

## Board of the Centre

80<sup>th</sup> Session, Turin, 26 - 27 October 2017

CC 80/4/5

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**FOR INFORMATION**

### FOURTH ITEM ON THE AGENDA

## Follow-up to the recommendations of the Chief Internal Auditor for the year ended 31 December, 2016

### Introduction

1. The Chief Internal Auditor of the International Labour Office (ILO), who is also the Internal Auditor of the Centre, presented at the 79<sup>th</sup> Session of the Board (October 2016) a report on significant findings resulting from its internal audit assignments undertaken at the Centre in 2015.<sup>1</sup>
2. Based on a risk assessment of the Centre's business operations, the Office of Internal Audit and Oversight (IAO) issued two assurance audit reports in 2015 as follows:
  - an audit was undertaken on the procurement process at the Centre for which no major control weaknesses were identified. The final report was issued in August 2015.
  - an audit was undertaken of the publication services of the Centre and it found that while the Multimedia Design and Production Unit (MDP) provides publication services to both internal and external customers, for which revenue is generated, it does not consistently contribute to fixed costs. The final report was issued in October 2015.
3. This paper reports on the follow-up actions taken in 2016 on the IAO's recommendations on the above two audits. All high priority recommendations contained in the Internal Auditor's report to the Board in October 2016, along with the Centre's responses and details of completed follow-up actions, are set out in the Appendix.
4. The Centre will continue to work with the IAO and keep the Chief Internal Auditor informed on the progress of the implementation of any outstanding recommendations.

Turin, 1 September, 2017

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<sup>1</sup> CC 79/3/5.

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Recommendation No.	Recommendation	Centre response	Implementation status
<b>Audit of the procurement process at the Centre</b>			
1	The Centre should review its rules and procedures on procurement, in order to facilitate understanding of all processes by the relevant staff of the Centre.	As part of the new Procurement workflow in Oracle, all procurement processes have been reviewed and documented. This is now on the intranet. In addition, a procurement manual will be drafted and finalised this fall and will become available to all staff on the Centre's intranet.	Implementation in-progress
2	The Centre should examine to what extent it could utilise existing information from ILO's procurement manual, seeking advice from ILO PROCUREMENT as necessary. It could also consider including elements from the check list, found in Annex B, to support its procurement activities.	This was considered as part of the above work and other sources of procurement material were consulted as well.	Implementation completed
3	The Centre should review its training strategy for its procurement activities.	Once the procurement manual is completed, the strategy will be to hold training sessions starting in early 2018 for Contracts Committee members as well as staff carrying out procurement activities.	Implementation in-progress
4	IAO notes that the Centre completed a procurement plan of its large scale contracts after the audit. This is a good practice, which should provide sufficient time for the preparation, reception and analysis of bids in order to avoid contracts requiring renewal at the same time. IAO encourages the Centre to embed this planning process as part of its business process.	The Centre continues to maintain its procurement plan for its large scale contracts and this forms part of its normal business process.	Implementation completed

APPENDIX

Recommendation No.	Recommendation	Centre response	Implementation status
<b>5</b>	Training should be provided to the Centre's Contracts Committee members and designated business owners on the Centre's procurement policy, rules and procedures. This should be carried out on a periodic basis to help ensure that the Contract Committee remains current with the Centre's procurement practices.	Training sessions will be scheduled in the first part of 2018 for the Centre's Contracts Committee members and designated business owners. The material will include policies, rules and procedures related to the procurement process. Such training will periodically be provided to staff.	Implementation in-progress
<b>6</b>	The Centre should revise the terms of reference of the Contracts Committee.	The terms of reference are planned to be revised in the fall.	Implementation in-progress

Recommendation No.	Recommendation	Centre response	Implementation status
<b>Audit of the publication services at the Centre</b>			
1	The Centre should undertake a comprehensive cost-benefit analysis both for MDP's internally provided services and for its revenue generating services to determine whether all, of some, of the services provided should be maintained in-house, and to determine whether its prices make a consistent contribution toward the fixed costs.	The Centre, through external expertise, completed the cost-benefit analysis on the internally and externally provided services of the Multi-media design and Production Unit in late 2016 and the final report was received on 1 February 2017. Various issues were raised and key recommendations were addressed to the Centre. As a result of the re-alignment of the MDP unit to DELTA in the summer of 2017, the business model is being re-assessed in order to better align the outputs to the Centre's needs.	Implementation in-progress
2	MDP should review and document the justification for the internal allocation of staff costs assigned to its revenue generating activities.	The Centre, through the cost-benefit analysis, obtained the results from a work survey on the allocation of staff costs to its revenue generating activities. As mentioned above, the business model is presently under review.	Implementation in-progress
3	MDP should develop a clear marketing strategy, including a plan for contacting existing and prospective customers, to actively promote the Centre's publication services in order to increase publication revenue. Any strategy should be approved by the Director of the Centre. The marketing strategy should contain an assessment of the centre's customer needs, based upon research into the existing annual publications which certain customers choose to have printed using service providers other than the Centre, and should include the concept of break-even analysis to enable management to take informed decisions.	The DELTA unit, which now incorporates the multimedia design and production services (MDP), has taken the lead to develop a clear marketing strategy for the incorporated unit and indirectly for the Centre. This includes a fully revised internal and external service portfolio of MDP. In general this will focus on demand driven services in the area of digital design and content creation. In light of this new strategy, printing needs will be assessed and cost-effective solutions will be adopted in light of the results of this analysis.	Implementation in-progress

Recommendation No.	Recommendation	Centre response	Implementation status
4	MDP should develop and implement a service level agreement with its internal customers. This document should contain a listing of all its services and their corresponding definitions. The service level agreement should also provide detailed service provisions, technical specifications and outputs for each service provided, as well as the responsibilities of the service provider and the recipient of the service.	<p>The DELTA unit, which now incorporates MDP, is in the process of developing such service level agreement which will incorporate the following elements:</p> <ul style="list-style-type: none"> <li>- a fully revised cost-effective service portfolio aligned with the overall Centre's strategy; and</li> <li>- a detailed description of this service list including specification of technical outputs, internal procedures and a pricing policy based upon cost-recovery principles.</li> </ul>	Implementation in-progress
5	MDP should develop a systematic process to contact all external customers with overdue receivable balances (more than 45 days from the date of invoice) on a monthly basis to request payment for services. The practice of extending credit to external customers should cease.	The Centre has been actively following-up on all outstanding receivables and significant progress has been made. The practice of issuing invoices for work not completed has been stopped and pre-payment of work will be explored as part of the revised business model.	Implementation in-progress
6	MDP should prepare annual revenue forecasts for all of its significant customers for budgeting, planning and marketing purposes.	Now that MDP is fully integrated in the Training Department, monthly monitoring of the IBI revenues will be carried out and its strategy will be adapted to reach the annual target which will be increased gradually year over year until a full cost-recovery strategy is reached.	Implementation completed
7	The Centre should establish a process to independently review the translation skills of all external collaborators before hiring them to undertake translation services for the purpose of producing publications.	The Centre is exploring the various means available to ensure the highest quality in the translation of documents.	Implementation in-progress
8	MDP should establish processes to ensure that all translated material, whether internally produced or provided under contractual agreements, is independently reviewed prior to finalising the publications.	The Centre is exploring the implementation of a user feedback tool that would provide an assessment of the quality of the work delivered, as part of its customer delight initiative.	Implementation in-progress

Recommendation No.	Recommendation	Centre response	Implementation status
9	MDP should ensure that the print shop personnel are fully informed of the safety and security operating standards.	<p>The Centre has verified with the print shop external contractor that their safety and security operating standards, including information and training protocols, comply with Italian Law OSH regulations and requirements.</p> <p>The Centre is finalizing a global OSH Risk Assessment, which will contain, as part of the OSH improvement plan, further measures to strengthen information and training activities on safety and security with external companies operating on campus</p>	Implementation in-progress
10	MDP should undertake random spot checks to verify that the print shop personnel are complying with safety and security regulations. This should also be carried out by the OSH Coordinator in collaboration with FIS.	<p>Compliance with safety and security regulations in the print shop has been extensively verified in the context of the global OSH Risk Assessment. Improvement actions have been identified and will be included in the OSH improvement plan. The implementation of the plan will be monitored and reviewed at regular intervals.</p>	Implementation in-progress