

Governing Body

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Programme, Financial and Administrative Section

PFA

Audit and Oversight Segment

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Report of the Independent Oversight Advisory Committee

Purpose of the document

This document contains the 13th annual report of the Independent Oversight Advisory Committee covering the period from March 2020 to January 2021, for debate and guidance. The Governing Body is also invited to approve the proposed amendments to the Committee's terms of reference (see the draft decision in paragraph 5).

Relevant strategic objective: Not applicable.

Main relevant outcome: Enabling outcome B: Effective and efficient governance of the Organization.

Policy implications: None.

Legal implications: Revision of the terms of reference of an oversight body.

Financial implications: None.

Follow-up action required: The Office will report to the Committee on Office follow-up to the recommendations contained in the attached report.

Author unit: Independent Oversight Advisory Committee (IOAC).

Related documents: [GB.316/PFA/6/1](#); [GB.316/PV\(&Corr.\)](#); [GB.331/PFA/7](#); [GB.331/PV](#); [GB.334/PFA/5](#); [GB.334/PV](#); [GB.335/PFA/6](#); [GB.340/PFA/8\(Rev.1\)](#).

1. In accordance with its terms of reference, 1 the Independent Oversight Advisory Committee (IOAC) conducted its work during the period from March 2020 to January 2021 through regular and ad hoc virtual meetings held on: 25 and 26 May 2020; 8 and 9 June 2020; 30 July 2020; 27 August 2020; 23–25 September 2020; 26 November 2020; and 27–29 January 2021.
2. During this period, the IOAC comprised the following members:
 - Ms Malika AÏT-MOHAMED PARENT (France/Switzerland)
 - Mr Frank HARNISCHFEGER (Germany)
 - Mr Verasak LIENGSRIRIWAT (Thailand)
 - Ms Marian McMAHON (Canada)
 - Mr N.R. RAYALU (India).
3. The Director-General transmits herewith in Appendix I the annual report of the Committee to the Governing Body for its consideration.
4. As stated in paragraph 40 of the report, the Committee proposed amendments to its terms of reference in order to ensure that the ILO reflects the best practices identified by the Joint Inspection Unit of the United Nations System. The Office facilitated several rounds of informal consultations on these proposed amendments between the IOAC and members of the Governing Body, both by email correspondence and through online sessions. As a result, a revised version of the terms of reference showing the proposed amendments is presented in Appendix II to this document and is being submitted for consideration by the Governing Body.

▶ Draft decision

5. **The Governing Body, by correspondence, took note of the annual report of the Independent Oversight Advisory Committee contained in Appendix I to document GB.341/PFA/8 and approved the revised terms of reference set forth in Appendix II to that document.**

¹ Approved by the Governing Body at its 316th Session in November 2012 (GB.316/PFA/6/1; GB.316/PV(&Corr.), para. 650) and revised at its 331st Session in November 2017 (GB.331/PFA/7; GB.331/PV, para. 813).

▶ Appendix I

13th annual report of the Independent Oversight Advisory Committee (IOAC)

Executive summary

The Independent Oversight Advisory Committee (IOAC) presents to the Governing Body its 13th annual report, on its work during the period from March 2020 to January 2021, which was subject to adaptations in format and methods due to challenges caused by the COVID-19 pandemic.

The Committee complimented the Director-General and his management team for swiftly activating the business continuity and crisis management plan in response to the pandemic in early 2020, which enabled the Office to continue its operation to meet the constituents' needs in a different working environment. We expressed our concern in July 2020 over the lack of governance functions for an extended period of time due to cancellation of the 338th Session (March 2020) of the Governing Body and the deferral of the 109th Session of the International Labour Conference, but were pleased to note that the 340th Session (November 2020) of the Governing Body was held successfully in a fully virtual format.

The Committee was able to cover all key areas of its mandate through more frequent virtual exchanges in addition to its regular meeting schedule. We also received briefings on business innovation, evaluation and the operations of the International Training Centre of the ILO in Turin. We were pleased with a number of the policy and process improvements implemented and the results achieved during the year despite the pandemic, including but not limited to: (a) the streamlined Risk Management Framework and the redirecting of risk management responsibility from the former Risk Management Committee to the Senior Management Team; (b) the timely submission of the 2019 consolidated financial statements and the successful completion of an external audit with an unmodified audit opinion, overcoming the unprecedented technological challenge of remote work; (c) the comprehensive content of the Statement of Internal Control issued by the Director-General and the robust process used in producing it; (d) the improvements in internal control by the Management Committee and Executive Secretary of the Staff Health Insurance Fund (SHIF) through the online claim system, training and the standardization of rates; (e) the efforts made by the Chief Internal Auditor to adjust the risk-based audit plan, taking into account the new risks arising from the pandemic; and (f) the support and assistance provided by the Human Resources Development Department (HRD) in implementing the flexible working arrangements imposed on ILO staff during the pandemic.

The Committee made the following recommendations:

Recommendation 1: The Committee encourages management to ensure that the skills-mapping exercise produces an end result that can be understood and implemented by management in developing the appropriate human resources.

Recommendation 2: Management should undertake a review of the process for handling the reporting of wrongdoings and the follow-up of substantiated cases with the goal of simplifying it. The focus of the process should be on the staff member making the report in order to encourage a culture of reporting wrongdoings.

Recommendation 3: We encourage management to state clearly in the ILO response to the recommendations by the External Auditor in the long-form report which recommendations it agrees with fully or partially, in order to ensure the accurate determination of actions to be taken and the implementation status at a future date.

Recommendation 4: We urge management to address as soon as is practicable the weaknesses observed and recommendations made by the External Auditor in the long-form report for improvement on the controls and procedures in engaging external collaborators and on human resources management, in particular in the areas of recruitment and staff mobility. As an international organization focused on labour standards, the Office may be looked on as a source of best practices in human resources management. In our view, these are critical areas where the Office can demonstrate leadership.

Recommendation 5: The Committee requests that the Governing Body approve the proposed amendments to the IOAC's terms of reference in order to ensure that the ILO reflects the best practices identified by the Joint Inspection Unit.

I. Introduction

1. The Independent Oversight Advisory Committee (IOAC) is pleased to present its 13th annual report, on its work from March 2020 to January 2021.
2. All meetings were digital, live online and quorate, and all members affirmed and signed a declaration that they had no conflict of interest.
3. The IOAC has continued to follow a standing agenda based on the terms of reference that guide its work in order to ensure that all aspects of its responsibilities remain covered fully and comprehensively. In addition, the Chairperson represented the IOAC at the fifth meeting of the United Nations (UN) Oversight Committee in December 2020, the outcomes of which were shared with IOAC members at the January 2021 meeting.
4. In light of the upcoming term expiration of at least two members of the IOAC at the end of 2021, it was decided to maintain Marian McMahon and Verasak Liengsrirawat as Chairperson and Vice-Chairperson for 2021.

II. Oversight in 2020-21

5. The outbreak of the new coronavirus disease (COVID-19) became a global pandemic early in 2020. ILO staff at headquarters and most field locations transitioned to remote work from mid-March. As a result, for the reporting period, the Committee held all meetings virtually. Regular meetings were held on 25 and 26 May 2020, 8 and 9 June 2020, 23–25 September 2020, and 27–29 January 2021. Additionally, informal briefings were held on 30 July 2020, 27 August 2020 and 26 November 2020.
6. The IOAC is appreciative of the support and cooperation it received from the Director-General and from the ILO's senior management and staff during this past year. The presentations and briefings to the IOAC continued to be of high quality. The IOAC also appreciated the dialogue on key issues, acknowledging the challenging circumstances all staff were working under.
7. During its meetings, the Committee met with senior Office officials, including the Director-General, the Deputy Director-General for Management and Reform, the Treasurer and Financial Comptroller, the Chief Internal Auditor, the Principal Investigator, the Director of the Human Resources Development Department (HRD), the Director of the Evaluation Office (EVAL), the Senior Risk Officer, the Director of the International Training Centre of the ILO in Turin (Turin Centre), and the Executive Secretary of the Staff Health Insurance Fund (SHIF), in order to follow up on matters from its previous sessions and to receive information on items within its mandate. In addition, the Committee met with the External Auditor.
8. The Committee appreciated the opportunity to meet with members of the Governing Body in September 2020 for an informal briefing. The occasion provided an opportunity to discuss the Committee's work as summarized in our annual report for 2019–20,¹ consideration of which was deferred from the 338th Session of the Governing Body (March 2020), and in particular the observations and recommendations for the proposed amendments to its terms of reference. The Committee was informed that the Governing Body took note by correspondence of the annual report at its 340th Session (November 2020) and deferred to a future session the consideration of the revised terms of reference.

¹ GB.340/PFA/8(Rev.1).

III. Details of IOAC activities and advice provided

A. Internal processes and business units

Financial reporting and financial statements

9. In relation to the financial statements for the year ended 31 December 2019, we were pleased to note that the Office continued to present the results in accordance with the International Public Sector Accounting Standards (IPSAS). As a result, the presentation of the ILO's statements was consistent with that of other UN organizations and other entities within the international public sector.
10. We were also pleased to note that the Office had again achieved an unmodified audit opinion on the consolidated financial statements. We were satisfied that the external audit plan we reviewed in September 2019 was fully executed. An important part of the plan was the intended reliance on the work of the Office of Internal Audit and Oversight (IAO), where appropriate. We were pleased to note that specific reliance was placed on the IAO's audit of external collaboration contracts and that the regional and country office reviews was completed.
11. The specific issues we addressed with the representatives of the External Auditor relating to the financial statements included the following:
 - First, we were satisfied with the reclassification of the land to investment property following the Governing Body's decision to sell one additional vacant plot of land at its 337th Session (October–November 2019), as well as the value assigned to this item within the statements.
 - Second, we were satisfied with the changes in assumptions made in the year 2019 for the actuarial valuation of the After-Service Health Insurance (ASHI) liability. In particular, we were informed that the key discount rates used in the valuation were consistent with those used by other UN organizations based in Geneva. We continued to note that the impact of the unfunded ASHI liability on the net asset position remained significant.

Internal controls

12. We continued to support the Office's efforts in issuing the Statement of Internal Control as part of the annual financial statements reporting process. We noted the new areas identified for improvement in 2019 as well as the progress made on previously identified issues. In discussing with the External Auditor, we were pleased to note that the statement, which contained the significant internal control matters arising during the year as reported by the Office, was more comprehensive than those published by most other UN entities.
13. Based on our discussions with internal and external auditors as well as management on the process involved in producing this statement and the results presented, we were satisfied that the process was robust. We noted that the areas for improvement related primarily to efficiency of operations and did not indicate any material weaknesses related to the overall effectiveness of internal controls.

Risk management

14. The Committee was satisfied with the streamlined Risk Management Framework presented in January 2021. We noted that the responsibility for risk management had

been directed to the Senior Management Team instead of the previously established Risk Management Committee. The Committee will monitor this change with a view to ensuring that accountability for managing risk continues to be clarified and operationalized.

15. The preliminary results of the ILO's fraud risk assessment conducted in 2020 were presented to the IOAC. We are supportive of the work plan described in the document and look forward to reviewing the vulnerabilities to be identified and the benchmarking exercise for the ILO's approach to fraud and corruption. In these planned actions, we encourage the ILO to refer to the recent guidance notes of the United Nations Chief Executives Board for Coordination (CEB) on managing fraud risk and on managing risks in the field and decentralized organizations.
16. In the area of business continuity management, the ILO was able to activate its business continuity and crisis management plan in response to the pandemic during 2020. The Committee was informed that meetings of the senior management to respond to and monitor the situation were held on a daily basis. The Committee would like to compliment the Director-General and his team on this.

Human Resources Development Department

17. In 2020, we were continually informed of the support and assistance being provided by HRD to staff in transitioning to a remote work environment. We were pleased with the actions taken to support the flexible working arrangements imposed on the ILO during the pandemic.
18. We discussed the progress being made on the skills-mapping exercise currently being undertaken by HRD and the Business Innovation Unit (BIU), building on the experience gained from the pilot exercise conducted by the BIU on future skills mapping for the Global Technical Team of the Skills and Employability Branch of the Employment Policy Department. It is our understanding that the Office-wide mapping exercise is intended to identify and evaluate the technical and soft skills needed by the ILO including how the Organization plans to fill any gaps, either through upskilling or through external recruitment in order to continue to deliver on its mandate in the future. The Innovation Strategy exercise led by the BIU was a good starting point to ensure that ideas collected from staff consultations on how they work internally and how the work has to change for the ILO's clients will be incorporated into the mapping exercise.
19. The Committee views human resources management as a key driver of change for the Organization's performance and wishes to emphasize the importance of demonstrating effectiveness in this area, drawing on its tripartite governance structure. In this respect, we would encourage an ambitious agenda and an ambitious approach to the execution of this exercise.

▶ Recommendation 1 (2021)

The Committee encourages management to ensure that the skills-mapping exercise produces an end result that can be understood and implemented by management in developing the appropriate human resources.

20. In the summary of our review on the work performed by the External Auditor, the Committee has also noted a number of recommendations resulting from the in-depth operational audit undertaken of the ILO's human resources management functions.

International Training Centre of the ILO

21. The IOAC was pleased to meet with the Director and the Treasurer and Chief of Financial Services of the Turin Centre. The Committee commended the Director on the successful shift in focus from face-to-face learning to distance learning in the year. We are supportive of the dialogues currently under way on how best to align the Centre's operational model to the new reality to ensure the delivery of targeted results in the ILO-wide strategy for institutional capacity development ² approved by the Governing Body at its 335th Session (March 2019).

SHIF management

22. We were presented with an update on how the SHIF addressed the control weaknesses and areas for improvement previously identified. We were satisfied with the efforts made in training its staff on detecting and identifying fraud and in establishing standard rates for treatments to ensure the reasonableness of claims. The IOAC was also pleased to note the new online system, which was developed in collaboration with other UN agencies who self-administer their health insurance operations.

B. Internal and external oversight functions

Internal audit and investigations

23. The Committee met regularly with the Chief Internal Auditor and other IAO staff to review and follow up on progress being made against the biennial work plan as well as the challenges posed as a result of the pandemic.
24. With regard to the performance of the internal audit function, we were satisfied with the risk-based audit plan and appreciated the effort required to update the biennial risk assessment midway through its period of execution in order to address the evolving high-risk situation being faced including those risks arising from the pandemic and the controls put in place by the Organization.
25. During 2020, the IAO issued one assurance audit report, covering a field office location in Africa, and one advisory report, related to a headquarters function. The IAO also completed the field work for four additional audit assignments which were at various stages of reporting.
26. The Committee recognized that the IAO's activities were significantly curtailed during the year due to the global pandemic both at headquarters and at the field offices where the ILO's offices have been working remotely since mid-March 2020.
27. The Chief Internal Auditor discussed with the Committee at our meeting in January 2021 that the IAO has begun a number of remote reviews of field offices through a different audit approach, that is to say through remote auditing, taking advantage of the completed roll-out of the ILO's Integrated Resource Information System (IRIS) in all of the ILO's established field offices as well as in a number of project offices.
28. The IAO had also been working to enhance its internal audit and investigation functions in making better use of data from IRIS with support from the Office of Audit and Investigations of the United Nations Development Programme (UNDP), as both the ILO

² GB.335/INS/9.

and the UNDP use ORACLE as the underlying basis for their respective corporate enterprise resource planning systems.

29. The Committee selected a sample investigations report for a detailed review in the year. We discussed the process with the team by referring to the findings and recommendations contained in the 2020 report of the Joint Inspection Unit of the United Nations System (JIU) on the review of the state of the investigation function. We were satisfied with the due diligence performed by the Investigation and Inspection Unit of the IAO and the thoroughness of the analysis performed before conclusions were reached.
30. As an adjunct exercise, we requested an overview of the processes in place for handling cases of wrongdoings at the ILO. Although there are robust lines of communication, the Committee believes that the process could be less bureaucratic and more focused on the staff member making the report in order to ensure that the culture of reporting wrongdoings is reinforced through streamlined processes.

▶ Recommendation 2 (2021)

Management should undertake a review of the process for handling the reporting of wrongdoings and the follow-up of substantiated cases with the goal of simplifying it. The focus of the process should be on the staff member making the report in order to encourage a culture of reporting wrongdoings.

31. We encourage the IAO to continue increasing its agility in adapting to the changing environment and enhancing the audit team's skills in the area of data analytics and other digital audit skills in implementing its biennial work plan.

Evaluation Office

32. The Committee met with the Director of EVAL and was provided with an overview of the activities of that Office and of the broader function of evaluation in the ILO. The Committee looks forward to regular meetings with this Office to ensure that its oversight role continues to operate in effective coordination with the internal and external audit functions.

External Auditor

33. In relation to the report of the External Auditor to the Governing Body on the financial operations of the International Labour Organization (the "long-form report"), we would like to express our appreciation to the Commission on Audit of the Republic of the Philippines for completing a comprehensive review of the human resources management functions within the Office.
34. We would like to draw the Governing Body's attention to our discussions with the External Auditor, which concluded that overall, the human resources management functions were operating effectively, although there were opportunities for improvement. Of particular note, we were satisfied that the External Auditor used the Framework for Human Resources Management adopted by the International Civil Service Commission and the ILO's Human Resources Strategy 2018–21 as the bases to assess the Office, and we found this to be reasonable. These are standards followed by the Office either as a member of the UN common system or as objectives and targets approved by the Governing Body, so the Office should be expected to uphold them.

35. When reviewing the sections containing the ILO response to the recommendations by the External Auditor in the long-form report, we observed that it was not evident in some instances whether management agreed with all aspects of the recommendation made, or a part of it. Without such clarity, it could be difficult to determine at a future date whether implementation would be or has been fully achieved.

▶ **Recommendation 3 (2021)**

We encourage management to state clearly in the ILO response to the recommendations by the External Auditor in the long-form report which recommendations it agrees with fully or partially, in order to ensure accurate determination of actions to be taken and the implementation status at a future date.

▶ **Recommendation 4 (2021)**

We urge management to address as soon as is practicable the weaknesses observed and recommendations made by the External Auditor in the long-form report for improvement on the controls and procedures in engaging external collaborators and on human resources management, in particular in the areas of recruitment and staff mobility. As an international organization focused on labour standards, the Office may be looked on as a source of best practices in human resources management. In our view, these are critical areas where the Office can demonstrate leadership.

Ethics

36. The Committee has expressed its concern in the past about the ethics function being performed by a part-time Ethics Officer. We noted with satisfaction that resources for a full-time Ethics Officer position have been included in the Director-General's Programme and Budget proposals for 2022–23. We would like to strongly support the Governing Body's endorsement of this proposal.

Governance and oversight

37. As a result of the global pandemic that has impacted the ILO's operations since mid-March 2020, we noted that both the March and June 2020 sessions of the Governing Body were cancelled and the June 2020 session of the International Labour Conference was deferred. While we understood and concurred with the decisions to cancel these in-person meetings, we would like to point out our concern with the lack of normal governance functions over such an extended period of time.
38. One of the crucial hallmarks of good governance is to provide oversight in a timely fashion. In our view, the fact that no formal Governing Body session was held between November 2019 and October 2020, while a global pandemic had dictated significant changes in how the ILO operates, was concerning. It was also the reason why we as a Committee decided to issue a communication to the Governing Body on 3 July 2020 with comments from our review of the 2019 audited financial statements. Timely information on how funds are being spent is important for all organizations, especially those within the UN system.
39. We note the information provided at an ad hoc meeting with the Treasurer and Financial Comptroller at the end of November 2020 that the 340th Session of the Governing Body was held successfully in a fully virtual format, and we encourage the Officers of the

Governing Body to take continuous action to ensure that all key governance and oversight functions can operate in a timely and effective manner.

III. IOAC

A. Terms of reference and JIU review of audit and oversight committees

40. As noted in our 2019–20 report, in 2019 the JIU issued a report on the Review of Audit and Oversight Committees in the United Nations System.³ Consequently, the IOAC proposed a number of amendments to our terms of reference to reflect best practices. Throughout 2020, we discussed these proposals with all constituent groups of the Governing Body. Accordingly, we are proposing a number of amendments including with regard to:

- updating the scope of the work of the IAO to reflect the Committee’s ongoing oversight role for investigations;
- identifying the need for the Committee to receive a copy of the Evaluation Office’s approved work plan in order to ensure that all internal oversight functions are working in a coherent manner;
- adding a specific reference to the commitment of the Committee to perform annual self-assessments;
- adding a requirement to have the terms of reference reviewed on a periodic basis to ensure that emerging priorities and best practices are identified on a timely basis;
- adding a review of the Office’s responses and actions taken on JIU recommendations that are relevant to its mandate;
- aligning with other governance documents with regard to the Committee’s role in providing advice on investigation and ethics;
- adding as a specific requirement the induction programme for new members;
- documenting the existing arrangement for a dedicated budgetary allocation to support the Committee’s mandated activities.

► Recommendation 5 (2021)

The Committee requests that the Governing Body approve the proposed amendments to the IOAC’s terms of reference in order to ensure that the ILO reflects the best practices identified by the Joint Inspection Unit.

B. Follow-up on past recommendations

41. The Committee received management’s update on the three outstanding recommendations from our 2019–20 report. We are satisfied with the progress made and look forward to having all the recommendations – the Governing Body’s approval of IOAC’s revised terms of reference, enhanced follow-up of audit recommendations, and the development of the IAO’s long-term strategic plan – fully implemented.

³ JIU/REP/2019/6.

C. Self-assessment

42. The Committee conducted a self-assessment in the third quarter of 2020 pertaining to its current mandate. A number of areas for improvement in the operations of the Committee were identified. Specifically:
- Consider conducting surveys of management and/or the Governing Body to evaluate the effectiveness of the IOAC.
 - Consider how best to use the time available for the Committee to fulfill its mandate. Options to be evaluated include using virtual meetings, increasing the frequency of meetings and providing clarification on the information required from management.
 - Review the orientation provided to new members in 2021 to ensure that it continues to meet the Committee's needs.
 - Consider possible amendments to the annual work plan to include monitoring of the integrity and ethics policies as well as resourcing, succession planning and skills development in the internal oversight functions.

D. Work plan 2021

43. Looking ahead to the Committee's work in 2021-22, the preliminary focus will continue to be on the following areas of its mandate: financial statements and external audit; internal audit and investigations; risk management and internal controls; and compliance and probity.
44. Additionally, with the planned replacement of two members of the Committee, there will be an induction session for newly appointed members. As on previous occasions, all Committee members will attend to ensure consistency of the knowledge transfer.

Geneva, 8 February 2021

(Signed) Ms Marian McMahon
Chairperson

▶ Appendix II

Terms of reference for the Independent Oversight Advisory Committee of the International Labour Office

Purpose

1. The Independent Oversight Advisory Committee (IOAC) 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 fulfilling their governance responsibilities, including ensuring the effectiveness of the International Labour Office's (ILO) internal control systems, risk management and governance processes. The IOAC aims to add value by strengthening accountability and governance within the ILO.
2. The IOAC will provide advice to the Governing Body and the Director-General on:
 - (a) the quality and the level of financial reporting, governance, risk management, and internal controls in the ILO;
 - (b) the responses and actions taken by ILO management on ~~the internal and~~ external audit ~~and the Office of Internal Audit and Oversight (IAO)~~ recommendations, as well as Joint Inspection Unit recommendations as appropriate;
 - (c) the independence, effectiveness and objectivity of the ~~internal and~~ external audit ~~and the IAO~~ functions and their coordination with other oversight functions including ethics and evaluation; and
 - (d) the interaction and communication between the Governing Body, the External Auditor, the Chief Internal Auditor, the Ethics Officer, and ILO management.

Responsibilities

3. The specific responsibilities of the IOAC include advising the Governing Body and the Director-General on the following:
 - (a) Financial statements: issues arising from the audited financial statements and reports produced by the External Auditor for the Governing Body.
 - (b) Accounting: the appropriateness of accounting policies, standards and disclosure practices and any changes and risks thereto.
 - (c) External audit: the scope, plan and approach of the External Auditor's work. The IOAC may be requested by the Governing Body to provide advice on the appointment of the External Auditor.
 - (d) Internal audit and investigation: the scope, plan, resources, policies and performance of ~~the internal audit both~~ functions, and of the Chief Internal Auditor, and the appropriateness of the independence of ~~this~~ these functions. The Governing Body may request the IOAC may be requested by the Governing Body to provide advice on the appointment and/or termination of the Chief Internal Auditor. The IOAC may also provide advice to the Governing Body in cases of allegation of misconduct or allegation of retaliation concerning the Director-General.

- (e) Risk management and internal controls: the effectiveness of the ILO's internal control systems, including the Office's risk management and internal governance practices.
- (f) Financial regulations and rules: the operation and effectiveness of the Financial Regulations and Financial Rules.
- (g) Compliance and probity: the systems established by the ILO to maintain and promote compliance with laws, regulations, policies and high standards of integrity, accountability and ethical conduct ~~to prevent conflicts of interest~~. The Director-General may request the IOAC may be consulted and to provide advice on the performance, appointment and/or termination of the Ethics Officer.
- (h) Perform any other duties consistent with the mandate as requested by the Governing Body.

Authority

- 4. The IOAC shall have all the necessary authority, including free and unrestricted access to information, records or staff within the ILO in order to fulfil its responsibilities.
- 5. The IOAC will have unrestricted and confidential access to the Chief Internal Auditor and the External Auditor, the Ethics Officer, and vice versa.
- 6. Any proposed amendment to these terms of reference shall be submitted to the Governing Body for approval before becoming effective.
- 7. The IOAC, as an advisory body, has neither executive authority nor other operational responsibilities.

Composition

- 8. The IOAC shall comprise five independent expert members serving in their personal capacity.
- 9. Professional competence, experience and integrity shall be of paramount consideration in the selection of members. Membership shall reflect the tripartite and international nature of the International Labour Organization and have due regard to:
 - (a) geographical distribution;
 - (b) gender balance;
 - (c) public- and private-sector experience; and
 - (d) developed and developing countries.
- 10. All IOAC members should have experience and appropriate qualifications as a senior oversight professional, auditor or senior financial manager.
- 11. All IOAC members shall be proficient in at least one of the three working languages of the ILO.
- 12. To undertake their role effectively, members of the IOAC should possess knowledge, skills and senior-level experience in at least one of the following areas:
 - (a) finance and audit;
 - (b) organization governance and accountability structure, including investigation, ethics and risk management;
 - (c) senior-level management;

- (d) the organization, structure and functioning of the United Nations system and/or other intergovernmental organizations; and
- (e) a general understanding of the ILO's mandate, values and objectives.

Collectively, the committee should possess knowledge, skills and senior-level experience in all of the above areas.

13. Members should have, or acquire rapidly, an understanding of the mandate, values and objectives of the Organization, its tripartite governance and accountability structure and the relevant rules governing it, and its organizational culture and control environment.

Independence

14. Since the role of the IOAC is to provide objective advice, members shall remain independent of the International Labour Office, the Governing Body and the International Labour Conference, and shall be free of any real or perceived conflict of interest.
15. Members of the IOAC shall:
 - (a) not hold a position or engage in any activity that could impair their independence from the ILO;
 - (b) not currently be, or have been within the ~~five~~ **three** years prior to appointment to the IOAC, employed or engaged in any capacity by the ILO, or have an immediate family member (as defined by the ILO Staff Regulations) working for, or having a contractual relationship with, the ILO; nor shall the member have been an applicant for employment at the ILO within the same time period;
 - (c) not currently be, or have been within the three years prior to appointment to the IOAC, a member of the ILO Governing Body nor have an immediate family member (as defined by the ILO Staff Regulations) serving as a member of the ILO Governing Body;
 - (d) not currently be, or have been within the three years prior to appointment to the IOAC, an employee of a member of the United Nations Panel of External Auditors or a member of the Joint Inspection Unit; and
 - (e) not be eligible, nor an immediate family member, for any senior employment with the ILO for at least ~~five~~ **three** years immediately following the last day of their tenure on the IOAC.
16. IOAC members shall serve in their personal capacity and shall not seek or accept instructions in regard to their work on the IOAC from any government, constituent or other authority internal or external to the ILO.
17. Prior to the first scheduled meeting of the IOAC in each calendar year, members of the IOAC shall sign an annual declaration of independence and statement of financial interests (annex). Members shall also inform the Director-General of any change in their professional situation, or any other matter that could be perceived to influence their independence or capacity to act.

Selection, appointment and term

18. Members of the Committee shall be appointed by the Governing Body following a triennial tripartite selection process as set out in the following paragraphs.

19. The Director-General shall:
 - (a) place a call for expressions of interest from suitably qualified and experienced individuals through, inter alia, advertisements in reputable international magazines and/or newspapers with wide geographical circulation, and on the Internet; and
 - (b) inform ILO Governing Body members and other member States of the search process.
20. The Director-General shall engage an external consultant, specialized in the recruitment for senior positions, to screen all applications, interview candidates deemed suitable, and prepare a shortlist of the most suitable candidates (at least ten, ideally, and not exceeding 15) based on the criteria contained in paragraphs 10–12 above. In finalizing the shortlist, the consultant shall have regard to the diversity referred to in paragraph 9. The consultant shall also provide a report containing a brief assessment of the unsuccessful candidates. The consultant will be engaged following a competitive procurement process in accordance with the ILO's Financial Rules and related procedures, the results of which shall be reported to the Governing Body.
21. A selection panel (comprising a representative of the Government group chair, representatives of regional groups, the Employers' group and Workers' group) shall receive the consultant's report, review the shortlisted candidates, taking into account the criteria contained in this document, and propose a list of candidates, equal to the number of current vacancies on the IOAC, to the Officers of the Governing Body. The information to be provided to the Officers shall include each candidate's name, gender, nationality, qualifications and professional experience. The decisions of the selection panel will be made to the extent possible by consensus. If there is no consensus the issue will be referred to the Officers.
22. The Officers shall review the proposal and, if in agreement, refer it to the Governing Body for final consideration and approval.
23. The selection panel shall also create and retain a list of at least four suitably qualified and diverse candidates for consideration by the Officers and the Governing Body, in order to propose alternative candidates should any candidate of the first list not be approved by the Officers or the Governing Body, or to fill a vacancy arising for any unforeseen reason (for example resignation or incapacity) during the term of the Committee.
24. Members of the IOAC are appointed to serve for a term of three years, renewable for a second and final term of three years, which need not be consecutive. To ensure continuity of membership, at the end of each term, two or three members shall be replaced. Where an insufficient number of members is completing a second term of membership, the drawing of lots will determine which members shall be eligible for reappointment.
25. New members should have a structured induction programme organized by the ILO Secretariat in consultation with current IOAC members, which provides an understanding of the objectives of the Organization, its structure and culture, and the relevant rules governing it.
26. The Chairperson shall be selected by the IOAC members from among their number and shall serve in this capacity for a maximum of one three-year term.
27. A member of the IOAC may resign his/her membership by giving notice in writing to the Chairperson of the Governing Body. A special temporary appointment for the remainder

of the outgoing member's term shall be made in accordance with the provisions set out in paragraphs 23 and 27 to cater for such a vacancy.

28. A member appointed by the Governing Body during the term of the Committee shall serve the remainder of the term of the outgoing member and shall be eligible for reappointment to the IOAC for a second and final term.
29. An appointment to the IOAC may only be revoked by the Governing Body.

Meetings

30. The IOAC shall meet, ~~in principle at least~~ three times per year, normally in January, May and September, ~~and up to four times but not less than twice~~ per year if necessary. The exact number of meetings per year will depend on the agreed workload for the IOAC and the most appropriate timing for consideration of specific matters. Where a fourth meeting is required, it shall be conducted in virtual format, unless the overall budget allocation allows for an additional in-person meeting. Interpretation shall be provided during the meetings, as necessary, in the three ~~official working~~ languages of the ILO.
31. Subject to these terms of reference, the IOAC may establish its own rules of procedure to assist its members in executing their responsibilities. The IOAC rules of procedure shall be communicated to the Governing Body for its information.
32. The IOAC's deliberations shall be through group discussion. As such members are expected to attend all scheduled sessions of the Committee. As members serve in a personal capacity, alternates are not permitted. The quorum for the IOAC is three members.
33. The Director-General, External Auditor, Treasurer and Financial Comptroller, Chief Internal Auditor and the Ethics Officer, or their representatives, shall participate in meetings when invited by the IOAC. Other ILO officials with functions relevant to the items on the agenda of the IOAC may likewise be invited.
34. The deliberations of the IOAC and the minutes of its meetings are confidential. All documents and information submitted to or obtained by the members shall be used solely for the purposes of the IOAC deliberations and shall be treated as confidential.

Reporting

35. The Chairperson of the IOAC will present an annual report containing advice, observations and recommendations as appropriate, both in writing and in person, for consideration by the Governing Body at its March session.
36. Interim reports addressing key findings and matters of importance may be submitted to the Governing Body at the discretion of the IOAC or request of the Governing Body, at any time. The Chairperson of the IOAC may inform the Officers of the Governing Body at any time of any serious governance issue. The Chairperson of the Governing Body shall also ensure consultations with the Government group of the Governing Body.

Self-assessment and continuous review

37. The IOAC shall perform annually a self-assessment on its effectiveness relative to its terms of reference and report to the Governing Body the results of all self-assessments.
38. On a periodic basis or at least once every three years, in order to ensure that emerging priorities and best practices are identified, the IOAC shall review its terms of reference and propose amendments to the Governing Body as necessary.

Administrative arrangements

39. Members of the IOAC will provide their services pro bono.
40. Members of the IOAC shall, in accordance with the travel procedures applying to members of the Governing Body:
 - (a) receive a daily subsistence allowance for periods of attendance at IOAC meetings or when on other official IOAC business; and
 - (b) for those not resident in the Canton of Geneva or neighbouring France, be entitled to reimbursement of travel expenses, to attend the IOAC sessions.
41. The Treasurer and Financial Comptroller's office will provide secretariat support to the IOAC.
42. The ILO shall include in its biennial budget a specific allocation for the IOAC, providing for the costs associated with the Committee's mandated activities, namely three to four formal sessions per year, attendance by IOAC members at Governing Body sessions and at other meetings as required, support by the IOAC Secretariat, and, as required, external consultants.

Indemnity of members

43. The ILO will indemnify and hold the members of the IOAC harmless from and against any claims, damages or losses suffered by them as a result of activities performed in the course of exercising their responsibilities, as long as those activities are performed in good faith and with due diligence and that the ILO is immediately informed of any situation in which such claims, damages or losses might arise.

▶ Annex

International Labour Office

Declaration of independence of members of the Independent Oversight Advisory Committee

I _____ declare to the best of my knowledge that, having read the terms of reference of the International Labour Office's Independent Oversight Advisory Committee (IOAC), I am eligible to serve as a member of that Committee. I undertake to discharge my functions and responsibilities as a member of the Committee with the interests of the International Labour Organization alone in view and not to seek or accept instructions in regard to the performance of these functions from any government, constituent organization or other authority external or internal to the International Labour Organization.

I also declare that I have no personal, financial or other interests that could or could be seen to influence the advice I am giving in the course of my duties as a member of the IOAC.

To the best of my knowledge, no member of my immediate family has personal, financial or other interests that could or could be seen to influence the advice I am giving in the course of my duties as a member of the IOAC.

Should there be any change in my relationship with the International Labour Organization with respect to my independence, I will immediately inform the Chairperson of the ILO Governing Body [through the Director-General](#).

Signed: _____

Date: _____