

Appendix III

Revised Audit Charter and new Investigation Charter

Office of Internal Audit And Oversight

ILO Internal Audit Charter

Purpose

1. The purpose of this Charter is to set out the Office of Internal Audit and Oversight's (IAO) mission, mandate and responsibilities within the ILO's regulatory framework. The IAO's audit and investigations functions are governed by article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules. The Chief Internal Auditor has overall responsibility to carry out these functions.
2. This document should be read in conjunction with the ILO Investigation Charter. It supersedes and replaces the Audit Charter of April 2010.

Mission

3. The IAO's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

Scope of work

4. The IAO provides the Director-General and the Governing Body with independent, objective, expert advice and assurance in order to add value and improve the ILO's operations. The IAO makes recommendations with a view to improving internal governance, risk management, internal control, stewardship, and accountability. In addition, the IAO's mandate includes responsibility to conduct investigations into allegations of financial or administrative misconduct and other irregular activities.
5. The IAO mandate covers all programmes, projects, operations budgets, funds and activities undertaken by the ILO at its headquarters, regional, country and other offices, regardless of the source of funding or location. The IAO has full, free and prompt access to all records, data, property, premises, personnel, operations, functions, and any other material which, in the opinion of the Chief Internal Auditor, are relevant to the matter under review.
6. Under normal circumstances, internal audit and investigation activities are carried out by members of the IAO. In cases of special need, IAO resources may be assisted by other suitable staff within the Office, or by external consultants.
7. In order to maintain an impartial, unbiased attitude and avoid conflicts of interest, the Chief Internal Auditor and personnel of the IAO, as well as other persons or external consultants assisting the IAO, are not authorized to be involved in the day-to-day operational or managerial activities of the Office.

Internal audit activities

8. The IAO conducts its internal audit activities in conformity with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (IIA Standards), as regularly updated. In order to comply with IIA standards, the IAO shall be subject to external quality reviews as stipulated by the standards.
9. The IAO may undertake all types of internal audit activities, including operational, financial, compliance and performance audits. The IAO's biennial activities shall be determined by a

risk assessment, which underpins the IAO's biennial plan. Appraisals conducted by the IAO may include, but not necessarily be limited to:

- (a) the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - (b) the effectiveness of the management controls and systems used to account for and safeguard the Office's assets, and as appropriate, verify the existence of assets;
 - (c) the internal control systems established to ensure compliance with the Office policies and procedures;
 - (d) the operations of the Office to ensure that the necessary processes and internal controls are in place to utilize its resources economically and effectively.
10. The IAO shall prepare reports on the results of its audits and provide recommendations for improvement which shall be discussed with the responsible manager of the entity under audit, and other managers as deemed appropriate. Management shall be given the opportunity to respond within a reasonable period of time.
 11. The Office of the Treasurer and Financial Comptroller takes the lead role to follow-up with responsible managers to monitor that corrective actions have been taken to address issues raised in internal audit reports. The IAO shall conduct follow-up audits as and when necessary.
 12. The IAO shall provide advisory services to the Office as and when requested.

Authority

13. When conducting internal audit assignments, IAO personnel have full authority to:
 - (a) Determine the areas subject to audit and the determination of audit scope, the allocation of resources, and the determination of the audit techniques to be utilized in achieving internal audit objectives.
 - (b) Obtain full, free and prompt access to all records, documents, personnel and physical assets relevant to the subject under review.
 - (c) Communicate directly with all levels of staff and management in order to discharge the IAO's responsibilities.
 - (d) The right to request any staff member to furnish all information and explanations that IAO deem necessary to discharge its responsibilities.

Appointment or termination of the Chief Internal Auditor

14. The Chief Internal Auditor is appointed in accordance with article 4.2(d) of the ILO Staff Regulations, which provides that the position shall be filled by the Director-General after consultation with the Governing Body. Article 11.1 of the Staff Regulations provides that the Director-General shall consult with the Governing Body before terminating the appointment of the Chief Internal Auditor. Consultation with the Governing Body shall include consideration of any advice that the Independent Oversight Advisory Committee (IOAC) may provide.

Responsibility of the Chief Internal Auditor

15. The Chief Internal Auditor is functionally and operationally independent but reports to, and is organizationally accountable to, the Director-General for the provision of internal audit and investigation functions and services in accordance with this Charter. The Chief Internal Auditor also has unrestricted access to the Chair of the Independent Oversight Advisory

Committee (IOAC). The Chief Internal Auditor is responsible for the work of the IAO and is required to:

- (a) Effectively manage the IAO to ensure it adds value to the Office.
 - (b) Submit an annual report to the Director-General, copying the IOAC, for presentation to the Governing Body, reflecting the results of audit work performed, and reporting on the results of corrective actions taken by management to address matters arising in previous audit reports. Any significant risk exposures, control issues and governance issues identified by the IAO shall be included in the annual report.
 - (c) Submit a risk-based biennial internal audit workplan to the Director-General. The audit plan shall first be submitted to the IOAC for its review and then to the Director-General. The submission shall reflect advice that the IOAC may have provided to the Chief Internal Auditor. Should changing circumstances indicate a reprioritization of audit focus during the biennium, the audit plan shall be amended accordingly and the Director-General informed.
 - (d) Ensure that all IAO activities comply with the IIA Standards.
 - (e) Adopt best practices in discharging the Internal Audit and Oversight function, and keep management informed of emerging trends in best practice.
 - (f) Ensure that the IAO is staffed with professional and support staff that possess sufficient skills, experience and other competencies needed to fulfil the mandate of the IAO and to maximize the efficiency and effectiveness with which those resources are used.
 - (g) Ensure that internal audit assignment activities are performed with proficiency and due professional care.
 - (h) Liaise with the External Auditor to foster a cooperative and professional working relationship, optimize audit coverage while as far as possible avoiding the duplication of audit efforts. The Chief Internal Auditor and the External Auditor shall also share information such as internal and external audit workplans and all reports produced by both the IAO and the External Auditor.
 - (i) Meet with the IOAC during its regular sessions and as requested by either party participate in a private session.
 - (k) Meet with the Director-General on a regular basis, and periodically attend Senior Management Team (SMT) meetings, as and when required.
 - (l) Promote the work of the IAO through outreach, participation in meetings and holding awareness sessions on anti-fraud and/or other significant audit matters.
 - (m) Ensure that a quality assurance and improvement programme that covers all aspects of IAO activities is established.
16. The performance of the Chief Internal Auditor shall be evaluated in accordance with the established regulations, rules and practices of the ILO's performance management system. In assessing the performance of the Chief Internal Auditor, the IOAC may provide advice to the Director-General on the Chief Internal Auditor's performance and that of the audit function.

Amendment of ILO Internal Audit Charter

17. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date. This Charter is approved by the Governing Body, after consultations with the Director-General.
18. Any amendment of this Charter is subject to the approval of the Governing Body after consultations with the Director-General.

Office of Internal Audit And Oversight

ILO Investigation Charter

Purpose

1. The purpose of this Charter is to set out the Office of Internal Audit and Oversight's (IAO) audit and investigation functions, which are governed by Article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules and carried out under the overall responsibility of the Chief Internal Auditor.
2. This document should be read in conjunction with the ILO Internal Audit Charter.

Investigations

3. In accordance with Chapter XIV of the Financial Rules, the IAO is responsible for the conduct of ILO investigation activities concerning allegations of fraud, presumption of fraud or attempted fraud. The IAO 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. The IAO is not responsible to conduct investigations into those areas for which there is separate provision (e.g., workplace complaints such as harassment, personnel grievances arising from administrative decisions and allegations of whistle-blower retaliation).
4. The investigation function of the IAO forms part of the ILO's accountability framework, which is based on the ILO's regulations, rules, directives and procedures. An investigation is administrative in nature and a fact-finding exercise. The IAO's investigation activities shall always be objective, fair, impartial, and conducted with strict regard to confidentiality, respect for individual rights and obligations, and the presumption of innocence.
5. The IAO conducts its investigation activities in conformity with the *Uniform Principles and Guidelines for Investigations* as adopted and regularly updated by the Conference of International Investigators of International Organizations and Multilateral Financial Institutions.
6. The IAO shall be required to complete investigations and submit investigation reports as soon as possible, based on the priority and complexity of the case and available resources.
7. The IAO does not make recommendations on disciplinary measures. The separation of functions between fact-finding investigation and any subsequent disciplinary consideration and action provides the necessary checks and balances for the proper and fair administration of the ILO's regulatory system.
8. In accordance with the ILO Internal Audit Charter, the general responsibilities of the Chief Internal Auditor with respect to investigations are as follows:
 - (a) ensuring that investigatory work is carried out in conformity with the *Uniform Guidelines for Investigations* as adopted and regularly updated by the Conference of International Investigators of International Organizations and Multilateral Financial Institutions;
 - (b) conducting investigations with proficiency and due professional care;
 - (c) reporting any case of fraud, presumptive fraud or attempted fraud to the Director-General through the Treasurer and Financial Comptroller;
 - (d) respecting confidentiality and applying the ILO's whistle-blower protection policy when receiving allegations;

- (e) ensuring that investigations are conducted by appropriately experienced and qualified professional staff and external consulting services with contemporary investigation skills.

Authority

9. When conducting investigations, IAO staff and third parties acting on its behalf have full authority to:
 - (a) assume responsibility for the conduct of ILO investigation activities with respect to allegations of fraud, presumption of fraud or attempted fraud, possible existence of waste, abuse of authority or other irregular activities;
 - (b) obtain full, free and prompt access to all records, documents, personnel and physical assets relevant to the investigation being conducted;
 - (c) communicate directly with all levels of staff and management in order to discharge the IAO's responsibilities;
 - (d) request any staff member to furnish all information, documents, electronic data, and explanations that the IAO deem necessary to discharge its responsibilities;
 - (e) ensure due process is followed by respecting the rights of the individual(s) or third parties subject to an investigation and of the person(s) or entity that brought the allegations to the attention of the Treasurer and Financial Comptroller or the Chief Internal Auditor.
10. On completion of an investigation the Chief Internal Auditor shall submit a report, detailing the findings of the investigation to the Director-General and, as appropriate, the Treasurer and Financial Comptroller or the Director of the Human Resources Development Department. In exceptional cases the Chief Internal Auditor may deem it appropriate to submit a report to the Governing Body. Should the report substantiate allegations made the matter shall follow ILO's established procedure to determine if a disciplinary sanction is merited.

Amendment of the ILO Investigation Charter

11. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date. This Charter is approved by the Governing Body, after consultations with the Director-General.
12. Any amendment of this Charter is subject to the approval of the Governing Body after consultations with the Director-General.