ILO;
  - (x) ensure appropriate coverage of mainstream audit assurance work;
  - (xi) eliminate delays in audit work and cancellation of planned audits, thus improving opportunities for more impact of audit work; and
  - (xii) allow proactive investigations with improved potential to identify malfunctions and proposals to correct recurring problems.
35. The proposal received support from the Employers' and Workers' groups as well as by the representatives of some Governments, notably the representatives of the Government of Canada and that of the United Kingdom. Details were requested on the number of investigations conducted, the time spent on each case and costs entailed.
36. Since mid-2001, IAO has received 14 complaints/allegations of which 11 merited full investigation, after preliminary inquiries. Eleven reports were issued in the period 2002 to 2005.
37. The time taken has varied in terms of the complexities and magnitude of the different cases. Conservative estimates of the time spent on the investigations have been approximately as follows, not taking into consideration secretarial/administrative support within the Office of Internal Audit and Oversight:
- July 2001/2002: 900 hours (72 work days = 5 work-months)
  - 2003: 1,786 hours (223 work days = 10 work-months)
  - 2004: 800 hours (100 work days = 4.5 work-months)
  - 2005: 1,500 hours (188 work days = 8.5 work-months)
38. Investigations require careful planning, method, thoroughness, patience, profound analysis and confrontation of information, attention to due process, accurate reporting of facts and objective conclusions against applicable standards. The approach taken by IAO to investigations has so far met with these professional standards, which facilitate the administrative processes of the Office as may be required. Investigations inefficiently conducted can result in inestimable costs to the ILO.
39. The Chief Internal Auditor estimates that, for a dedicated ILO investigation unit to have the capacity to work efficiently and effectively, it would require as a minimum two professional staff with fraud investigation certification and experience (one responsible chief and an assistant) and one support staff. At the 2006-07 standard costs, staff costs would amount to US\$946,000 per biennium. Approximately US\$30,000 per biennium



would be required for travel expenses and US\$4,000 for equipment. The Chief Internal Auditor recommends that the additional resources he proposes for IAO be included in the 2008-09 and future programme and budgets of IAO. The ideal situation would be to reinforce the investigation capacity of IAO as from early 2007 if resources can be found.

40. The UN reform process has raised concerns about the inadequacy of the investigation functions within the UN system in general. The creation of a dedicated ILO investigation unit would meet the recommendations made by the Joint Inspection Unit (JIU) in its draft report on oversight lacunae (see section below). The JIU draft report states that ILO staffing for both internal audit and investigation fell outside its suggested criteria, determined on the basis of organizational resources, including resources for technical cooperation. The staff requirement proposal of the Chief Internal Auditor would bring the audit and investigation staff resources within the JIU criteria.

### ***JIU report on oversight lacunae***

41. The JIU issued a draft report on oversight in the UN system. In broad terms, the report's purpose was to assess the capacity of existing oversight mechanisms within UN system organizations to deal with major risks that may arise.
42. The most significant recommendations of JIU that, in the Chief Internal Auditor's view, pertain to the ILO for consideration, are as follows:
- UN system organizations should set up an independent oversight board;
  - executive heads of UN system organizations should review the capacity of their respective organization to conduct investigations and put forward proposals for the establishment of a minimum in-house capacity for investigations;
  - a minimum investigations capacity should comprise qualified and experienced professional investigators who would not be subject to rotation within the organization; and
  - the budget of a UN system organizations oversight entity should be submitted to the external oversight board for review and transmittal to the appropriate legislative body.

### ***Follow-up on internal audit recommendations***

43. The Chief Internal Auditor followed up on his recommendation (paragraph 40, GB.292/PFA/3 refers) that the Office compiles information on missions, seminars and external collaborators for reporting and monitoring purposes. Regarding missions, the Chief Internal Auditor received information from the IRIS Project Director a.i. confirming that several reports have been developed for reporting and monitoring purposes. IAO will be examining the adequacy thereof in 2006. Reports on external collaborators remain to be developed. As regards seminars and workshops, it was agreed, during discussions, that a web-based format would be most suitable to capture all the information recommended by the Chief Internal Auditor, and the Office should, in this respect, examine the system established in the Regional Office in Lima.
44. The Chief Internal Auditor also followed up on progress on the Management and Leadership Development Programme (MLDP) financed from the 2000-01 cash surplus. As of 25 January 2006, the Office had completed 15 of the 26 modules (24 planned plus two added self-directed modules). Three modules were in the final production stage in Turin. The remaining eight were in draft form, either as first, second or final drafts. The Chief Internal Auditor noted that the Office received the final draft of the Budget and Financial Management Module and was expecting imminently the final draft of the Human Resource

Management Module. The Office completed by end of 2005 the first phase and second phase of a second MLDP (pre-workshop activities and the four-day workshops) for a total of some 50 participants. The Office extended the staff development programme to middle managers and young professionals, and adjusted the selection criteria on the basis of lessons learned with the first group of participants in 2004. The Office of Internal Audit and Oversight will follow up on further progress made in 2006. The Office plans to undertake a formal evaluation of the programme during the first half of 2006 prior to the completion date for the design, development and pilot stage.

45. The responses to implementation of IAO's recommendations by headquarters' units and field offices have on the whole been good. The offices/units audited continue to provide comprehensive reports of action taken. There are few instances where full reporting on some recommendations remains to be completed. The Chief Internal Auditor noted a control weakness with respect to a previous audit recommendation, which may result in financial loss to the Office (paragraph 20 refers).
46. IAO continues to provide guidance and assistance to management, as considered necessary, to give effect to all recommendations.

### ***ILO Task Team on Improvements in Management and Accountability***

47. The Director-General set up in late September 2005 an ILO Task Team, under the coordination of the Executive Director, Management and Administration, to review existing ILO rules, procedures and practices with the overall aim of strengthening the mechanism and procedures in place to enhance transparency and promote best practices across the Office. Within this overall framework, the Director-General has requested the Task Team to examine and make proposals, inter alia, on standards of conduct and ethics, financial disclosure statements, the role of an ethics officer, training for managers and reinforcing, as may be necessary, the "whistleblowers" provision, in particular the protection of staff in connection with this provision. The Task Team will also be revisiting the Office follow-up mechanisms to ensure more prompt and effective implementation of internal audit recommendations. The Chief Internal Auditor participates in the work of this Task Team.
48. Proposals to be made to the Director-General on the financial disclosure statements and the terms of reference for an ethics officer have already been prepared by the members of the Task Team.

## Appendix 2

### Significant recommendations

#### *Headquarters*

##### Audit of procurement functions in the ILO

1. PROCUREMENT should be removed from the Bureau of Internal Administration, set up as an independent section within the Management and Administration Sector, and have its reporting line changed.
2. The various procurement instructions and guidelines found in circulars should be consolidated in a procurement manual, providing clearer guidance on each type of procurement and on each stage of the procurement process, to obtain better comprehension of the applicable rules and thus improved compliance and transparency of processes. The manual should be compiled in such a way as to facilitate training and briefing in procurement matters.
3. Improvements required to procurement guidelines and instructions should incorporate: (i) the revised composition and working practices of the Contracts Committee; (ii) the revised threshold for submissions to the Contracts Committee; and (iii) procedures, steps and criteria that should be followed to select qualified IPEC implementing partners for IPEC subcontracts to qualify for the global waiver.
4. PROCUREMENT's mission statement and performance indicators should both be improved to bring them more into line with PROCUREMENT's mandate and objectives of ensuring and overseeing that goods and services across the ILO are procured in an efficient, economic and transparent manner and in compliance with rules and regulations.
5. ILO officials designated as responsible for procurement activities, both at headquarters and in the field, should be required to sign annually a declaration of ethical responsibilities.

#### *Field offices*

##### Work planning and monitoring systems

6. Considering the inadequacies and variances in work planning systems and the growing importance of field offices and their activities in the Office strategy, the Chief Internal Auditor recommends: (i) that the Office adopts the best workplan design available in the field and standardize the unit workplan format (while ensuring it is user friendly) for Office-wide use; and (ii) requires Directors of Regional Offices to oversee due execution of local work planning and monitoring systems.

##### General ledger reports

7. Pending the rolling out of IRIS to the field, the Office should develop the functionalities to provide monthly reports regularly to external offices on all general ledger accounts.

##### Value added tax

8. The Office should require the Regional Office for Africa to instigate a system to monitor levels of value added tax recorded on the general ledger accounts throughout the region,

and take appropriate follow-up action as necessary to ensure all receivables are timely and regularly collected.

### ***Technical cooperation***

9. The administration of the technical cooperation project “Improving labour systems in southern Africa (ILSSA)” (RAF/03/M20/USA) should be transferred from ILO-Lusaka to ILO-Pretoria – where the responsible manager is located – to remove cumbersome administrative procedures, improve the efficiency of the project operations, as well as generate savings on communication, including travel and communication costs.

### ***Proposed specialized investigation unit***

10. The Office should strengthen the investigation capacity of the ILO by creating a specialized and dedicated investigation unit within the Office of Internal Audit and Oversight, staffed with two professionals with fraud investigation certification and experience (one responsible chief and an assistant) and one support staff.

### ***Follow-up on an internal audit recommendation***

11. As regards a past recommendation that the Office compile information on seminars and workshops for reporting and monitoring purposes, it was agreed, during discussions, that a web-based format would be most suitable to capture all the information recommended by the Chief Internal Auditor. The Office should, in this respect, examine the system established in the Regional Office in Lima for dissemination throughout the ILO.
12. The Office should speed up the development of reports on external collaboration contracts from IRIS for reporting and monitoring purposes.