

Appendix

Report of the Independent Oversight Advisory Committee (Second Session)

1. The Committee met in Geneva from 4 to 6 February 2009. Present were D. Chamay (Chair), G. Beltran, R. Kampanje, A. Kuusiola and O. Maffe.
2. During the meeting, the Committee received detailed briefings and presentations from the Chief Internal Auditor, the Treasurer and Financial Comptroller, the Director of the Bureau of Programming and Management, other senior officials of the Office and a representative of the External Auditor. These briefings covered:
 - implementation of International Public Sector Accounting Standards (IPSAS) and amendments to the Financial Regulations;
 - implementation of risk management;
 - follow-up of the report of the Chief Internal Auditor for 2007 and the Internal Audit plan of work for 2009;
 - follow-up of the External Auditor's Financial Report and Audited Financial Statements for the 70th financial period (2006–07) and the External Audit plan of work for 2008–09;
 - field deployment of IRIS; and
 - results-based management.

International Public Sector Accounting Standards (IPSAS)

3. The Committee considered that the adoption of IPSAS would provide an improved view of the ILO's financial position with a more complete disclosure of all assets and liabilities on the balance sheet, and that the new format and presentation of the financial statements would enhance the governance of the ILO. The Committee expressed concerns that users of the new financial statements could have some difficulty understanding the reconciliation of budget-based statements and IPSAS compliant statements and urged the Office to do all it can to support users through briefings to Governing Body members and other users of the financial statements as and when appropriate.
4. The Committee took note of the proposed amendments to the Financial Regulations¹ and fully supported, in particular, the shift to annual reporting and annual audits. It noted the cost of the additional audit activities and the need for the Office to review the priorities of its financial services to accommodate the new reporting requirements. The Committee understood that, if the International Labour Conference adopted the amendments, the changes would come into effect from 1 January 2010.
5. After the detailed briefings and discussion of the implementation of IPSAS and amendments to the Financial Regulations, the Committee was satisfied that the IPSAS implementation was progressing well and that related policy and governance issues were being fully considered. To assist in monitoring progress, it requested that a timetable of remaining tasks be circulated to members. The Committee was satisfied that the implementation of two parallel methods of financial reporting, budgetary and

¹ GB.304/PFA/7.

IPSAS-based, was in the circumstances appropriate. It was informed of other organizations following a similar approach. The Committee noted that minimal additional resources had been allocated for the implementation of the project. The Committee requested a further progress report at its next meeting covering, in particular, Office decisions on the methodology for valuing land and buildings.

Risk management

6. The Committee recognized that the adoption of a formal risk management process was a new undertaking for the Office and that no dedicated roles or responsibilities had been assigned for this purpose Office-wide. The Committee noted the progress made in implementing risk management within the Management and Administration Sector and by the Office of Internal Audit and Oversight through the creation and management of a risk register. The Committee accepted that full implementation of an Office-wide systematic risk management system would take further time to implement. The Committee recommended that, for enterprise risk management to be rapidly and successfully implemented and maintained Office-wide, consideration should be given to the commitment of dedicated resources.

Internal audit

7. The Committee received detailed information from the Office on progress made towards the full implementation of the recommendations of the Chief Internal Auditor for 2007.² The Committee considered the Office responses to the report of the Chief Internal Auditor for 2007 to be appropriate and adequate and noted that some actions were still in progress. The Committee agreed with the Chief Internal Auditor's recommendation that more structured training of staff on financial and administrative procedures should be implemented, in particular for technical cooperation project staff.
8. As to Office follow-up on individual reports issued by the Chief Internal Auditor, the Committee noted from statistics provided by the Chief Internal Auditor that a number of recommendations had not been implemented. The Committee was informed of new procedures being implemented to improve monitoring of follow-up to audit recommendations. The Committee also supported the Director-General's assignment of primary responsibility to senior managers for implementation of recommendations made by the Chief Internal Auditor and supported the reinforcement of accountability for implementing action plans. The Committee considered that the inclusion of any resource issues pertinent to specific recommendations should be included in future audit reports together with the priority ratings currently used. The Committee recommended that the Office make every effort to respond to all recommendations of the Chief Internal Auditor.
9. The Chief Internal Auditor presented the Internal Audit Work Plan for 2009. The Committee welcomed the increased budget allocated to internal audit for the current biennium but expressed its concern that a long-term staffing absence had significantly reduced the capacity to deliver the audit workplan for 2008 and would impact equally on 2009. The Committee was concerned that no insurance or compensation mechanism existed to address a department's capacity reduction during periods of extended health-related absence. Noting the review currently being undertaken by the Office, the Committee encouraged the Office to urgently review its budgeting and insurance practices to ensure delivery capacity was maintained during such absences.

² GB.304/6/1(Rev.).

External audit

10. Following a detailed discussion, the Committee considers the Office responses to the report of the External Auditor for 2006–07 to be appropriate and adequate.³ With respect to the first recommendation, the Committee noted the formalization of reporting arrangements and considered it essential that greater focus be given to performance-based reporting. The Committee welcomed the fact that new working methods, consistent with results-based management requirements and to meet the calls contained in the ILO Declaration on Social Justice for a Fair Globalization, were being implemented and looked forward to a progress report by the Office at the next meeting of the Committee, particularly with respect to the first recommendation made by the External Auditor.
11. The Committee received a detailed presentation from the External Auditor on the assessment of risks and approaches to the audit for 2008–09. The Committee took note of the coordination of audit activities between the External Auditor and the Chief Internal Auditor, which would serve to improve oversight and audit activities. The Committee also welcomed direct contact and exchanges with audit representatives and considered this to be an important element of good governance.

Integrated Resource Information System (IRIS)

12. Following a discussion with Office staff on the deployment of IRIS in external offices, the Committee was satisfied that the Office was taking an appropriate approach to the identification of the issues involved. The Committee recognized that IRIS will bring material improvements in management reporting and access to information in field offices.
13. The Committee also recognized the need for different operating models to address requirements of different office sizes and configurations. The Office indicated that the current plan is to complete field implementation of IRIS by the end of the 2010–11 biennium. The Committee noted the assurances from Office management that field deployment is viewed as a high priority.

Other business

14. The Committee considered that two meetings of two days' duration per year were insufficient for it to deliver fully on its mandate. The fact that the Committee had only started its work late in the first year of the biennium meant that three-day meetings could be accommodated in 2009 within the available budget. While fully accepting that the initial mandate was for a trial period, the Committee considered that the savings resulting from the fact that it worked in two official languages only, given the current composition of the Committee, should allow for extended meetings whenever possible.
15. The Committee agreed to meet again from 7 to 9 September 2009. The agenda of the next meeting would include:
 - *Standing items*
 - review of Office progress on follow-up to recommendations of the Chief Internal Auditor;
 - review of Office progress on implementing the External Auditor's recommendations; and

³ GB.304/PFA/6/3.

■ *Other items*

- presentation from a technical sector on the practical application of results-based budgeting;
- amendments to the Financial Rules;
- review of Office progress on implementation of International Public Sector Accounting Standards (IPSAS).

16. The Committee expressed its appreciation to the Director-General and the Office staff concerned for their assistance and the complete, detailed and transparent presentations made on all items on the agenda.

6 February 2009.

(Signed) D. Chamay
Chairperson