

Board of the Centre

83rd Session, October 2020

CC 83/5/3

FOR DISCUSSION AND GUIDANCE

FIFTH ITEM ON THE AGENDA

**Report of the Chief Internal Auditor for the year ended 31
December, 2019**

Introduction

1. The Office of Internal Audit and Oversight (IAO) of the International Labour Office provides internal audit services to the Centre. Chapter VIII, article 18(d) of the Financial Regulations stipulates that the Director of the Centre shall maintain an internal financial control and internal audit. The IAO mandate is established under article 14.10 of the Centre's Financial Rules and states that "the Internal Auditor shall carry out such independent examinations and make such reports to the Director or persons designated by the Director... in order to ensure an effective internal audit in accordance with Chapter VIII of the Financial Regulations."
2. The IAO's mission is to provide the Director of the Centre and the Board with an independent and objective assurance activity, designed to add value and improve the Centre's operations. In its work, the IAO adopts a proactive approach to facilitating the assessment of risks and internal controls, and promotes a cohesive approach to risk management in support of management's processes to enhance efficiency, effectiveness and value for money in the activities of the Centre.
3. The IAO does not develop or implement 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. The IAO has full and free access to all records, personnel, operations, functions and other material relevant to the subject matter under review.
4. The IAO's audit activities conform to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

Summary of audit results

5. Based on its audit plan for the 2018-19 biennium, in 2019, the IAO undertook one assurance audit relating to the Centre's activities. IAO reported no critical audit findings in the report issued:
 - The report presents the results of IAO's audit of payroll at the Centre. The audit findings indicated that the Centre has in place controls over the preparation of the monthly payroll, which ensures eligible staff are remunerated in accordance with their contracts and approved pay scales. IAO did identify, however, two issues of high significance relating to payroll file application security and system access privileges. IAO made five recommendations for management to address these issues.

Review of Payroll

6. The audit found that the Centre has scope to improve control measures to ensure the integrity of the payment file from the point of its production in the payroll system to the point of import into the electronic banking system. As a result, although there is a subsequent supervisory review, there is a risk that unauthorized modifications to the payroll file may go undetected. The audit found that the Payroll Administrator and eight staff in the Information, Communication and Technology Services unit have access to

modify the payroll file while it is stored in a dedicated electronic folder, prior to upload into the electronic banking application.

7. In addition, the Centre has not segregated the access privileges of performing user administration functions in the payroll system from processing personal actions and preparing the monthly payroll. As a result, there is an increased risk of unauthorized disbursements being made from the Centre's bank account.
8. The audit found that four staff in the Human Resources Services (HRS) as well as the Payroll Administrator have access privileges to create user accounts in the payroll system and assign user privileges, which is not in accordance with their responsibilities. Users with this access may use it to elevate their access privileges and ultimately create unauthorized transactions in the payroll file. The audit also found that there were dormant user accounts in the payroll system that were not required for operational use.
9. The Centre informed IAO that it would take steps to address the two high significant findings. IAO encourages the Centre to do so as soon as practicable.

Audits planned in 2020

10. In response to the COVID-19 pandemic, the IAO has not be able to visit the Centre to conduct its planned 2020 audits. For example, IAO had planned to conduct an audit of the Africa pavilions' renovation planned in 2020, using a staged approach requiring several visits to the Centre to conduct audit fieldwork. This has not been possible.
11. IAO shall revise its audit plan and assess to what extent it can conduct audits remotely until there is agreement with the Centre's management as to when it is safe to undertake the audits on site.

12. *This report is submitted to the Board for discussion and guidance.*

Turin, August 2020