



SECOND ITEM ON THE AGENDA

**ACTIONS TAKEN BY THE CENTRE IN REGARDS TO THE
RECOMMENDATIONS OF THE EXTERNAL AUDITOR IN HIS REPORT
TO THE BOARD IN NOVEMBER 2005.**

1. In his report for the financial year 2004 (doc. CC 67/2/Add.3), the External Auditor recommended that the Management of the Centre should prepare an action plan to review and monitor how its recommendations are being addressed. He also indicated that such action plan should be part of an on-going process, subject to scrutiny by the Board, to enhance the existing governance and accountability arrangements.
2. Accordingly, the Board will find hereafter a summary of all the recommendations made by the External Auditor as well as the corresponding action taken by the Management of the Centre.
3. This document is submitted *for information*.

Recommendation 1: We recommend the involvement of more finance staff in the preparation of the financial statements to ensure that the statements can be reviewed by the Treasurer, and to provide contingency arrangements in the event of any unforeseen absences.

Action taken: Further training will be given to FINSERV staff. Even though the Management has decided to transfer a P5 position to FINSERV, thus alleviating the burden and workload of the service, it should be remembered that still a large proportion of the preparation of the financial statements will always be performed by the Treasurer.

Recommendation 2: We recommend that the Centre keeps the UNSSC cost sharing agreement under regular review to ensure the full recovery of costs.

Action taken: A detailed revue has been made and negotiations are being undertaken.

Recommendation 3: We recommend that Financial Rules and Regulations be reviewed and updated to ensure that they are consistent, that they reflect best practice, and that they meet the Centre's needs.

Action taken: a review of the Financial Rules and Regulations has been undertaken as from April 2006, in close consultation with ILO Financial and Legal Services, and should be completed by July 2007. According to priorities set, the review focused mainly on modifications resulting from the introduction of the euro for budgeting, accounting and reporting purposes, as well as from the use of financial surpluses. Such review will also take into account the forthcoming adoption of International Financial Reporting Standards as recommended by the External Auditor.

Recommendation 4: We recommend that the Centre considers the extent to which the current authorisation processes create an unnecessary administrative burden.

Action taken: The level of signatures required have been revised and simplified.

Recommendation 5: We recommend that the Centre undertakes a regular review of its investment strategy and of the interest returns it receives on cash balances. The Centre should ensure that it strikes a suitable balance between spreading investment risk and maximising interest income.

Action taken: The Treasurer confers with the Treasury Operations Section of ILO Geneva for major investments.

Recommendation 6: We recommend that the Centre should consider the adoption of International Financial Reporting Standards to develop the existing accounting and reporting practice.

Action taken: The Centre is reviewing the impact of such a change, especially the modifications needed to the Financial Rules and Regulations, and expects to adopt them when the new ERP system has been installed and, the proposed change of reporting currency to euro has been adopted.

Recommendation 7: We encourage the Centre to consider an evaluation of the reporting currency used by the Centre, and to consider whether there may be merit in moving towards Euro reporting.

Action taken: The Director has presented a document to the Board of the Centre recommending the replacement of the US dollar by the euro as the reporting currency.

Recommendation 8: We recommend that, with advice from the Director, the Board of the Centre should review the treatment of accumulated General Fund surpluses and consider establishing rules for their application. Furthermore, we recommend that the Board review the level of the Working Capital Fund to ensure that it represents an appropriate level of contingency in the context of possible operational needs.

Action taken: The Director has presented a document to the Board of the Centre recommending the necessary modifications to the Financial Regulations to implement this recommendation.

Recommendation 9: We recommend that the Centre should consider the establishment of systematic risk management arrangements, by considering periodic review of the Centre's exposure to operational risks and the controls and procedures it has in place to manage such risks.

Action taken: A committee consisting of the Deputy Director, the Director of the Training Department, the Director of Financial Services, the Chief of Human Resource Services and the chief of Management Information System has been created to identify risks and preventive actions to be taken. Subjects aborded include physical damage to the Centre, loss of revenue, loss of MIS network and key personnel.

Recommendation 10: We recommend that the Director ensures an audit needs assessment is carried out and that an annual risk-based plan is produced to review the Centre's internal control environment.

Action taken: Contact has been made with the Office of Internal Audit and Oversight and a plan will be presented in early 2007.

Recommendation 11: We recommend that the Director ensures that an adequate service level agreement exists between the Centre and Internal Audit, defining the audit requirements of the Centre and that steps are taken to establish regular monitoring of service provision.

Action taken: A service agreement is under discussion and will be completed by the end of 2006.

Recommendation 12: We recommend that the Centre establishes registers to record specific staff interests and the receipt of gifts or hospitality from suppliers or significant users of the Centre. Such measures ensure transparency and facilitate management review to ensure compliance with staff rules and regulations.

Action taken: A register has been prepared and instructions have been issued to key staff members.

Recommendation 13: We recommend that the Centre establishes a process to encourage staff to disclose allegations of fraud or misconduct within a framework which will ensure proper investigation and protection for the disclosing member of staff.

Action taken: The question has been reviewed with the Legal Advisor and contacts are being taken with the Staff Union.

Recommendation 14: We recommend that the Centre considers asking staff to confirm their continued adherence to the code of conduct on a regular basis.

Action taken: A procedure similar to that adopted by ILO Geneva will be implemented.

Recommendation 15: We recommend that the Board reviews the strategic aims of the Centre in the context of the ILO's strategic goals, and that the results be reflected in the next Development Plan.

Action taken: The Board's opinions and suggestions to this effect are anticipated in the proposal for Fourth Development Plan submitted to the Board. The PFA of the GB, met in March 2006 and will meet regularly in the future to review the strategic aims of the Centre in the context of the ILO strategic goals. As a matter of fact, the Report of the PFA March meeting is submitted for information to the Board of the Centre. (Doc. CC 68/5/a and b).

Recommendation 16: We recommend that the Centre considers the benefits of building on its distance learning programme as part of an integrated learning strategy, which might facilitate greater regional participation.

Action taken: There are at present 10 dedicated on-line products that are used more and more by participants. Some estimated 20% of activities include one or more distance learning components. With the establishment of the Learning and Communication Service and of the Turin Learning Approach (see Fourth Development Plan), the Centre is explicitly placing strong emphasis on the application of the most appropriate training methods and learning technologies including the use of Internet and distance learning.

Recommendation 17: We recommend that the Board considers the adoption of financial targets, which as a minimum should include a requirement for a break-even budget.

Action taken: Considered, but found not to be feasible taking into account the uncertainties concerning the levels of future income.

Recommendation 18: We recommend that the Centre considers the feasibility of benchmarking its costs against those of other training providers and uses such an exercise to explore the potential to enhance efficiency and learn from best practice.

Action taken: In view of the difficulty in identifying an establishment similar to the Centre, the creation of an internal costing system is being pursued.

Recommendation 19: We recommend that the Centre explore the potential for improving the Centre's utilisation of its assets to increase contributions towards the fixed costs of the Centre.

Action taken: In 2006, the Campus facilities have been used to a greater extent by external users. Further research is being made to identify other institutions that could be interested in holding seminar and training activities at the Centre.

Recommendation 20: We recommend that the Board establishes a set of indicators and targets, in consultation with management, to demonstrate the Centre's effectiveness.

Action taken: The Centre has reported to the Board for many years quantitative indicators such as number of participants, number of activities, number of training days and number of participant days. The Fourth Development Plan, prepared in collaboration with the Officers of the Board, sets quantified targets in many areas.

Recommendation 21: We encourage the Centre to identify challenging objectives for staff linked to the Centre's strategic aims; and to link performance against competencies in the new appraisal system to any needs for focused training required to improve quality and staff skills.

Action taken: The Centre is currently involved in completing its competency frame work, by identifying functional streams and the related functional competencies. Through a competency based approach, it will be easier to establish performance objectives at the team and individual levels and to identify the key competencies required for their attainment.

Recommendation 22: We recommend that the Centre establish policies to control the use of external collaborators, and to monitor their performance against the terms of their contracts.

Action taken: A new procedure has been issued and the system improved to provide information on use and performance of external collaborators.

Recommendation 23: We recommend that the Centre continue its evaluation processes and enhance the timeliness of the results of evaluations. Furthermore, we recommend that the Centre considers the use of a dedicated evaluator to provide objective evaluations to assist management to achieve an objective assessment of a courses' value.

Action taken: The proposed Investment Programme (2007-2011) sets aside US\$ 200,000 for strengthening the Centre's evaluation function.