

Board of the Centre

87th Session, October 2023

CC 87/5/3

FOR DISCUSSION AND GUIDANCE

FIFTH ITEM ON THE AGENDA

Report of the Chief Internal Auditor for the year ended 31 December 2022

I. Introduction

- 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."
- IAO's vision is to enhance and protect the Centre's value to its constituents and other internal and external stakeholders by providing independent and authoritative risk-based assurance, advice, investigations, and insight.
- IAO's mission is to provide relevant, timely, and high-quality internal audit and investigation services to the Centre. Through its activities, it will support the organizational objectives of a high performing, influential Training Centre responsive to the needs of constituents in pursuing its social justice mandate. IAO will aim to provide expert advice on governance, risk management and internal control processes to enhance the efficiency, effectiveness, and economy of the Centre's operations, and support management in its continuing promotion of an ethical culture in the Centre.
- 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.
- The IAO's audit activities conform to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

II. Summary of Audit Results

- In 2022, IAO issued three reports pertaining to the Centre. IAO issued two assurance reports in April and September 2022 on the Renovation of the Africa Pavilions and, conducted advisory services following a request from the management of the Centre.
- The audits on the Renovation of the Africa Pavilions found one issue of critical significance related to the project plan, which showed tasks extending beyond the agreed completion date of 30 September 2022. The tasks that extended into October included flooring on both the lower and upper levels, the facade, painting and decoration and installing the power supplies to the HVAC equipment, with a final completion date of 15 November 2022. IAO cautioned that there was a risk that the renovation works may not be completed on schedule.

III. Pavilion Renovation Works (2nd Review)

Overall, IAO found that controls over the renovation of the pavilions are operating effectively. IAO visited the construction site and verified that the building contractor's staff were on-site and undertaking the renovation works. IAO observed that the contractor had completed the demolition and removal of the old offices and was in the process of clearing and preparing the site to enable work to commence on the construction phase of the project. Management has indicated that the building contractor confirmed that the foundations are sound and the existing steelwork supporting the roof does not require replacing. IAO observed that the asbestos materials from the existing construction had been secured and safely packaged in preparation for removal and disposal. IAO also observed how the project team had taken appropriate environmental precautions to protect the local flora and fauna that was naturally growing on and around the construction site.

Following a COVID-19 related supply chain disruption, which has led to a global shortage of materials and corresponding price increases, the construction company, Dimensioni S.p.A, is in discussions with management to prolong the completion of the project until 30 September 2022, a two-month delay in aggregate. The scope of the discussions includes a request for the Centre to accept certain price increases due to the global materials shortage. While IAO considers the request to extend the project delivery date by two months reasonable, any concessions on price should be fully justified, remain reasonable, and should be agreed with the appropriate Italian authorities.

IV. Pavilion Renovation Works (3rd Review)

During the site visit to the Africa 10 and 11 pavilions, IAO verified that the building contractor's team was actively working and that the work was progressing. IAO observed the concrete being laid on the ground floor and verified the existence of the completed electrical and heating ventilation and air conditioning (HVAC) installations on the ground floor. IAO also observed the work in progress on a section of the roof, the individual and shared offices, and the innovation laboratory which were all in progress.

During the visit to the building contractor's premises, IAO verified the existence of pre-purchased materials including a water softening system, HVAC equipment for the upper floor and doors and window frames. IAO also observed the production line used to manufacture the window and door frames that will be installed at the Centre.

The project plan IAO reviewed during the time of the audit included renovation tasks that extended beyond the contract completion date of 30 September 2022 and there was no contingency for any work slippage or unforeseen events. As a result, there was a risk that the renovation works may not be completed on schedule, and should the risk materialise, could impact on the Centre's reputation.

The tasks scheduled for completion in October included flooring on both the lower and upper levels, the facade, painting and decoration, and installing the power supplies to the HVAC equipment. The plan shows the patio being completed in early November and finalisation of the works by 15 November 2022. In addition, IAO's comparison of the project plan that was in force in November 2021 with the plan reviewed during the audit indicated that the time allocated for installing the windows and doors has been reduced from 60 to 30 days. The project team originally planned to manufacture the windows and doors and install the glass during the manufacturing process at the building contractor's premises. However, to avoid the risk of glass breakage and rework, the team planned to first install the window and door frames and install the glass separately, at a later stage, when less activity was underway. Although adopting this approach reduces the risk of damaging and breaking the glass, it adds complexity to the process, which together with a compressed time allocation, increases the overall risk of errors and slippage.

IAO made four recommendations and is pleased to note the positive responses from management to address the issues raised.

V. Audits planned in 2023

- IAO issued an assurance audit report on Digital Governance at the Centre in March 2023 and, at the Centre's request, conducted an audit of the RIPAQUE-BTP project expenditures and issued the report in July 2023. IAO is planning an audit of electronic banking at the Centre in the third quarter of 2023. The Chief internal auditor will provide a summary of findings in his report to the 2024 Board.

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

August 2023