

Board of the Centre

81st Session, Turin, 25-26 October 2018

CC 81/4/3

FOR DISCUSSION AND GUIDANCE

FOURTH ITEM ON THE AGENDA

**Report of the Chief Internal Auditor for the year ended 31
December, 2017**

Introduction

1. The Office of Internal Audit and Oversight (the IAO) of the International Labour Office provides internal audit services for 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'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. The IAO's mission is to provide the Director of the Centre and the Board with an independent, 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. In 2017, the IAO issued two assurance audit reports: one a pre-implementation review of the Centre's revised procurement process, and the other on the Management of Activities and Participants (MAP) database. The audits did not identify any major control weaknesses, although they contained high significance recommendations addressing the need to study proposed projects in advance to indicate funding source to cover the project's activities, document their cost effectiveness, and follow industry best practices; researching a centralized marketing strategy to advertise the Centre's services more widely; and better protecting database security.

Pre-Implementation Review of the Procurement Process

6. In October 2015, the Centre's Director approved the Streamlining Project to improve and simplify the procurement process by replacing the paper-based purchasing workflow with an automated workflow whereby all tasks including all approvals would now be automated using the Oracle system's e-Procurement functionality. The project intends to implement critical elements of the procurement process in accordance with best practice for enterprise resource management systems. Automating workflows and internal controls increases efficiency and effectiveness of those processes affected. The IAO completed a pre-implementation review of this revised process which covered the business case and project justification, project planning, the procurement process designs, allocation of resources, change management initiatives and staff training requirements with the aim of providing advice to further enhance project activities.

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7. The audit identified that the Centre had not formally prepared an overall project budget for the activity. There were no provisions made for ten financial control reports, determined necessary for the procurement process and the electronic purchasing workflow, although the Centre had anticipated using savings from a separate Oracle upgrade project to fund this and other elements of the streamlining project. In addition, the approved project plan was not supported by a benefit analysis, identifying quantifiable and intangible benefits and comparing them to the projected project costs. Although this could have led to a risk of insufficient resources to complete the improvements to the procurement process in accordance with the Centre's business requirements and stakeholder expectations, the Centre was able to fund all necessary work by using savings within existing budgets.
 8. At the time of the audit, the IAO found that the project team had not yet finalized the design specifications for a number of critical elements in the procurement business process. These included best practices for implementing procurement processes in enterprise resource management systems, such as standardizing processes to eliminate any customization in Oracle; automatic and sequential purchase order numbering; establishing acceptable tolerances for variations in price and quantity between supplier invoices, purchase orders and receipts; adequate segregation of duties for the preparation, approval, and receipt of purchases of goods and services; and appropriate delegation rules. The Centre subsequently finalized all required decisions and these elements were incorporated into appropriate policies, rules and procedures for formal documentation.
 9. Other issues raised in the audit report included ensuring change management issues are thoroughly discussed with all staff whose tasks will be affected by the new procurement processes, as some staff remained skeptical of the proposed changes; and the need to develop a full test plan, to include individual transaction, integration, and user acceptance testing. In performing this, it was decided to use actual past transactions, so that the expected results would be available.
 10. IAO is pleased to note that the Centre has reported 100% implementation of the recommendations made in the audit report.

Review of the Management of Activities and Participants' Database

11. The Centre uses an application it developed, the Management of Activities and Participants (MAP) database, to manage its training activities and enrol participants in the Centre's training course offerings. The information contained in MAP is transferred to other business applications which administer participants' accommodation and logistics while attending on-campus courses in Turin. The Centre also developed a customer relationship management (CRM) application, Sugar-CRM, to market the Centre's training services to former training course participants.
12. The IAO found the MAP database to be an effective means for managing the Centre's training activities. However, as regards to marketing future courses to past students, each training unit works independently to prepare campaigns to advertise their services, and each unit maintains its own database based on participation information downloaded from MAP. The audit found that each database is at a different stage of maturity. In IAO's view, there is an opportunity for the Centre to conduct a cost-benefit analysis to determine the relative merits of pursuing a centralized approach to marketing its training services and to develop a corresponding organizational structure to support the optimal approach identified in the analysis.

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13. In addition, although the results of the audit gave no indication that any staff had accessed data for unauthorised purposes, the audit found opportunities to improve controls over the security of information contained in the MAP database. Further recommendations addressed standardizing definitions on the status of enrolled participants, maintaining a consolidated repository for information relating to all training course applicants, and providing standard templates on the Centre's online application registration portal so that participants can enter their own details in order to expedite the training course application process.
14. The Centre has reported that all but one recommendation have been implemented. Its implementation is on-going and is planned to be completed in 2019. It should be noted that IAO did not rank this recommendation as high, which concerned maintaining all participant information in one single repository.

Audits completed and planned in 2018

15. The IAO issued an internal audit report on the Centre's training course evaluation systems on 31 May 2018. During the year, the IAO conducted audits of the Centre's business continuity and disaster recovery services as well as travel expenses. IAO will present the summary findings of these audits to the 82nd session of the Board.

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

Turin, August 2018