



FIRST ITEM ON THE AGENDA

**ACTION TAKEN BY THE CENTRE IN RESPONSE TO THE  
RECOMMENDATIONS OF THE EXTERNAL AUDITOR IN HIS REPORT  
TO THE BOARD IN NOVEMBER 2006.**

1. In his report for the financial year 2005 (doc. CC 68/1/Add.3), the External Auditor recommended that the management of the Centre prepare an action plan to review and monitor how his recommendations were being addressed. He also said that such a plan should be part of an ongoing process, subject to scrutiny by the Board, to improve the governance and accountability arrangements.
2. Accordingly, here is a summary for the Board of all the recommendations made by the External Auditor and of the corresponding action taken by the management of the Centre.
3. In the course of 2006, allegations concerning the management of a project by the Centre appeared in the Italian press. From the beginning, the allegations were taken seriously by the management of the Centre. The Internal Auditor of the ILO and of the Centre was immediately asked to make an in-depth inquiry. At the same time, precautionary measures were taken concerning the organization of the unit responsible for the project. The audit found that the investigations did not have solid foundations. This is confirmed by the External Auditor in the report which he has presented to the Board. Nevertheless, the matter has enabled the Centre to draw a number of lessons for future project management.
4. This document is submitted *for information*.

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**Recommendation 1:** We recommend that the Centre considers the establishment of an earlier deadline, potentially the end of April, for the production of the annual financial statements; and that a wider range of appropriate finance staff be involved in the accounts preparation process, to enable the Treasurer to effectively review and manage the preparation of financial statements.

**Action taken:** An effort has been made to produce the annual financial statements earlier. Further training will be given to staff in the Financial Services with a view to involving them in the accounts preparation process. In addition, the search for a future replacement for the Treasurer is under way.

**Recommendation 2:** We recommend that the Centre introduces regular budget variance reporting to improve financial management and control.

**Action taken:** Fixed costs are always under budgetary control. Reviews of activity-related costs are budgeted and controlled on an individual basis.

**Recommendation 3:** We recommend that the Treasurer institutes a formalized debt management policy and improved procedures to ensure timely and effective collection of outstanding debts. Dunning letters are issued periodically on a regular basis.

**Action taken:** A new policy on billing for training services and collecting revenue has been established and a circular about it has recently been issued to all staff.

**Recommendation 4:** We recommend that the Director, with confirmation to the Board, should engage ILO senior management and take steps to ensure that an improved level of internal audit coverage is delivered in accordance with a risk-based audit plan, to ensure that an adequate level of assurance is obtained on the operation of internal controls at the Centre.

**Action taken:** The Internal Auditor of the ILO served the Centre for two and a half months in 2007 (between January and mid-October). In addition, the management of the Centre, with the assistance of the Internal Auditor of the ILO, is implementing a new policy on risk management. A circular inviting staff to attend a series of workshops on this issue in February 2008 is being prepared and should be issued in the near future. During these workshops, risks will be identified and assessed.

**Recommendation 5:** We recommend that the management of the Centre review and where appropriate renegotiate the cost sharing agreements currently in place, based on principles which ensure the most equitable apportionment of shared costs for all organizations using the campus. We further recommend that management should review the quantum of common costs to ensure that all common facilities are included in the arrangements.

**Action taken:** Discussions are under way, but a consensus has not yet been reached.

**Recommendation 6:** We recommend that management review whether it is appropriate to establish an agreement with the Centro UNESCO Turin, in order to support equitable cost sharing and manage the risk of potential liabilities or disputes.

**Action taken:** A new agreement with the “Centro UNESCO” concerning the conditions of occupancy and use of premises is currently under consideration.

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**Recommendation 7:** We recommend that the Director takes appropriate steps to establish a formal treasury strategy to provide the basis for treasury investments. This should identify the Centre's approach to investment returns, the management of risk and exchange rate exposures; and ensure that treasury activity is formally reported to the Board of the Centre.

**Action taken:** See Recommendation 8 below.

**Recommendation 8:** We recommend that compliance with approved treasury strategy be overseen by the Director and the Finance Committee at the Centre; and be subject to review by the ILO's Investment Committee.

**Action taken:** At present, the Treasurer confers with the Treasury Operations Section of the ILO, Geneva, on major investments. A policy is being prepared with the help of the ILO. This policy will be based on absolute security of capital and the need for flexible investments so as to meet unexpected expenditures rapidly. Initial contacts have been made with two additional banks for investments.

**Recommendation 9:** We recommend that the Centre considers the establishment of more systematic monitoring and review of sick absence patterns on an annual basis, with a view to ensuring that the incidence of sick absence is managed to an acceptable level

**Action taken:** The HRS have developed a pilot study project for the introduction of a Human Resources Planning and Performance Monitoring System (HR-PPMS) at the Centre which includes an indicator of sick leave for each staffing unit at the Centre. It will reveal problem areas and allow comparison across the Centre.

**Recommendation 10:** We recommend that the Centre considers establishing the requirement for a brief formal return to work interview between the responsible line managers and staff member following an absence, to ensure that the staff member is fit for work and to explore any underlying reasons for the absence which might need to be addressed by management.

**Action taken:** The medical services and the HRS continue to conduct systematic return-to-work interviews with staff members returning from long-term sick leave (more than four weeks) and to discuss the conditions and consequences of their re-entry with their responsible line managers.

**Recommendation 11:** We recommend that the Centre establish an absence management strategy to consolidate and where appropriate improve on existing management practice, and provide a sound base for good employment practice.

**Action taken:** The total number of days of sick leave in recent years were:

- 2003: 1793 days
- 2004: 1637 days
- 2005: 1846 days

As indicated previously, the average number of sick days outside long-term sick leave fell over those three years from 6.8 days per staff member to 5.1 days. The average absence rate was less than 4%, including long-term sick leave, and less than 3% without it.

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In 2006, the total number of days of sick leave dropped to 1504 days, i.e. less than 8 days per staff member on average, all types of absence included. The total absence rate declined to 3.5%, all types of sick leave included.

In spite of this positive trend, as stated above, the HRS have developed a pilot study project for the introduction of a Human Resources Planning and Performance Monitoring System (HR-PPMS) at the Centre which includes an indicator of sick leave for each staffing unit at the Centre, and allows close monitoring of the sick leave situation, identification of problem areas and comparison across the Centre.