

External and internal audit recommendations: progress on implementation

Report by the Secretariat

1. The present report provides an update of actions taken by the Secretariat to ensure full implementation of external and internal audit recommendations.¹ It also includes an overview of the outcome of the investigations to which reference is made in the report of the Internal Auditor for the calendar year 2016.
2. The Secretariat takes note of the progress highlighted in the reports of the external and internal auditors for the calendar year 2016 and reiterates its intention to implement the audit recommendations in a timely manner and to reduce the number of those outstanding. Overall, its efforts in this regard have made it possible to maintain a high rate of implementation in respect of internal audit recommendations, with only 3.7% of outstanding open recommendations being considered as “past due” and no “unsatisfactory” audit in 2016. A similarly positive implementation status applies in respect of the 41 outstanding external audit recommendations, of which 36, or 88%, have been implemented.²
3. As part of the Organization’s commitment to strengthen internal controls, progress has been made in the areas of travel and procurement through the review of current policies, the development of effective frameworks and the dissemination of information to key stakeholders.
4. In the area of procurement, a number of audit recommendations were closed in 2016. Specifically, a total of 26 out of 47 internal audit recommendations in the area of procurement have now been closed. These pertain to the procurement function at the Global Service Centre and the use of agreements for performance of work at headquarters. Work has focused on improved training, reinforced control measures for contracts, strengthened accountability and quality assurance, and the introduction of reporting tools and a database for suppliers.
5. In addition, four out of 10 external audit recommendations relating to better control of the procurement of services activities, emergency procurement and the strengthening of procurement planning capabilities have also been closed. Further work is being conducted with the view of closing all procurement-related recommendations.

¹ The reports for the calendar year 2016 are contained in documents A70/43 (Report of the External Auditor) and A70/44 (Report of the Internal Auditor).

² See document A70/43, Annex.

6. In the area of travel, 14 recommendations out of 23 aiming to improve policy and processes have been closed. The Secretariat is fully committed to the closure of the remaining travel-related recommendations, which pertain to post-facto checks of travel claims and updates to the Global Management System's travel module.

INTERNAL CONTROLS, ACCOUNTABILITY AND GOVERNANCE

7. In line with the internal audit requirement that various accountability initiatives must interface with each other in a harmonized way and the objective of the external audit to provide assurance that transparency and accountability has increased in the Organization, a number of key initiatives have taken place in 2016.

8. First, WHO's internal control self-assessment checklist has now been linked to the annual letter of representation from the regional directors and assistant directors-general. The checklist allows for a review of controls in five overarching areas (internal environment, risk management, control activities, information and communication, and monitoring). It has been a powerful tool to enable managers to reflect on (and understand) their environment and operations, identify strengths and weaknesses, prioritize actions and enhance compliance with WHO rules, regulations and procedures. The letter of representation provides assurance to the Director-General that the internal controls that fall within the managerial responsibilities of the regional directors and assistant directors-general are functioning.

9. Furthermore, the recent initiative to publish the letter of representation of the regional directors and the assistant directors-general and the annual accountability compact between the Director-General and the assistant directors-general at headquarters reinforces transparency and compliance.

10. The Secretariat appreciates and endeavours to promote the dissemination of the good practices identified by the internal and external audits of country and regional offices, such as the arrangements with a third-party financial institution for cash payments for workshops and vaccination campaigns (country office of the Syrian Arab Republic) and the concept of "peer-learning districts" (United Republic of Tanzania).

11. At the regional and country levels, work has intensified on the implementation of the Transformation Agenda in the African Region, with major milestones being reached. The restructuring of technical areas of work at the Regional Office for Africa and in intercountry support teams within the African Region has been successfully completed, thus ensuring a workforce that is "fit for purpose". The restructuring of the general management area is under way and expected to be completed by the end of July 2017.

12. In the area of direct financial cooperation, there has been a reduction in the number of outstanding reports, especially in the Eastern Mediterranean Region, where a 50% reduction in the United States dollar value of outstanding reports relating to direct financial cooperation and direct implementation was recorded in 2016, as compared to 2014. Further work is still required, however, in the area of direct financial cooperation at the country level, as highlighted by the audits of the Ghana and Rwanda country offices.¹

¹ See document A70/44.

13. In this regard, the African Region has rolled out a direct financial cooperation assurance framework which includes updated procedures on assurance activities as well as a consequence table for implementing partners that have not demonstrated the necessary level of controls in their administration of WHO funds. A handbook has also been developed to assist health ministries in complying with WHO rules and regulations and training is provided to health ministry counterparts in the Region. A similar approach is being taken in the Eastern Mediterranean Region.
14. The strengthening of internal controls requires the necessary tools and platforms for efficient follow up. Enhancements in this respect have been made through the further expansion of monitoring tools across all major offices, such as the business intelligence platform and the analytics portal.
15. With respect to the Staff Health Insurance scheme and the new online platform for the submission of claims, the Staff Health Insurance Global Oversight Committee is actively engaged in identifying long-term cost containment measures and the Secretariat is working closely with the Office of Internal Oversight Services to minimize potential risks for fraud.
16. The Secretariat takes note of the recommendations made in the report of the Internal Auditor as a result of an operational audit in respect of the Global Management System and agrees that there is a necessity to improve approval workflows. It points out that risks are mitigated through existing off-line controls and document verification measures.
17. In the area of information technology, the Secretariat takes note of the recommendations made in relation to governance. Most of these recommendations require longer term efforts with implementation plans well into 2018. However, strong initiatives have been taken in order to move forward and significant progress has been made in establishing an information technology governance charter. Furthermore, the first meeting of the global IT Board has taken place. The Board reviews information technology investment proposals using defined criteria, and proposes allocations of funds.
18. Reference is also made to the proposal to rename the Real Estate Fund as the Infrastructure Fund,¹ the purposes of which would be extended beyond real estate capital to include information technology investments. The aim is to provide a sustainable financing source for information technology investments and thus facilitate the work of the global IT Board.
19. A global information technology reform initiative has also been launched. This will address a number of external audit recommendations related to information technology governance, in particular related to the global information technology portfolio, with the aim of reducing duplication, increasing leverage of corporate solutions and focusing on standardization, consolidation and global optimization.
20. In relation to the Global Management System Transformation project, governance has been strengthened and a clear business ownership has been established, thus providing more visibility in respect of both the investment and the recurring costs, and reinforcing the accountability vis-à-vis implemented solutions.

¹ See document A70/54.

PROCUREMENT

21. Since the Secretariat's last report on progress in implementing the external and internal audit recommendations,¹ significant advances have been made in respect of the implementation of the Procurement Strategy. In 2016, the implementation plan was further developed so as to allow for the prioritization and better coordination of activities in 2017 and 2018.

22. A procurement accountability framework, encompassing the first and second lines of defence as defined in the WHO Accountability Framework, has been developed in consultation with the WHO Procurement Network, and will be applicable across WHO globally. In response to a recommendation by the External Auditor, a revision of the procurement planning policy and processes will be developed in 2017, thus aligning with the operational planning timeline for 2018–2019.

23. A revised version of Section VI of the WHO eManual, on procurement, reflecting the outcome of a review that was initiated in 2016, is to be released in the second quarter of 2017. Various aspects of vendor management, including sanctions and vendor protest mechanisms, are expected to be fully defined in the 2017 version.

24. In the context of the procurement of services, the separation of procurement and non-procurement contractual modalities has continued.

25. As part of the follow-up to the internal audit of the use of agreements for performance of work at headquarters, all activity workplans in the Global Management System were reviewed in order to ensure a proper segregation of the initiator and the approver roles. The requirement for such segregation will be reiterated during the upcoming operational planning process for the biennium 2018–2019.

26. Details of all of the above policies and processes will be consolidated and presented in a Procurement Handbook and will complement the global procurement training strategy to be rolled out in 2017 with the objective of building staff capacity on procurement activities.

27. With respect to emergencies, and in response to an external audit recommendation, an emergency procurement policy framework and related standard operating procedures are being finalized to enhance support for the Organization's emergency response and increase compliance at the country level.

28. In the area of information technology, an information technology procurement policy is in the final stage of development, with a strong focus on enforcing strict control over the procurement of information technology-related goods and services and their global monitoring.

TRAVEL

29. A review of the cost of duty travel and related policy was carried out during the period from September 2015 to March 2016. The review concluded that while the overall management of WHO travel activities is good, there are potential areas of improvement that could increase efficiency and lead to savings for the Organization. These opportunities are mainly related to increasing controls,

¹ Document EBPBAC24/3.

improving compliance with policy in areas such as travel planning and advanced ticket purchasing, and adopting online technologies for travel processing.

30. As a consequence, several changes were introduced in 2016. These include: the setting of a budget ceiling for non-emergency staff travel for the biennium 2016–2017, aiming at a 10% reduction compared to the previous biennium; the requirement to escalate late travel requests at headquarters to assistant directors-general for approval; the introduction of a monthly ceiling and reduced per diems for long-term consultants across various major offices; and the use of the online booking tool for all travel from Geneva within Europe. These changes were aimed at reducing costs, increasing policy compliance, and increasing cost awareness among travellers and budget managers.

31. Duty travel expenditure in 2016 amounted to US\$ 201 million globally, which represents a reduction of 14% when compared to the previous year. This is mainly the result of a decrease in the average cost per trip and a reduction in the cost of airline tickets.

32. Further changes were introduced to the travel policy in February 2017. These include: the requirement to escalate late travel requests at the regional and country office levels to the directors of administration and finance in the regions; the tightening of travel plan requirements; and the improvement of procedures pertaining to policy compliance for travel claims. Other changes to be adopted later in the current biennium, such as the introduction of a preferred hotel programme for the top 15 duty travel destinations and the expansion of the online booking tool to include certain destinations outside of Europe, are expected to lead to significant cost savings on per diem and transaction processing costs.

33. The Secretariat's commitment to further contain costs in this area and achieve a greater value for money will continue in 2017.

OUTCOME OF INVESTIGATIONS

34. With regard to the investigations described in the report of the Internal Auditor for the calendar year 2016, the Secretariat confirms its commitment to timely action and would like to provide the following update on the outcome of the investigations.

35. Out of the 14 investigation reports issued by the Office of Internal Oversight Services in 2016, five gave rise to disciplinary action and the imposition of disciplinary measures. In the two cases involving fraudulent claims to the Staff Health Insurance scheme (IR2016/12 and IR2016/13), the staff members were dismissed. The same sanction was imposed on a staff member who failed to comply with the provisions contained in the policies and procedures governing resource mobilization when requesting a donation in his personal capacity (IR2016/9). A staff member was summarily dismissed in the case involving fraudulent purchases of travel tickets, the unauthorized use of WHO assets and falsification of the signature of WHO officials (IR2016/10). In the case involving a high number of telephone calls certified as official but which were actually made to a family member of the staff member in question and to external recipients whose identities were not disclosed by the staff member, in view of the facts, and the staff member's lack of cooperation with the investigation, dismissal was imposed (IR2016/4). In one case (IR2016/14), the staff member was charged with misconduct and the decision on the disciplinary measure will be made when the disciplinary procedure is completed.

36. In three cases (IR2016/1, IR2016/2 and IR2016/11), the staff members decided to resign from the Organization or to take early retirement pending completion of the investigation or before the disciplinary proceedings were concluded. Disciplinary measures could not be imposed in those cases.

However, these staff members were informed that they would not be permitted to work with WHO in the future under any contractual modality. In addition, where appropriate, recoveries of undue payments were processed from their separation entitlements.

37. In five cases, no disciplinary action was initiated. In case IR2016/8, the allegations were found to be unsubstantiated, and the staff member who was the subject of the investigation was informed that all the charges had been dropped. In case IR2016/5, it was found that the allegations raised were not corroborated and, in particular, no recruitment irregularities had occurred. In case IR2016/7, the staff member was issued a non-disciplinary reprimand under Staff Rule 1115. In case IR2016/3, the Director-General decided to close the case on procedural grounds. In case IR2016/6, the Global Advisory Committee on future actions in harassment complaints reviewed the findings of the Office of Internal Oversight Services and recommended that the case be closed with no further action, a solution that was endorsed by the Director-General. The staff member involved has pursued the matter through the internal justice system.

38. Since 2014, the Secretariat has been publishing an annual circular informing staff members of concluded disciplinary proceedings. This circular raises awareness of standards of conduct and of action taken by the Administration to address violations of such standards. The circular on the disciplinary cases concluded in 2016 was published in April 2017.

ACTION BY THE HEALTH ASSEMBLY

39. The Health Assembly is invited to note the report.

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