Financial matters

Report of the Internal Auditor

As part of the process of reform in WHO, the Director-General established a new mandate for the Office of Internal Audit and Oversight. This mandate includes a provision for a summary of the activities of the Office and follow-up on its reports to be presented to the governing bodies. The first of these reports is transmitted herewith for the information of the Health Assembly. The Assembly is invited to note the report.

INTRODUCTION

1. Article X - Internal Control of the Financial Regulations requires the Director-General to maintain an internal audit function in the Organization. The Office of Internal Audit and Oversight, which reports directly to the Director-General, was significantly strengthened in December 1996. At that time, in order to enhance transparency and accountability, the Director-General announced a revised mandate for the Office which clearly sets forth its authority, functional scope and responsibilities. The mandate provides for consultation on the appointment and termination of Director of the Office, and for certain reporting to the governing bodies. This is the first report of the Office to the Health Assembly.

2. The Office examines and appraises, through internal audits, investigations and inspections, the way in which activities are carried out at all organizational levels. This work is expected to help contribute to the attainment of WHO’s objectives and to enhance sound internal control at a reasonable cost. More specifically, the Office reviews and appraises accounting, administrative and operating controls; ascertains the extent of compliance with established policies, plans and procedures; determines the extent to which assets are accounted for and safeguarded from loss; assesses measures taken to prevent fraud, waste and malfeasance; ascertains the reliability of financial and management data; and appraises the responsible, efficient and economical use of the Organization’s resources.

3. Acting under this mandate, the Office regularly reviews at headquarters the financial functions and accounts, the administrative and managerial operation of technical programmes, and the operation of support divisions. Annually, audit visits are made to each of the six regional offices and to selected country offices and centres. In addition, grantee institutions are audited as needed, and investigations are conducted worldwide on an ad hoc basis.

4. The current organization of the Office includes eight professional auditor posts in addition to the director’s post. One of these posts is currently vacant, but recruitment is under way. The Office has audit responsibility
for the Pan American Health Organization as well as WHO and, accordingly, auditors are stationed in both Washington, D.C. and Geneva headquarters.

AUDIT RESULTS FOR 1997

5. Audit results for 1997 indicate that WHO’s overall system of internal control is adequate and effective. The Office believes that in the normal course of business, significant irregularities would be prevented or disclosed by the current system of internal control. However, specific areas were identified where controls could be strengthened and where efficiency, effectiveness and value for money could be improved through intensified efforts, by the Director-General and his staff as described below.

6. **Budgetary function at headquarters.** This function was reviewed in the context of the reform process. The audit acknowledged the shift in budget preparation, with the new emphasis on targets and results. It identified a need to document a greater degree of accountability at the activity level within the Plan of Action, and recommended that all programme managers should perform periodic reviews of significant variances between budgeted expenditure and actual expenditure. It further identified the usefulness of establishing a procedure for a limited zero-based budgeting exercise to coincide with the issuance of every new general programme of work.

7. **Programme support costs.** An examination of internal controls for support-cost recovery determined that they were satisfactory. It questioned, however, the continued relevance of some underlying factors that have given rise to exceptions from recovery. It also suggested that there was a need to monitor identified shortfalls in the recovery of programme support costs.

8. **Evaluation of the headquarters personnel function.** In early 1997 the Office issued a report on the evaluation of the headquarters personnel function. Price Waterhouse, an external consulting firm, had been commissioned to assist the Office in completing the technical portion of the project. The objective of the review was to determine to what extent the Division of Personnel at headquarters was efficient and effective in meeting WHO’s strategic objectives and operational needs for human resources. The review assessed such areas as strategy, structure, policy development, management and staffing, and the cost, quality and responsiveness of services.

   - The overall findings from the evaluation revealed that there were significant weaknesses and issues to be addressed relating to the organization of the personnel function and all the key processes that it undertakes.

   - Specifically, the main findings disclosed that: (1) strategy development had been slow and users doubted the capability of Personnel in this area; (2) the structure of Personnel was top heavy, points of contact with users of Personnel services were unclear, complex processes were split across different units and there was no policy research and analysis capability; (3) the Division contained good administrators but lacked user focus; (4) areas such as leadership, strategic thinking, operational planning, performance management and communications needed to be strengthened; (5) a workload management system and an effective system of performance review needed to be established; and (6) there was no career development strategy.

   - In early 1998, one year after the audit, the Office conducted a follow-up review to confirm the status of implementation of the recommendations contained in the report. It was noted that progress has been made by the Division of Personnel in initiating action to strengthen operational efficiency, user focus and needs assessment. However, the process of rectifying weaknesses in the organization of the Division and its key areas of activities is still being addressed and will need to be re-examined by the Office at a later date.
9. **WHO regional offices.** Audit reviews were performed in all six of WHO’s regional offices. The audits recommended improvements for economy, efficiency and effectiveness in various operational areas, financial management, human resources, and technical cooperation with countries. Intensified effort was required to ensure the effectiveness and accountability of the fellowship and local training programmes. Similarly, vigilance in tracking the desired outcome of contractual and technical services agreements could be improved. Emphasis needed to be given to use of the Plan of Action as a device for effective monitoring of both accountability and outcome, and greater clarity was required in justifying changes to budgeted activities. Enhanced financial control over advances, refunds, inventory, imprest expenditure and staff costs, and modifications in operational procedures to handle such transactions would add to economy and efficiency. In the area of informatics, symptoms indicating risk were identified in one region relating to the status of application development and the need for reviewing security access.

10. **WHO Representatives’ offices.** A review of nine selected offices of WHO Representatives in four regions indicated that their efficiency could be enhanced through plans of action that incorporated priorities, with an emphasis on the effectiveness and sustainability of activities. Representatives’ offices could further benefit from suitably modified information systems, strengthened accountability in conjunction with the ministries of health, and a greater delegation of authority from the regional offices. Other recommendations included a more proactive approach by staff, a comprehensive monitoring of activities, synchronized reporting and a structured feedback from the regional offices.

11. **Telecommunications and computerization at the Regional Office for Africa.** The review (conducted prior to the evacuation from Brazzaville) confirmed that the Regional Office for Africa had progressed well in obtaining physical infrastructure such as modern computers and satellite communications. However, in order to maximize the benefits of this investment, it was recommended that the Regional Office should significantly enhance its support and administration of informatics. The review further recommended that the Regional Office should increase its liaison and communication with headquarters in order to take greater advantage of the specialized expertise and support services available.

### OVERSIGHT ACTIVITIES

12. **Pharmaceutical company contributions.** A review was conducted to determine the validity of charges made by a staff member concerning pharmaceutical company contributions to a headquarters division. The allegations raised proved to be baseless and it was shown that the funds were received and used in accordance with regulations.

13. **Headquarters programme.** A complete audit review of a major headquarters technical programme was conducted as a result of internal allegations of staff misconduct. The investigation revealed that the specific allegations were baseless. Issues arose which were of concern, however, and the matter has been reported to the Director-General for his consideration. It is currently under review.

### FOLLOW-UP AND IMPLEMENTATION

14. Implementation of audit recommendations by management is monitored by the Office through systematic follow-up procedures. In addition, verification of reported implementation is made during subsequent audit visits. During 1997 recommendations were generally accepted positively by management and the Office is satisfied with the final disposition of major audit issues.

15. The Management Development Committee at its meeting in October 1997 recognized that some of the Office’s recommendations could have a wider applicability throughout the Organization. Accordingly, it was agreed that when significant issues of global concern arose, as reported in audit reports, the responsible senior
officers could bring the matter before the Committee for assistance in formulating guidelines for implementation of recommendations.

EXTERNAL AUDITOR

16. The Office maintains a close working relationship with the Organization’s External Auditor. During 1997 periodic meetings were held to coordinate audit work in order to ensure effective coverage and to avoid duplication of efforts. Additionally, to promote transparency, the Office systematically provides a copy of all internal audit reports to the External Auditor, and other relevant documents produced by the Office.

MATTERS FOR THE PARTICULAR ATTENTION OF THE HEALTH ASSEMBLY

17. The Health Assembly is invited to take note of the report.