Interim report of the External Auditor

Second report of the Programme, Budget and Administration Committee of the Executive Board to the Sixtieth World Health Assembly

1. The sixth meeting of the Programme, Budget and Administration Committee of the Executive Board was held in Geneva on 10 and 11 May 2007 under the chairmanship of Ms J. Halton (Australia).¹

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2. The Committee noted the salient points of the interim report of the External Auditor.²

   • Being an interim report, the audit procedures carried out were not oriented towards expressing an audit opinion on the interim financial statements included in the Unaudited Interim Financial Report for the year 2006.³

   • The working relationship between the External Auditor and the Secretariat continued to be constructive; there was continual and comprehensive coordination with the Office of Internal Oversight Services. The observations and recommendations contained in the report had been accepted by the Director-General.

   • In the area of policies and procedures, the External Auditor supported the Organization’s plans, with the approval of the governing bodies, to replace the United Nations System Accounting Standards with the International Public Sector Accounting Standards (IPSAS), which should lead to the adoption of best practices.⁴

   • The planned controls and audit trails that were built into the Global Management System and would be rigorously implemented were important in order to eliminate potential risks that would accompany the forthcoming delegations and decentralizations.

   • Further observations concerned the number of negative balances, the need for streamlining cash handling in country offices, large outstanding travel advances, delays in bank

¹ For list of participants, see document A60/41.
² Document A60/31.
³ Document A60/30.
⁴ See document A60/33.
reconciliation, closing of long-inactive bank accounts, timely processing of financial transactions, and replenishment of imprest accounts.

- Other problems identified included issuance of staff contracts after commencement of work; comparatively slow programme implementation in some areas, resulting in the risk of a rush to spend funds towards the end of the biennium; deficiencies in procurement and inventory management in the country offices audited; and late or incomplete monitoring reports on Agreements for Performance of Work, Performance Management and Development System, inventories and fellowships.

- Regarding operations in respect of the United Nations Development Group Iraq Trust Fund, the findings of an audit review of the Regional Office for the Eastern Mediterranean and the country office of Iraq highlighted concerns in the areas of policy, financial and project management, procurement and inventory.

3. The Committee welcomed the informative report and expressed satisfaction at the Secretariat’s complete acceptance of all its findings. It expressed concern, however, at the rate of implementation of audit recommendations in some locations, including the Regional Office for Africa. The governing bodies should be kept informed of the management response to the External Auditor’s recommendations.

4. In response, the External Auditor stressed the seriousness with which the Secretariat had addressed rare cases of fraud and other audit findings.

5. The Director-General emphasized her strong concern with audit issues as a reflection of the paramount need for full accountability and transparency. Both were a prerequisite for good organizational performance and success. She believed in leading by example and committed herself to ensuring proper organizational accountability at all times, a key factor on which her own performance was to be judged.