

THIRD MEETING

Thursday, 19 May 2011, at 14:50

Chairman: Dr M.T. VALENZUELA (Chile)

1. **AUDIT AND OVERSIGHT MATTERS:** Item 16 of the Agenda

Report of the Internal Auditor (Documents A64/28 and A64/48)

Dr MOHAMED (Oman), speaking in his capacity as Chairman of the Programme, Budget and Administration Committee of the Executive Board, introduced the Committee's sixth report (document A64/48).

Dr GULLY (Canada) sought reassurance that the reduction in human resources within the Office of Internal Oversight Services would not hamper its work. Referring to the Committee's sixth report, he concurred that regional and country audit reports should be fully disclosed to the extent possible, as they were a useful source of information.

Mr KÜMMEL (Germany) noted the importance of strengthening internal controls, attitudes and practices within the Secretariat, especially in the context of reform. The limited resources available should be used effectively, rationally and strategically and be protected from abuse. The report of the Internal Auditor (document A64/28) highlighted the professionalism and commitment of the Office of Internal Oversight Services and its staff, but made clear the need for additional resources. He asked whether the number of staff members was sufficient to enable the Office to carry out its functions effectively; international organizations of comparable size had up to five times as many staff. Immediate action should be taken to increase the resources of the Office. Of particular concern was the fact that the average delay to implementation of the Office's recommendations was 1.3 years. Remarking on the need to increase efficiency, effectiveness and accountability across the Organization, he said that internal oversight had a key role to play and should be given due priority. He noted with appreciation the Secretariat's response to the concerns raised during the discussions on the subject at the fourteenth meeting of the Programme, Budget and Administration Committee.

Mr STORBEEKRØNNING (Norway) said that WHO had to have a supervisory body with a broad mandate, independence and sufficient human and financial resources to carry out the full range of tasks within that mandate. The report of the Internal Auditor highlighted weaknesses within the Organization, in particular with regard to the insufficient funding allocated to the Office of Internal Oversight Services and the delays, sometimes of several years, in following up the recommendations in previous reports. He requested timely resolution of the issues raised by the Internal Auditor and submission of a report to the Executive Board and its Programme, Budget and Administration Committee that clarified the procedure for following up the recommendations contained in audit reports and reporting progress made. Sufficient resources and capacity should be made available so that the recommendations could be followed up expeditiously.

Miss PASSAWEE TAPASANAN (Thailand), recognizing the importance of internal audits and risk management for the effective functioning of any large organization, commended the comprehensive work of the Office of Internal Oversight Services. She expressed concern, however, about the inadequate level of staffing of the Office, which could compromise its work, especially in view of the increasing demands for internal oversight throughout the Secretariat. Concerted efforts had

been made to synergize the internal and external auditing mechanisms, but the Office's capacity was not commensurate with the demands put on it.

It was also a matter of concern that 73% of the recommendations made by the Internal Auditor during the period 2006–2011 were still open, despite their significance; timely implementation of all recommendations should be facilitated.

She welcomed the coming into force of the Policy on the Prevention of Harassment at WHO and noted that two claims had already been closed; she looked forward to finalization of the remaining claims and requested clarification about the outcome of the investigations mentioned in paragraphs 27, 28 and 31 of document A64/28. Immediate action should be taken in all cases of misconduct or fraudulent action; regional directors had a vital role to play in that connection. Transparent and ethical conduct of all WHO staff members was the key to the effective functioning of the Organization.

Mr CHATELUS (France) said that internal controls should be viewed in the context of the operating budget and reform. He referred to the tripartite audit and monitoring mechanisms, consisting of external and internal audits and the Independent Expert Oversight Advisory Committee; any ensuing recommendations should be ranked in terms of priority, distinguishing between those that were urgent and those of a structural nature. The latter should form the basis for future discussions and influence broader reform within the Organization, in particular with regard to funding.

Given the multiple levels and the complexity of the Organization, internal audit was essential, and adequate resources should be made available to support it. He requested that internal audit reports be disclosed to Member States, with emphasis on the main problems and corresponding solutions, especially with regard to financial and human resources and evaluations of regions, countries and partner organizations.

Dr REN Minghui (China) said that internal audits were essential for ensuring that the Organization operated with transparency, accountability and efficiency. Strengthening of internal audits should be an integral part of the WHO reform agenda. Attention should be given to the problems and issues highlighted in the Internal Auditor's report, particularly with regard to irregularities in compliance with WHO's rules and regulations, and additional training should be given in that respect. The long-outstanding recommendations listed in the report should be implemented in a timely manner. He asked for adequate resources to be made available to the Office of Internal Oversight Services in order to allow it to accomplish the wide range of tasks in its mandate.

Ms BLACKWOOD (United States of America) concurred with the delegate of France about the themes common to the internal audits, external audits and the Independent Expert Oversight Advisory Committee. She thanked the Office of Internal Oversight Services for its report and its work. She urged the Organization to implement the audit recommendations without delay and to put in place follow-up procedures to ensure that their implementation was sustained. She expressed concern at the number of issues and problems identified in document A64/28, particularly in the areas of procurement contracts and personnel administration in regional and country offices, and encouraged the Secretariat to resolve them expeditiously. Deadlines should be established for implementation of recommendations by the respective offices, and any difficulties encountered in their implementation should be detailed in future reports. Echoing the comments made by previous speakers, she drew attention to the insufficiency of human resources for the Office, which could affect its capacity to fulfil its mission. Staffing levels, including support staff to maintain risk management services, should be reviewed.

Mr RUSH (United Kingdom of Great Britain and Northern Ireland) said that he shared the concerns expressed by previous speakers. It was essential that the Office of Internal Oversight Services had enough staff to discharge fully the tasks entrusted to it. With regard to the recommendations in the Internal Auditor's report, it was important to identify those responsible for

implementing the outstanding recommendations, in order to improve accountability, and to set clear deadlines for that action. He expressed deep concern at the findings and recommendations in the Internal Auditor's report, which reflected poor compliance throughout the Organization. Given sufficient resources, the Office could tackle the problems identified and help to improve the overall performance of the Organization. He commended the Director and staff of the Office for their work and their response to the concerns voiced by Member States.

Mr WEBB (Office of Internal Oversight Services) thanked Member States for their comments on the work of the Office of Internal Oversight Services and their calls to increase its resources; extra staffing would help the Office to fulfil its mandate effectively. He reminded Member States that, in the risk model used by the Office, priorities for the allocation of resources were set according to the level of perceived risk to the Organization. During the biennium 2010–2011, after the reduction in staff, the Office had used external resources to complement the fixed-term staff in order to cover areas in which technical expertise was lacking and to meet urgent requests, such as for investigatory work, the volume of which had increased in 2010, especially for alleged cases of harassment. A pilot study had been conducted to test various efficiency measures, particularly at country level, including desk-based reviews and other short-form reporting. It had proved successful, and the measures would be continued. The Office was supported in its work by PAHO in the Region of the Americas, and it worked closely with the External Auditor in order to maximize coverage and avoid duplication of work. He confirmed that the Office had been allocated a slight increase in funding for the biennium 2010–2011.

Responding to the concerns about the follow-up of recommendations, he reported that a new database had been set up to facilitate management of their follow-up at a more detailed level, which would be reflected in future reports to the Health Assembly. Use of the database would allow the Office to report to the Director-General, Assistant Directors-General and regional directors on a quarterly basis regarding outstanding recommendations and would allow identification of the responsible officers. Follow-up of recommendations was an important part of the internal audit process, and the Office worked directly with the directors of administration and finance in the Regional Offices to ensure that issues were addressed and common solutions were found and implemented.

The Office was aware of the recurring weaknesses in internal controls, referred to in the report as "dilution of the accountability framework". The new model for internal controls in the Global Management System was not yet in place, but action had been taken to accelerate its implementation and to strengthen the enterprise risk-management system.

The Office had only one staff member for investigating alleged cases of harassment, and, in view of the growing workload in that area, had had to rely on external consultants or had diverted resources from other activities for urgent cases. Although delegates had requested clarification of actions taken in relation to specific investigations, the Office of Internal Oversight Services was an independent body and not involved in disciplinary action; its primary function was to determine the facts of a case. The Director-General and the regional directors were responsible for deciding on the appropriate course of action. Referring to the delegate of Thailand's request for clarification in connection with paragraph 27 of the Internal Auditor's report, he confirmed that disciplinary action had been taken when the staff member involved had retired. The Regional Director had taken measures against the member of staff involved in the investigation referred to in paragraph 31.

In line with due process and respect for the confidentiality of the parties involved, investigation reports were not fully disclosed. Reports covering operational, independent and performance audits could, however, be openly reviewed. He would report the outcome of discussions on full disclosure of internal audit reports to the Executive Board at a subsequent session.

The Committee noted the report.

2. FINANCIAL MATTERS: Item 17 of the Agenda

Unaudited interim financial report on the accounts of WHO for the year 2010: Item 17.1 of the Agenda (Documents A64/29, A64/29 Add.1, A64/49 and A64/49 Corr.1)

Dr MOHAMED (Oman), speaking in his capacity as Chairman of the Programme, Budget and Administration Committee of the Executive Board, introduced the Committee's second report (documents A64/49 and A64/49 Corr.1).

Mr JONES (Canada) underlined the importance of the unaudited interim financial report, which provided a good overall indication of the financial health of the Organization and formed a basis for sound governance decisions. He noted the relatively high collection rate of assessed contributions, but expressed concern about the effect of the expected shortfall in income for the biennium, in particular, the underfunded liability of US\$ 90 million for staff entitlements. It was essential that adequate funding be ensured. He urged the Secretariat to work with the Independent Expert Oversight Advisory Committee on identifying and exploiting opportunities to improve the financial management of the Organization through enhanced cash management and reduced currency exposure.

Mr JEFFREYS (Comptroller) reassured Member States that the US\$ 90 million shortfall in future staff entitlements was a future, not a current, liability; all current liabilities for staff entitlements were fully covered. Measures would be taken over 15 years to ensure that the shortfall in future staff entitlements would be fully funded.

The CHAIRMAN drew attention to the draft resolution contained in document A64/49.

The draft resolution was approved.¹

Interim report of the External Auditor: Item 17.2 of the Agenda (Documents A64/30 and A64/50)

Mr AWASTHI (representative of the External Auditor), presenting the interim results of the external audit of WHO for the financial period 2010–2011 on behalf of the External Auditor, said that audits had been conducted in the first year of the current financial period in the regional offices for Africa and the Western Pacific and in one country office in each of those regions. The report also contained in-depth reviews of the Office of Internal Oversight Services and the Income and Award Management unit at headquarters. In the second year of the financial period, the remaining regional offices and selected country offices would be audited, with detailed reviews of selected areas of WHO, including the information technology used by the Global Management System, and an audit opinion on the financial statements for the financial period 2010–2011 would be expressed. The interim report and the recommendations contained therein had been accepted by the Director-General, who had given assurances that the necessary actions would be taken.

With regard to the introduction of International Public Sector Accounting Standards, the External Auditor considered that WHO risked not meeting the target date of 1 January 2012. The standards still to be implemented were key ones. In the area of management reform, the External Auditor had recommended strengthening financial management by synchronizing the Comptroller's responsibilities and powers. The External Auditor had noted that WHO had made no provision for uncollected income from voluntary contributions; the situation should be reviewed in accordance with the United Nations System Accounting Standards. The review of the Income and Award Management

¹ Transmitted to the Health Assembly in the Committee's second report and adopted as resolution WHA64.18.

unit had shown that better coordination was needed with the Department of Finance to ensure that award funds were fully disbursed and that delays in creating awards, due to incomplete documentation, were minimized. The External Auditor had recommended that WHO continue to make concentrated efforts to review and reduce outstanding receivables.

The review of the Office of Internal Oversight Services had shown that its human and financial resources should be increased, in line with its increased activities, the management's expectations and additional responsibilities assigned to it. Its mandate should be amended accordingly. The insufficient resources had led to a reduction in the number of audits in the regions and countries. The audit of regional and country offices had revealed gaps with respect to budgetary control and use of funds. Assurances had been received from the regional directors concerned that action would be taken to implement the Programme budget. Delays in bank reconciliations had also been observed in the two regional offices audited, and the External Auditor had recommended that unreconciled items in the e-Imprest account be reconciled. Cases of salary and travel advances that had been outstanding for more than a year had been observed.

The implementation of significant recommendations would be noted in the final report on the current financial period. The External Auditor would continue to work towards bringing value to WHO and its stakeholders through the external audit process.

Dr MOHAMED (Oman), speaking in his capacity as Chairman of the Programme, Budget and Administration Committee of the Executive Board, introduced the Committee's seventh report (document A64/50).

Dr SHONGWE (Swaziland), speaking on behalf of the Member States of the African Region, commended the External Auditor's interim report. Some of the weaknesses identified were being addressed at WHO headquarters and in the regional and country offices concerned. It should be noted that, at the time audits were being conducted, the Global Management System was being introduced, which had been a learning experience for all staff members. He requested an update on progress made in responding to the main findings and urged the Organization to implement the External Auditor's recommendations. He asked the Director-General to strengthen the Office of Internal Oversight Services.

Mr MÉSZÁROS (Hungary), speaking on behalf of the European Union, said that the candidate countries Turkey, Croatia, The former Yugoslav Republic of Macedonia, Montenegro and Iceland, the countries of the Stabilisation and Association Process and potential candidates Albania, Bosnia and Herzegovina, Serbia, as well as Ukraine, the Republic of Moldova and Armenia aligned themselves with his statement. He thanked the External Auditor for the informative report. The external audit was a necessary complement to the internal audit and the Independent Expert Oversight Advisory Committee. The European Union considered that the current levels of financial and human resources of the Office of Internal Oversight Services were not commensurate with its important responsibilities and strongly supported the External Auditor's recommendation that the Secretariat reassess the resources available to the Office. The European Union noted with concern the findings on practices in the financial management and internal controls of the Organization and welcomed the reassurances made to the Programme, Budget and Administration Committee in that regard. Building trust included the way in which the Secretariat dealt with its limited financial resources, and improvements made in that area would contribute to its future role in global health. It remained a clear priority to strengthen internal control systems and routines and to improve attitudes and practices in order to prevent, detect and resolve any financial irregularities. He looked forward to a progress report on follow-up of the External Auditor's recommendations.

Mr SATPATHY (India) welcomed the presentation of the interim results for 2010–2011 and the proposed audit of the information technology used by the Global Management System, WHO's resource planning system. He was aware of the difficulties in implementing International Public Sector

Accounting Standards by 2012, but encouraged the Secretariat to continue to do so. He supported the recommendation to strengthen the Office of Internal Oversight Services in order to improve financial management. Audit was an activity that had the benefit of hindsight and should serve to prevent repetition of past mistakes. He looked forward to the final report, to be submitted to the next Health Assembly, and encouraged the Secretariat to cooperate with the External Auditor to ensure productive examination of the existing systems.

Dr WANICHA CHUENKONGKAEW (Thailand) expressed concern regarding two points in the interim report of the External Auditor. According to paragraph 76, overpayment of salaries had been due mainly to delays in the submission and approval of documents for leave without pay. That showed a weakness in human resource management and should be investigated by the Director-General or the responsible Assistant Director-General. Referring to paragraph 89, she suggested that, rather than increasing the proportion of the budget allocated to the Office of Internal Oversight Services to 0.5% of the total resources available to the Organization, budgetary support could be increased gradually, with prioritization of the work of the Office.

Mr KÜMMEL (Germany) said that his Government was alarmed by the findings of the External Auditor, including the high number of personal advances, as already discussed during the meeting of the Programme, Budget and Administration Committee. The External Auditor had raised the same issue in his report of April 2009 and had recommended that the outstanding balances be settled.¹ Although the External Auditor had at that time noted that regional and country management had given assurances that exercises were under way to comply with his recommendations, it was clear that due attention had not been paid to his recommendations. That was a shared responsibility of the Secretariat's senior management and Member States. His Government was concerned about the findings on the Organization's financial management and internal controls, but was even more preoccupied by the failure to implement serious recommendations and the resulting potential financial losses. Furthermore, there was an apparent lack of efficient monitoring, with considerable consequences for non-compliance. The Secretariat must take the External Auditor's findings and recommendations seriously. Given the findings, his Government strongly supported closer oversight of the regions and clear sanctions for future non-compliance. It wanted a strong WHO that made sure that the available financial resources resulted in the greatest health outcomes.

Mr JEFFREYS (Comptroller) welcomed the observations of the External Auditor, the detailed comments of Member States and the scrutiny of the Programme, Budget and Administration Committee. Maintenance of good internal control was indeed essential, and reinforcement of accountability of compliance with controls was central to the Organization's objectives for reform. The introduction of the Global Management System had been a period of significant change. The system provided an excellent means of monitoring income, expenditure, assets and liabilities throughout the Organization. It increased efficiency by integrating transactions for travel, procurement, human resources and finance, which had formerly been treated separately, and it was a powerful tool for increasing transparency. Its implementation had transformed the control environment, however, and some of the new controls were not yet fully understood or as effective as they should be. He was taking strong measures in conjunction with the directors of finance and administration in the regions to ensure that system controls were working properly and that those controls were clearly linked with the accountability of individual managers. He was also working to ensure stronger enforcement in cases of breaches of controls.

Regarding cases of leave without pay, he said that, since the report had been written, three-quarters of the advances had been recovered and the rest would be recovered soon. In response to the

¹ See document A62/29.

concern expressed regarding salary advances, he reassured delegates that in most cases they were not advances on salary, but legitimate salaries paid to people who had not yet been registered in the General Management System.

Dr SAMBO (Regional Director for Africa), responding to the concerns expressed about outstanding advances, said that substantial progress had been made since January 2011. Of 5978 outstanding salary advances reported by the External Auditor at end-2010, nearly 90% had been cleared by April 2011. Most of the remaining 671 advances involved inactive or superannuated staff; he was following up the outstanding cases and expected the write-offs to be limited. Regarding outstanding travel advances, of the 2986 cases cited in the report, only 180 remained. Paragraph 79 of the report referred to full recovery of advances by May 2011, and that had largely been achieved. The high number of advances stemmed mainly from the fact that the figures had been produced during a vulnerable period for the African Region, when it was in transition to the Global Management System. The first four months of applying that System had required a new environment and culture as well as staff training in the 46 Member States of the Region. Unfortunately, during the transition, many active staff had gone unpaid when their personal information had been registered in the System late or incorrectly; other regions had experienced similar difficulties. As he could not hold the affected staff responsible for system problems or withhold their salaries, he had decided to make manual salary payments. He recognized that important work remained to be done, but the situation had largely been resolved. Some of the advances had been due to weaknesses in internal control, which had been identified and were being addressed. He would continue to report on progress until a final settlement was achieved. Any required write-offs would be reported to the Comptroller together with details of measures taken for recovery. Only then would a decision be made on the amount to be written off in the 2010–2011 financial statement. The African Region was fully accountable for the funds it received. The audit reports had been improving, and he considered that the Global Management System would add to the transparency of operations and improve financial and programme monitoring and oversight.

The Committee noted the report.

Status of collection of assessed contributions, including Member States in arrears in the payment of their contributions to an extent that would justify invoking Article 7 of the Constitution: Item 17.3 of the Agenda (Documents A64/31 and A64/51)

The CHAIRMAN drew attention to the fifth report of the Programme, Budget and Administration Committee (document A64/51), which included an amended draft resolution. She had been advised by the Secretariat that Afghanistan had subsequently paid a sufficient amount, so that Article 7 need no longer be invoked. She invited the Committee to consider the draft resolution, with the deletion of the reference to Afghanistan.

The draft resolution, as orally amended, was approved.¹

¹ Transmitted to the Health Assembly in the Committee's second report and adopted as resolution WHA64.19.

Special arrangements for settlement of arrears: Item 17.4 of the Agenda (Documents A64/32 and A64/51)

The CHAIRMAN invited the Committee to consider the draft resolution contained in document A64/32, concerning the special arrangements for Ukraine to settle its arrears.

The draft resolution was approved.¹

Scale of assessments for 2012–2013: Item 17.5 of the Agenda (Documents A64/33 and EB128/2011/REC/1, and resolution EB128.R2)

Professor MPHANDE (Malawi), speaking on behalf of the Member States of the African Region, welcomed the use of the latest United Nations scale of assessments for contributions of Member States. He noted that the latest scale remained at the level adopted for 2010–2012. The African Region therefore supported the draft resolution contained in resolution EB128.R2 on the scale of assessments for 2012–2013. The importance of using the latest available United Nations scale could not be overemphasized.

The CHAIRMAN invited the Committee to consider the draft resolution recommended by the Executive Board in resolution EB128.R2.

The draft resolution was approved.²

Amendments to the Financial Regulations and Financial Rules: Item 17.7 of the Agenda (Documents A64/34 and EB128/2011/REC/1, and resolution EB128.R3)

Miss PIMPAVADEE PHAHOLYOTHIN (Thailand) said that, as audits were to be conducted annually at the request of the United Nations Panel of External Auditors, the proposed amendments were necessary. She therefore supported the draft resolution in resolution EB128.R3 amending Financial Regulations 14.1, 14.8 and 14.9. She requested assurance, however, that the additional benefit of one more external audit per biennium would outweigh its additional cost.

Dr YANSANE (Guinea), speaking on behalf of the Member States of the African Region and noting that the United Nations Panel of External Auditors required an annual audit of all organizations in the United Nations system in order to guarantee maximum credibility and transparency, recommended adoption of the amendments to WHO's Financial Regulations.

Mr JEFFREYS (Comptroller) said that annual externally audited accounts would increase the transparency and accountability of the Organization's financial results and its internal control framework. Referring to his response to concerns about the Organization's control mechanism expressed during the discussions on external and internal audits, he said that annual certification by the

¹ Transmitted to the Health Assembly in the Committee's second report and adopted as resolution WHA64.20.

² Transmitted to the Health Assembly in the Committee's second report and adopted as resolution WHA64.21.

External Auditor would bring a heightened level of external scrutiny to the Organization's financial performance and internal controls. It would be difficult to quantify the value of the exercise. The costs for the next biennium would be established once the resolution on the appointment of the new External Auditor had been adopted by the Health Assembly.

The CHAIRMAN invited the Committee to consider the draft resolution recommended by the Executive Board in resolution EB128.R3.

The draft resolution was approved.¹

The meeting rose at 16:50.

= = =

¹ Transmitted to the Health Assembly in the Committee's second report and adopted as resolution WHA64.22.