

# Board of the Centre

89<sup>th</sup> Session, November 2025

CC 89/5/3

FOR DECISION

## FIFTH ITEM ON THE AGENDA

### Report of the Chief Internal Auditor for the year ended 31 December 2024

#### I. Introduction

1. The Office of Internal Audit and Oversight (IAO) of the International Labour Office provides internal audit services for the ITCILO “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. IAO’s mandate is established under article 14.10 of the Centre’s Financial Rules, which specifies 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. This Annual Report concentrates on activity related to the Centre, and includes new elements required to meet new reporting requirements of the Institute of Internal Auditors, in particular information on independence. For a fuller description of the IAO’s activities, as well as its budget and staffing, please see the 2024 IAO Annual Report presented to the ILO Governing Body at its 353rd session in March 2025 (GB.353/PFA/7).
3. The Office of Internal Audit and Oversight (IAO) is established by the Financial Regulations and the Financial Rules of the ILO and the Centre. It aims to enhance and protect the ILO’s value to its constituents and other internal and external stakeholders by providing independent, authoritative and insightful risk-based assurance, advice and investigations.
4. The IAO contains three units:
  - **The Investigation and Inspection Unit (IIU)**, which investigates financial or administrative misconduct and other irregular activities, including allegations of Sexual Exploitation and Abuse and retaliation against whistleblowers on cases referred from the Ethics Office. It reviews all allegations received for credibility, verifiability and materiality, and to confirm they fall within the IAO’s mandate. It does not investigate workplace complaints such as harassment, discrimination or personnel grievances or disputes. However, the Director-General of the ILO, or the Director, the Centre may ask the IAO to investigate an allegation of harassment or discrimination if it was

reported as misconduct and is not the subject of a grievance under article 12.4 of the Staff Regulations. Investigations respect due process rights of all parties including the presumption of innocence and the rule of proportionality. It adopts a victim-centric approach to investigations.

- **The Assurance and Advisory Unit (AAU)**, which provides assurance services (audits of the Centre's governance, risk management and control processes) and advisory services (other support and advice on management initiatives). To maximize its impact and to use its resources efficiently, the AAU formulates its biennial programme of work using a comprehensive risk assessment, which creates a prioritized cycle for examining the Centre processes, units and external offices. Consequently, the IAO does not examine every Centre process or unit. Each examination in turn is guided by an engagement level risk assessment so that the most important risks and challenges faced by the entity under review are assessed.
  - **The Direction and Support Unit**, comprising the Director IAO and administrative support staff.
5. The IAO undertakes its work in accordance with its Charter, the Uniform Principles and Guidelines for Investigations, endorsed by the 10th Conference of International Investigators held on 10-12 June 2009 at the Dead Sea in Jordan, and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.
  6. The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors require that the Director IAO confirms at least annually the organizational independence of the Office of Internal Audit and Oversight (IAO).
  7. During 2024, the organizational independence of the IAO continued to be ensured through the direct reporting line of the Director IAO to the Director-General and through their access to the Independent Oversight Advisory Committee and to the Governing Body.
  8. There were no circumstances of impairment to the independence of the IAO's assurance and investigation work, or in the scope, performance or communication of the work and results of the IAO. The IAO received full support and cooperation from management in the conduct of its work.
  9. Furthermore, the Assurance and Advisory Unit remained free from any conditions that could threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. Staff of the Assurance and Advisory Unit had no direct operational responsibility or authority over any of the activities under their review. They did not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement.

## II. Results of activities

10. The IAO's work in 2024 revealed no material matters concerning governance, risk management or controls likely to significantly compromise the achievement of the Centre's goals or outcomes.

## Investigations and Inspections

11. The IAO received four reports in 2024:
  - Case 1 – an allegation of an undeclared outside activity which was closed and referred to another UN Agency.
  - Case 2 – an allegation of non-respect of the principle of value for money, closed and referred for follow up by internal audit.
  - Case 3 – An allegation of undeclared conflict of interest – investigation ongoing.
  - Case 4 – An allegation of irregularity in a procurement process – investigation ongoing.
12. It carried over one case from previous years, concerning a possible non-declaration of a conflict of interest in a procurement process. The investigation is ongoing.
13. Observations: Several allegations received in recent years concern perceived or actual conflicts of interest which have not been properly declared. The Centre is encouraged to sensitize all staff to the requirements, reminding them of their obligations in this respect.
14. **Centre Response: Management takes note of the observation and fully agrees with the recommendation to sensitize all staff on the steps that they must take with respect to perceived or actual conflict of interest in line with the Centre's regulatory framework stipulations.**

## Assurance and Advisory Services

15. The IAO issued two reports on the Centre in 2024:
  - one assurance report, on procurement, and one advisory report, on enrolment processes. The procurement report found opportunities to strengthen procurement planning, the evaluation of supplier tenders, maintaining supplier information and supplier usage, and the administration of the Contracts Committee.
  - The enrolment review was launched at the request of the Centre. It identified proposals to better align enrolment processes with the Centre's post-COVID business model.

### IA TC-64 (2024) – Audit of Procurement

16. In accordance with the approved Audit Plan for the 2024-25 biennium, IAO conducted a procurement audit at the centre. IAO visited the centre in May 2024 for planning purposes and conducted the audit fieldwork in July 2024. The Centre procures goods and services from a wide range of service providers and suppliers to support its training programmes and operations.

17. IAO reviewed controls over procurement of goods and services, except for external collaborators. The audit included a review of procurement policies and procedures and their application, the evaluation of supplier proposals and supplier selection, procurement planning, supplier management and the integrity of supplier database, procurement waivers, the workings of the Contracts Committee, purchase order sequencing, open purchase order monitoring and the segregation of purchasing duties of users defined in the Oracle system. We also reviewed the purchase order approval process.
18. Overall, we found opportunities to improve controls over the Centre's procurement activities. In particular, improving the planning process for procuring high value infrastructure services, may reduce the need for the Treasurer to waive the requirements for competitive bidding and consequently improve the contract terms negotiated in supplier contracts. FIS submitted 11 of the 25 requests for procurement waivers from the Treasurer between January 2023 and May 2024.
19. In addition, implementing a process to monitor the aggregate purchasing commitments on a supplier-by-supplier basis and compiling a centralized supplier roster accessible to staff, would enable units to plan supplier tenders more effectively and if necessary, establish supplier framework agreements. IAO identified six suppliers of 20 tested which were not subject to a formal competitive tender.
20. We also noted that the Centre has drafted a procurement manual, which it has yet to publish. IAO encourages the Centre to complete the manual as a matter of priority and train the staff on its contents. Having the manual in place with trained staff will minimize the risk of non-conformance with procurement thresholds as noted in the contracts established with six suppliers supporting Training Programmes of 20 high-turnover suppliers sampled.
21. The manual will also provide a standard approach to address the inconsistencies IAO identified in evaluating supplier offers during tenders. Of the ten proposals reviewed, that units submitted to the Contracts Committee, two were submitted with individual supplier evaluations from each panel member and eight included a consolidated evaluation formulated during a meeting with the panel members on a consensus basis. In addition, publishing the draft Procurement Manual would improve accountability over the procurement process and clarify staff expectations.
22. The Centre consolidates all purchases of high-value infrastructure and goods via FIS, which IAO recognizes as a good practice.
23. **Centre Response: Management takes note of the observation and will implement the recommendations, addressing the finalization of the Centre's procurement manual as well as ensuring that processes such as procurement planning, maintenance of supplier roster, monitoring of purchasing commitments per supplier are put in place. Staff will also be trained on the procurement manual.**

#### IA TC- (2024) – Advisory – Enrolment Process

24. In July 2024, RSM UK Risk Assurance LLP was appointed by the Office of Internal Audit and Oversight (IAO) International Labour Organisation (ILO) on behalf of the International Training Centre of the International Labour Organisation (ITC-ILO) to

review the enrolment process of the centre. The aim was to increase its efficiency, ensure timely enrolments, reduce staff pressure and maintain adherence to internal policy. The motivation for the review was mainly because the centre's enrolment process has not adapted since the COVID-19 pandemic, where the centre's business model changed dramatically due to the rapid increase of online course delivery.

25. In 2023, online learners constituted 62 per cent of all course attendees at ITC-ILO, which demonstrates the strength of the ITC-ILO's online offer. Simultaneously, in-field, on-site and blended courses have rebounded since the end of the pandemic. Consequently, with these changes, the enrolment processes have become outdated, unstructured and not as effective.
26. Six key areas were identified to understand and identify root causes of issues and improvements. The findings and solutions were split into areas as follows:
  - Process
  - Technology
  - Controls and compliance
  - Data and reporting
  - Performance management
  - People and organisation
27. RSM outlines two high level solutions to fix the issues identified:
  - i. Patch it up – address issues one by one by focusing on quick wins, for example, a series of 'hot spots' were identified which included:
    - Introducing framework agreement contracts for recurring institutional clients
    - Automation of payment linking and communications in general
    - Develop performance monitoring measures
    - Centralized knowledge repository
  - ii. Overhaul – adopt a new operating model, which was the preferred RSM solution. This would mean:
    - Clearly re-defining the target operating model.
    - Align to best practice in the industry.
    - Developing a comprehensive roadmap for implementation of changes.
    - Employing a change management strategy that transforms the enrolment process effectively.
28. **Centre Response: Management takes note of the observation and, as part of the Centre's strategic goals factored in its next Program and Budget and considering its current operating model, work in underway towards overhauling the enrolment process. As short-term measure, the Centre has prioritized aspects of the enrolment process to implement some changes as quick wins.**

### III. Continuous improvement

29. The IAO is committed to improving the quality, reliability and relevance of its work. In 2023, IAO benefited from an external audit of its internal audit processes. During 2024, the IAO launched an External Quality Assurance review. The resulting action plans led to the IAO Charter and other internal procedures being revised, incorporating the latest professional standards from the Institute of Internal Auditors. For the Centre, a particular

area of focus will be to improve communications before and during the audit, better present the evidence supporting our findings and strengthen contextual awareness.

#### IV. Charter of the Office of Internal Audit and Oversight

30. At its 353rd Session (March 2025), the ILO Governing Body approved the revised Charter of the Office of Internal Audit and Oversight (hereinafter the Charter of the IAO, 2025) set out in Appendix I, which provides a single and updated framework for both audit and investigation responsibilities of the Office of the Internal Audit and Oversight (IAO), as is the current practice in other United Nations entities. The Charter of the IAO, 2025, specifies the purpose, mandate, professional standards, and operational and oversight responsibilities of the IAO.
31. According to the Centre's Financial Rule 14.10, the "Chief Internal Auditor of the International Labour Office (ILO) shall be the Internal Auditor of the Centre". Further, under Rule 14.20, the "internal audit shall function in accordance with the Audit Charter Approved by the Board" and the provisions set forth in Rule 14.20.
32. In the interest of clarity, effectiveness and alignment with the ILO, the Board is invited to approve the application of the Charter of the IAO, 2025, to IAO when it functions for the Centre. Should this application be endorsed, it is proposed that the Board approves at the same time two sets of adaptations.
33. First, it is proposed that the Centre adopts the following substantial adaptations to ensure the incorporation of the Charter of the IAO, 2025, into the Centre's regulatory framework (the relevant provisions establishing the internal oversight function in the Centre are set out in Appendix II):
  - i. The IAO fulfils an internal independent oversight function, as established under Article 18(d) of the Financial Regulations and Article XIV of the Financial Rules. The Chief Internal Auditor of the ILO is the Internal Auditor of the Centre. **(Charter, paragraph 2).**
  - ii. The Charter revises and supersedes the Centre's Internal Audit Charter adopted by the Board at its 74th session (November 2012)<sup>1</sup>. It comes into force on approval of the Board. It is due to be reviewed at the latest in 2030. **(Charter, paragraph 3).**
  - iii. The IAO's authority derives from its direct reporting relationship to the Director of the Centre, the Director-General of the ILO and the Board, supported by expert advice from and monitoring by the Independent Oversight Advisory Committee. Such authority allows the Director of Internal Audit and Oversight:
    - a) to have unrestricted access to the Director of the Centre, the Director-General of the ILO and the Independent Oversight Advisory Committee; and
    - b) to report to the Board annually, on any matters that the Director of Internal Audit and Oversight considers require the Board's attention. **(Charter, paragraph 7).**

---

<sup>1</sup> [CC 74/4/5](#) and [GB.316/INS/11](#), para. 77.

- iv. The Director of Internal Audit and Oversight will continue to be subject to the authority of the Director-General of the ILO and, as the Chief Internal Auditor of the Centre, will have a functional line of reporting to the Director of the Centre on matters related to the responsibilities of the IAO in the Centre. This enables IAO to bring matters directly to senior management and to escalate matters to the Director of the Centre, the Director-General of the ILO or the Board when necessary and without interference. **(Charter, paragraph 9).**
- 34.** Second, references to the ILO in the Charter of the IAO, 2025, should be read, when applicable, as references to the Centre.
- 35.** Finally, the Charter of the IAO, 2025, refers to the Independent Oversight Advisory Committee (IOAC) which serves in an expert advisory capacity and provides independent, external, senior level, expert advice to the ILO Governing Body and the Director-General in fulfilling their governance responsibilities.<sup>2</sup> It is recalled that as part of the Organization's governance structure, the Centre benefits from the IOAC's advice.<sup>3</sup> With its expert advice and monitoring, the IOAC supports the IAO in its responsibilities. In the interest of clarity of the Centre's governance and regulatory framework, it is proposed that the Centre formally acknowledge the IOAC's role in relation to the Centre, in deciding the application of the Charter of the IAO, 2025, to IAO when it functions for the Centre. Accordingly, with this decision, references to the ILO in the TOR of the IOAC should be read, when applicable, as reference to the Centre".
- 36. The Board is invited to:**
- (a) approve the application of the Charter of the Office of Internal Audit and Oversight approved by the Governing Body at its 353rd Session (March 2025) to the functions of the IAO for the Centre, together with the adaptations listed in para 33 and 34 of document CC 89/5/3;**
  - (b) acknowledge the role of the Independent Oversight Advisory Committee (IOAC) in relation to the Centre;**
  - (c) request the publication of the Charter with the adaptations mentioned in (a).**

**Point for decision:** Paragraph 36

<sup>2</sup> [Terms of reference for the Independent Oversight Advisory Committee of the International Labour Office](#), para. 1

<sup>3</sup> See reports of the IOAC available on the dedicated [IOAC webpage](#).



## Appendix I

### Charter of the Office of Internal Audit and Oversight

#### Introduction

1. This document establishes the Charter of the Office of Internal Audit and Oversight (IAO) of the ILO. It specifies the purpose, mandate, professional standards, and operational and oversight responsibilities of the IAO.
2. The IAO fulfils an internal independent oversight function, as established under article 30(d) of the Financial Regulations and Chapter XIV of the Financial Rules (see annex<sup>4</sup>). The Director of Internal Audit and Oversight discharges the responsibilities of the Chief Internal Auditor.
3. The Charter revises, consolidates and supersedes the ILO Internal Audit Charter and the ILO Investigation Charter. It comes into force on approval by the Governing Body. It is due to be reviewed at the latest in March 2030.

#### Purpose

4. The purpose of the IAO is to strengthen the ability of the ILO to create, protect and sustain value by:
  - (a) providing the Director-General, ILO management and, through the annual report, the Governing Body, with independent, risk-based and objective assurance, advice, insight and foresight; and
  - (b) conducting inspections and investigations into wrongdoing by ILO staff or others.
5. The IAO enhances the ILO's:
  - (a) successful achievement of its objectives;
  - (b) observance of its ethical standards and values;
  - (c) governance, risk management and control processes;
  - (d) safeguards against fraud, waste and abuse;
  - (e) decision-making and oversight;
  - (f) reputation and credibility with its stakeholders; and
  - (g) ability to serve the global public interest.
6. The ILO is committed to an effective IAO, based on:
  - (a) internal auditing and investigations that are performed by competent professionals in conformance with the Global Internal Audit Standards of the Institute of Internal Auditors or the Uniform Principles and Guidelines for Investigations of the Conference of International Investigators, as applicable;
  - (b) the IAO being independently positioned, directly accountable to the Director-General and reporting at least annually to the Governing Body;
  - (c) the Independent Oversight Advisory Committee providing the Director-General and the Governing Body with independent, external, senior-level, expert advice, among its other responsibilities, on the independence, effectiveness and objectivity of the IAO; and

---

<sup>4</sup> Annex omitted.



- (d) the staff of the IAO, who are free from undue influence and committed to making objective assessments.

## **Mandate**

### **Authority**

7. The IAO's authority derives from its direct reporting relationship to the Director-General and the Governing Body, supported by expert advice from and monitoring by the Independent Oversight Advisory Committee. Such authority allows the Director of Internal Audit and Oversight:
  - (a) to have unrestricted access to the Director-General and the Independent Oversight Advisory Committee; and
  - (b) to report to the Governing Body annually, on any matters that the Director of Internal Audit and Oversight considers require the Governing Body's attention.
8. The Director-General authorizes the IAO to:
  - (a) have full and unrestricted access to all functions, data, records, information, physical property and personnel pertinent to carrying out its responsibilities, taking into account that the staff of the IAO are accountable for confidentiality and for safeguarding records and information;
  - (b) require any staff member to provide any information, documents, electronic data and explanations that the IAO deems necessary to discharge its responsibilities;
  - (c) allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques and issue communications to accomplish its objectives; and
  - (d) obtain the assistance from the staff of the ILO and other specialized services from within or outside the ILO needed to provide the services of the IAO.

### **Independence, organizational position and reporting relationships**

9. The Director of Internal Audit and Oversight will be positioned at a level in the Organization that enables IAO services and responsibilities to be performed without interference from management, thereby establishing the independence of the IAO. The Director will report functionally and administratively to the Director-General. This positioning, with the monitoring and expert advice from the Independent Oversight Advisory Committee, and the authority to submit reports to the Governing Body, supports the ability of the IAO staff to maintain objectivity and provides it with the organizational authority and status to bring matters directly to senior management and to escalate matters to the Director-General or to the Governing Body when necessary and without interference.
10. The Director of Internal Audit and Oversight will confirm annually the organizational independence of the IAO in a statement issued to the Director-General, copied to the Independent Oversight Advisory Committee, and to the Governing Body. If the governance structure does not support organizational independence, the Director will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.
11. The Director of Internal Audit and Oversight may disclose to the Director-General any interference that staff of the IAO encounter related to the scope, performance or communication of work and results of the IAO. The disclosure will include communicating the implications of such interference on the IAO's effectiveness and ability to fulfil its mandate. The Director of Internal Audit and Oversight may also advise the Independent Oversight Advisory Committee and the Governing Body of the matter.

### **Commitment to professional standards**

12. The IAO will adhere to the mandatory elements of the International Professional Practices Framework of the Institute of Internal Auditors, including the Global Internal Audit Standards, Topical Requirements and the Uniform Principles and Guidelines for Investigations.
13. The Director of Internal Audit and Oversight will report in its annual report on the IAO's conformance with these standards, which will be assessed through a Quality Assurance and Improvement Programme.

### **Services provided by the IAO**

14. The scope of the IAO's services covers the entire breadth of the Organization and extends across all locations and all of the ILO's departments, offices, outcomes, programmes, projects, activities, assets and staff. IAO activities encompass, but are not limited to, investigations, inspections, and assurance and advisory services. Investigations and inspections are conducted in conformity with the Uniform Principles and Guidelines for Investigations, and assurance and advisory services are provided in conformity with the Global Internal Audit Standards.

### **Investigations**

15. The IAO investigates issues referred to it by the Director-General and allegations of wrongdoing such as fraud, attempted fraud and presumption of fraud, sexual exploitation and abuse, retaliation, abuse of authority and related forms of misconduct, unethical behaviour, and violations of ILO rules, regulations and policies. Such allegations are subject to investigation, whether committed by ILO officials, external collaborators, implementing partners, vendors or other third parties.
16. The IAO does not normally investigate workplace complaints such as harassment, discrimination or personnel grievances or disputes arising from administrative decisions. The IAO may, however, upon request by the Director-General, investigate allegations of harassment or discrimination when such allegations have been reported to it as misconduct and are not subject to a grievance under article 13.4 of the Staff Regulations.
17. The purpose of an investigation is to establish facts, gather evidence and provide analysis to determine whether the allegations are substantiated, and, to the extent possible, the entities or persons responsible.
18. 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.
19. An IAO investigation report will not make recommendations on disciplinary measures. Responsibility for establishing the facts will be separated from deciding on the subsequent disciplinary action, in order to provide the checks and balances needed for the proper and fair administration of the ILO's regulatory system.
20. As part of its responsibilities for investigations, the IAO will maintain a hotline and other mechanisms so that ILO officials, external collaborators, implementing partners, vendors, resource partners, beneficiaries and other stakeholders and third parties can report allegations of wrongdoing directly to the IAO.

### **Inspections**

21. Inspections are inquiries undertaken in an area with a high risk of fraud or related wrongdoing.

22. Inspections are narrower than audits and normally focus on compliance and quality. The conclusions of an inspection are referred for investigation or internal audit or to the relevant ILO management for information or further action.

### **Assurance services**

23. The purpose of the IAO's assurance services is to increase stakeholder confidence in the adequacy and effectiveness of the ILO's governance, risk management and control processes over an issue, condition, subject matter or activity.
24. Assurance services are delivered through internal audit engagements. They may include evaluating whether:
- (a) risks relating to the achievement of the ILO's outcomes and strategic objectives are appropriately identified and managed;
  - (b) the actions of ILO officials and contractors or other relevant parties comply with its policies, procedures, regulations and governance standards;
  - (c) the results of operations and programmes are consistent with established goals, outcomes and objectives;
  - (d) operations and programmes are being carried out effectively, efficiently and ethically;
  - (e) established processes and systems enable compliance with the policies, procedures and regulations that could significantly impact the ILO;
  - (f) the integrity of information and the means used to identify, measure, analyse, classify and report such information is reliable; and
  - (g) resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

### **Advisory services**

25. The purpose of the IAO's advisory services is to support management decision-making, without providing assurance or assuming management responsibilities. The nature and the scope of the services are agreed with the relevant stakeholders. Advisory services include:
- (a) offering advice on the design, development and implementation of new policies, processes, systems, strategies and products;
  - (b) providing insights on emerging trends and issues that may impact the Organization;
  - (c) delivering training;
  - (d) participating in working groups and internal committees to share expertise and facilitate decision-making; and
  - (e) facilitating research on risks and controls.

## **Director of Internal Audit and Oversight: Roles and responsibilities**

### **Ethics and professionalism**

26. The Director of Internal Audit and Oversight will ensure that the staff of the IAO:
- (a) conform with applicable professional standards, whether:
    - (i) the Uniform Principles and Guidelines for Investigations, especially with regard to confidentiality, due professional care, whistleblower protection, respect for individual rights and obligations, and the presumption of innocence; or

- (ii) The Global Internal Audit Standards, including the principles of ethics and professionalism, namely: integrity, objectivity, competency, due professional care and confidentiality.
- (b) understand, respect, meet, and contribute to the legitimate and ethical expectations of the Organization, and are able to recognize conduct that is contrary to those expectations; and
- (c) report organizational behaviour that is inconsistent with the Organization's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

- 27.** The Director of Internal Audit and Oversight will ensure that the IAO remains free from all conditions that threaten the ability of the staff of the IAO to carry out their responsibilities in an unbiased manner, including matters of the selection of investigations or audit engagements, scope, procedures, frequency, timing and communication. If the Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- 28.** IAO staff will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality and do not subordinate their judgement on audit or investigation matters to others, either in fact or appearance.
- 29.** IAO staff will have no direct operational responsibility or authority over any of the activities they review. Accordingly, IAO staff will not implement internal controls, develop procedures, install systems or engage in other activities that may impair their judgement, including:
  - (a) assessing specific operations for which they had responsibility within the previous year;
  - (b) performing operational duties for the ILO or its affiliates;
  - (c) initiating or approving transactions external to the IAO; and
  - (d) directing the activities of any ILO employee that is not employed by the IAO, except to the extent that such employees have been appropriately assigned to an IAO team or to assist IAO staff.
- 30.** IAO staff will:
  - (a) disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties, as prescribed in the Internal Audit Manual;
  - (b) exhibit professional objectivity in gathering, evaluating and communicating information;
  - (c) make balanced assessments of all available and relevant facts and circumstances; and
  - (d) take necessary precautions to avoid actual, perceived or perceivable conflicts of interest, bias and undue influence.

### **Managing the IAO**

- 31.** The Director of Internal Audit and Oversight has the responsibility to:
  - (a) develop and implement the internal audit strategy, ensuring alignment with the Organization's goals and risk management framework;
  - (b) at least biennially, develop a risk-based internal audit plan that considers the input of the Director-General and senior management, and reflects advice from the Independent Oversight Advisory Committee; discuss the plan with the

Director-General, senior management and the Independent Oversight Advisory Committee; and submit the plan to the Director-General for review and approval;

- (c) communicate the impact of resource limitations on the plan to the Director-General, senior management, the Independent Oversight Advisory Committee and the Governing Body;
  - (d) review and adjust the plan, as necessary, in response to allegations of wrongdoing received and changes in the ILO's outcomes and objectives, risks, operations, programmes, systems and controls;
  - (e) identify and consider trends and emerging issues that could impact the ILO and communicate to the Director-General, senior management and the Governing Body as appropriate;
  - (f) communicate with the Director-General, senior management, the Independent Oversight Advisory Committee and the Governing Body if there are significant interim changes to the plan;
  - (g) coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the Director of Internal Audit and Oversight cannot achieve an appropriate level of coordination, the issue must be communicated to the Director-General and the Independent Oversight Advisory Committee;
  - (h) consider emerging trends and successful practices in internal auditing and investigations;
  - (i) ensure that the IAO collectively possesses or obtains the knowledge, skills and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and the Uniform Principles and Guidelines for Investigations and fulfil the mandate of the IAO;
  - (j) develop procedures, manuals and other operating practices to ensure IAO services are performed, documented and communicated in accordance with the Global Internal Audit Standards or the Uniform Principles and Guidelines for Investigations, as applicable;
  - (k) establish and ensure adherence to methodologies designed to guide investigations, and assurance and advisory services; and
  - (l) ensure adherence to the ILO's relevant policies and procedures; if such policies and procedures conflict with this Charter, the Global Internal Audit Standards or the Uniform Principles and Guidelines for Investigations, such conflicts will be documented and a proposal for alignment communicated to the Director-General.
- 32.** The Office of the Treasurer and Financial Comptroller monitors the implementation of recommendations and decides whether actions are sufficient to address the audit finding and whether deadlines for implementation can be extended. The Director of Internal Audit and Oversight will monitor and report on the implementation of recommendations to the Director-General and to the Governing Body, with the information copied to the Independent Oversight Advisory Committee. The Director of Internal Audit and Oversight will assess and report on, as appropriate, the efficacy of the measures introduced.

### **Communication with the Governing Body, the Director-General and senior management**

33. The Director of Internal Audit and Oversight will submit an annual report to the Director-General and senior management, and to the Governing Body, copied to the Independent Oversight Advisory Committee, regarding:
- (a) the IAO's mandate;
  - (b) the internal audit plan and performance relative to its plan;
  - (c) the IAO's budget;
  - (d) the implementation status of the IAO's recommendations;
  - (e) significant revisions to the internal audit plan and the budget of the IAO;
  - (f) potential impairments to independence, including relevant disclosures as applicable;
  - (g) the results of the Quality Assurance and Improvement Programme, which will include information on the IAO's conformance with the Global Internal Audit Standards and the Uniform Principles and Guidelines for Investigations and the internal audit plan to address any deficiencies and opportunities for improvement;
  - (h) significant risk exposures and control issues, including fraud risks, governance issues and other areas of focus for the Director-General and the Governing Body that could affect the achievement of ILO's outcomes and objectives;
  - (i) investigations undertaken and the results of assurance and advisory services;
  - (j) resource requirements; and
  - (k) the management's responses to risks that the IAO determines may be unacceptable or acceptance of a risk that is beyond the ILO's risk appetite.
34. The Director of Internal Audit and Oversight will make audit reports available for consultation by the Governing Body members in the offices of the IAO upon request to the Director-General, as set out in document GB.303/PFA/9/3 (November 2008).

### **Quality Assurance and Improvement Programme**

35. The Director of Internal Audit and Oversight will develop, implement and maintain a Quality Assurance and Improvement Programme that covers all aspects of the IAO. The programme will include external and internal assessments of the IAO's conformance with the Global Internal Audit Standards and the Uniform Principles and Guidelines for Investigations, as well as performance measurement to assess the IAO's progress towards the achievement of its objectives and promotion of continuous improvement. The programme will also assess compliance with ILO rules and regulations relevant to investigations and internal auditing. Also, if applicable, the assessment will include plans to address the IAO's deficiencies and opportunities for improvement.
36. The Director of Internal Audit and Oversight will communicate with the Director-General and with the Governing Body, with the information copied to the Independent Oversight Assurance Committee, about the IAO's Quality Assurance and Improvement Programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.
37. External assessments of investigatory, assurance and advisory services will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the ILO. For the external assessment of assurance and advisory services, at least one assessor must hold an active Certified Internal Auditor credential, with preference given for assessors with competencies and



knowledge in the international public sector. A self-assessment will be conducted at the latest three years after the last external assessment.

## Oversight of the IAO

### Governing Body

38. To establish, maintain and ensure that the IAO has sufficient authority to fulfil its duties, the Governing Body will:
- (a) approve the Charter of the IAO, which includes the IAO's mandate and the scope and types of services to be provided by the IAO;
  - (b) be consulted by the Director-General on the appointment of the Director of Internal Audit and Oversight and on the termination of their appointment, if the termination occurred on grounds other than resignation or retirement; and
  - (c) receive reports from the Director of Internal Audit and Oversight, with any comments from the Director-General that the Director-General deems appropriate.

### Director-General

39. To establish, maintain and ensure that the IAO has sufficient authority to fulfil its duties, the Director-General will:
- (a) discuss with the Director of Internal Audit and Oversight the appropriate authority, role, responsibilities, scope and services of the IAO;
  - (b) ensure that the Director of Internal Audit and Oversight has unrestricted access to, and can communicate and interact directly with, the senior management of the ILO and the Independent Oversight Advisory Committee, including in private meetings without senior management present;
  - (c) discuss with the Director of Internal Audit and Oversight other topics that should be included in the Charter of the IAO;
  - (d) participate in discussions with the Director of Internal Audit and Oversight about the "essential conditions" described in the Global Internal Audit Standards, which establish the foundation that enables an effective IAO;
  - (e) submit for approval by the Governing Body the Charter of the IAO, which includes its mandate and the scope and types of services it provides;
  - (f) review the Charter of the IAO at least annually with the Director of Internal Audit and Oversight to consider changes affecting the Organization, such as the employment of a new Director or changes in the type, severity and interdependencies of risks to the Organization;
  - (g) approve the risk-based internal audit plan;
  - (h) make appropriate inquiries of senior management, the Independent Oversight Advisory Committee and the Director of Internal Audit and Oversight to determine whether scope or resource limitations are inappropriate;
  - (i) review and approve the IAO's human resources administration and budgets;
  - (j) appoint the Director of Internal Audit and Oversight, after consultation with the Governing Body, ensuring the highest standard of competence, efficiency and integrity;
  - (k) consult the Governing Body before terminating the appointment of the Director of Internal Audit and Oversight on grounds other than retirement or resignation;
  - (l) review the performance of the Director of Internal Audit and Oversight;



- (m) receive communications from the Director of Internal Audit and Oversight about the IAO, including its performance relative to its risk-based plan;
- (n) attach comments to any report of the Director of Internal Audit and Oversight to the Governing Body, if he deems it appropriate; and
- (o) ensure that a Quality Assurance and Improvement Programme has been established and review the results annually.

#### **Independent Oversight Advisory Committee**

- 40.** The Independent Oversight Advisory Committee is a subsidiary body of the Governing Body. It serves in an expert advisory capacity and provides independent, external, senior-level, expert advice to the Governing Body and to the Director-General, in respect of the fulfilment of their governance responsibilities, including with regard to ensuring the effectiveness of the ILO's internal control systems and risk management and governance processes. This role includes the responsibility to advise the Governing Body and the Director-General on the independence, scope, plan, resources, policies and performance of the IAO. The full terms of reference and responsibilities of the Independent Oversight Advisory Committee can be found on the ILO website.
- 41.** The Governing Body may request the Independent Oversight Advisory Committee to provide advice on the appointment or termination of the Director of Internal Audit and Oversight.

## Appendix II

### Function, roles, responsibilities and duties of the Director of Internal Audit and Oversight and of the IAO under the Centre's basic texts

#### Article 18(d) of the Financial Regulations

The Director shall:

- [...] (d) maintain an internal financial control and internal audit which shall provide an effective current examination and/or review of financial transactions in order to ensure:
- (i) the regularity of the receipt, custody and disbursement of all funds and other resources of the Centre;
  - (ii) the economical use of the resources of the Centre

#### Article XIV of the Financial Rules: Internal Audit

##### 14.10 RESPONSIBILITIES OF INTERNAL AUDITOR

- (a) The Chief Internal Auditor of the International Labour Office (ILO) shall be the Internal Auditor of the Centre.
- (b) Without derogating from the control and audit responsibilities of the Treasurer and the Financial Services, the Internal Auditor shall carry out such independent examinations and make such reports to the Director or persons designated by the Director as he/she may consider necessary, or as the Director or persons designated by him/her may specifically require, in order to ensure an effective internal audit in accordance with Chapter VIII of the Financial Regulations.
- (c) The Internal Auditor is responsible for internal audit, inspection, monitoring and evaluation of the adequacy and effectiveness of the Centre's system of internal control, financial management and use of assets as well as investigation of financial or administrative misconduct and other irregular activities. All systems, processes, operations, functions, programmes and activities within the Centre are subject to the Internal Auditor's independent review, evaluation and oversight.

##### 14.20 TERMS OF REFERENCE GOVERNING INTERNAL AUDIT

Internal audit shall function in accordance with the Audit Charter approved by the Board and the following provisions:

- (i) the Internal Auditor shall report directly to the Director;
- (ii) internal audit shall have full, free and prompt access to all records, property, personnel, operations, functions and any other material within the Centre which, in internal audit's opinion, are relevant to the subject matter under review;
- (iii) in addition to receiving reports of fraud, presumption of fraud or attempted fraud as required under article 13.10 of the Financial Rules, internal audit 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. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected, unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. The Internal Auditor shall immediately inform the Treasurer of any substantiated complaints or information involving loss of property or resources;
- (iv) internal audit shall report the results of its work and make recommendations to the Director, with a copy to the External Auditor, and other persons designated by the Director. At the request of the Internal Auditor, any such report shall be submitted to

the Board, together with any comments thereon by the Director as he/she deems appropriate;

- (v) the Internal Auditor shall additionally submit a summary report annually to the Director, with a copy to the External Auditor, on internal audit activities of the previous year, including the orientation and scope of such activities, as well as the implementation status of recommendations. This report shall be submitted to the Board together with any comments thereon by the Director as he/she deems appropriate;
- (vi) the Director shall ensure that all internal audit recommendations are responded to and implemented, as appropriate.