Report of the External Auditor

Report by the Director-General

The Director-General has the honour to transmit to the Seventy-first World Health Assembly the report of the External Auditor on the financial operations of the World Health Organization for the financial year ended 31 December 2017 (see Annex).

ANNEX

Republic of the Philippines
COMMISSION ON AUDIT
Quezon City

Report of the External Auditor
to the Seventy-first World Health Assembly
on the Financial Operations of the
World Health Organization

For the Financial Year Ended
31 December 2017

REPORT OF THE EXTERNAL AUDITOR
TO THE SEVENTY-FIRST WORLD HEALTH ASSEMBLY
ON THE FINANCIAL OPERATIONS OF
THE WORLD HEALTH ORGANIZATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Contents

LIST OF ABBREVIATIONS

AFRO	Regional Office for Africa
AM Award Manager AMG	Asset Management Group
AMRO	Regional Office for the Americas
AR	Adjudication Report
BC	Budget Centre
CIO	Chief Information Officer
CIP	Construction in Progress
CISO	Chief Information Security Officer
CO	Country Office
CPPC	Corporate Procurement and Policy Coordination
CRE	Compliance, Risk Management and Ethics Office
DFC	Direct Financial Cooperation
DI	Direct Implementation
EB	Executive Board
ECM	Enterprise Content Management
EMRO	Regional Office for the Eastern Mediterranean
FAM	Fixed Asset Module
FAR	Fixed Asset Register
FCFS	Final Certified Financial Statements
FNM	Department of Finance
GEM	Global Engagement Management
GES General External Service GHR	Global Human Resource, Global Service Centre
GHRA	Global Human Resource Administrator, Global Service Centre
GHR CO	Global Human Resource Certifying Officer
GIMS	Global Inventory Management System
GPL	Global Procurement and Logistics
GSC	Global Service Centre
GSM	Global Management System
GSMT	Global Management System Transformation
HQ	Headquarters
HR	Human Resources
HRD	Department of Human Resources Management
IARC	International Agency for Research on Cancer
ICC	United Nations International Computing Centre
ICF	Internal Control Framework
ICT	Information and Communication Technologies
IEOAC	Independent Expert Oversight Advisory Committee
IMT	Department of Information Management and Technology
IOS	Office of Internal Oversight Services
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
IT	Information Technology
ITT	Information Technology and Telecommunications

LoR	Letter of Representation
LTA	Long Term Agreement
MOH	Ministry of Health
OSS	Operational Support Services
PAHO	Pan American Health Organization
PMO	Project Management Office
PO	Purchase Order
PP&E	Property, Plant and Equipment
PR	Purchase Requisition
PSC	Property Survey Committee
SCCM	System Center Configuration Manager
SEARO	Regional Office for South East Asia
SHI	Staff Health Insurance
SIC	Statement of Internal Control
SMART	Specific, Measurable, Attainable, Realistic, Time bound
SOP	Standard Operating Procedure
USD	United States Dollar
WCO	WHO Country Office
WFS	WHO Fleet Services
WHA	World Health Assembly
WHO	World Health Organization
WPRO	Regional Office for the Western Pacific
WR	WHO Representative

EXECUTIVE SUMMARY

Introduction

1.   The report of the External Auditor on the audit of the financial statements and operations of the **World Health Organization (WHO)** is issued pursuant to Regulation XIV of the Financial Regulations of WHO and is transmitted through the Executive Board to the Seventy-first World Health Assembly (WHA).

2.   This is the second long-form report to the World Health Assembly by the Chairperson of the Commission on Audit of the Republic of the Philippines, under a new mandate as the External Auditor of the WHO for the four-year period from 2016 to 2019, granted by the Sixty-eighth World Health Assembly under resolution WHA68.14.

3.   The objective of the audit is to provide independent assurance to Member States, increase transparency and accountability in the Organization, and support the objectives of the Organization's work through the external audit process. We have detailed in this Report the financial and governance matters that we believe should be brought to the attention of the World Health Assembly.

Overall result of the audit

4.   In line with our mandate, we audited the financial statements of WHO in accordance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board.

5.   We concluded that the financial statements present fairly, in all material respects, the financial position of WHO for the financial year ended 31 December 2017, and its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts are in accordance with the International Public Sector Accounting Standards (IPSAS). Based on our conclusion, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2017.

6.   We also concluded that the accounting policies were applied on a basis consistent with that of the preceding year, and the transactions of the WHO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements were, in all significant respects, compliant with the Financial Regulations and legislative authority of the WHO.

7.   In addition to the audit of financial statements (at HQ and GSC), we also conducted audits of the Regional Office for the Western Pacific (WPRO) and the WHO Country Offices (WCOs) in Angola, Egypt, Indonesia, Kenya, Lao People's Democratic Republic and Nepal. Moreover, to add value to WHO's financial management and governance, we reviewed the fixed asset and inventory management, as well as the travel management and the activities leading to the issuance of the 2017 Statement of Internal Control. The results of the audit on these areas were communicated to WHO Management and are incorporated in this report.

Key audit findings

8.   The most significant observations resulting from our audit are briefly summarized as follows:

On financial transaction processing and recording

(a)   We observed that the hardcoding of expenditure enhancement in the Purchase Requisition page of the GSM completed in December 2017 will facilitate the capture of the correct expense account code. However, as the enhancement was implemented in December, misclassifications were still noted during the audit. For procurement processing, gaps on non-compliance with prescribed parameters in the preparation of Adjudication Reports (AR) were observed. Regarding payment processing of staff rental entitlements, a weakness on the control design of rental payment verification at the point of transaction capture was noted.

On Voluntary Contributions

(b)   We noted that of the ending balance of voluntary contributions receivable of USD 1291 million at 31 December 2017, USD 135 million had been entered as receivable for more than 360 days. USD 101 million of this amount was due to the payment terms of the donor agreements. Much of the remaining USD 34 million was due to the delayed submission of reports to the Donor that should be addressed at the level of the Award Manager as part of its monitoring, collection and reporting responsibilities. Thus there is a need to strengthen the award management role.

On direct financial cooperation (DFC)

(c)   We determined that despite a decrease of 42% in overdue DFC reports from 738 in November 2016 to 430 in February 2018 (which is the lowest ever recorded level of outstanding reports), there still remained a total of 430 overdue reports that we deem significant. The persistence of the overdue reports was observed across the country offices that we visited where at one instance we noted DFC approvals despite the presence of outstanding DFC reports. The root cause of conditions such as this has to be addressed by WHO so that the appropriate strategies and interventions are applied thereon.

On Fixed Asset and Inventory management

(d)   We observed that better synergies must be achieved by the Organization for it to manage its fixed assets and inventories on a global scale more effectively. The guiding Standard Operating Procedures (SOPs) on managing its assets and inventories have to be clarified further to pinpoint accountabilities particularly the financial reporting function. Further, the functions of the Asset Management Group (AMG) still remain unclear as to its role in global asset and inventory management. In the area of vehicle management, we found that the WHO Fleet Services (WFS) initiative holds much promise in the effective and efficient management of the Organization's vehicle fleet but the pilot test implementation of the initiative was put on hold, causing protractions and additional cost. As to the end-user IT equipment management, we observed improvement opportunities in various stages of the asset's life cycle particularly on procurement, deployment and usage including the flow and availability of asset information for the management of the IT assets across the Organization.

On Statement of Internal Control (SIC)

(e)   We determined that the SIC initially issued by the WHO in 2016 had a few areas for improvement: WHO had not formally established an enabling policy and structure in the use of the Statement (a Risk Committee is now formally established); some disclosures in the Statement could be enhanced; and, the documentation of evidences and tools supporting the production of the SIC such as the Letter of Representation (LoR) could be strengthened. Most of these issues were incorporated in the 2017 SIC – refer also to improvements noted under paragraphs 28–30 below.

On travel management

(f)   We noted that the changes made on the WHO eManual relating to official travel were not yet incorporated in the existing Travel SOPs. We further noted that eManual updates were required for Information Note 07/2017 relating to duty travel approvals. For effective communication, the complexity brought about by the large number of SOPs can be simplified through the creation of a single electronic document linked to the related WHO rules. As regards the Organization's commitment to environment sustainability, we observed that the policy is already outdated and lacks consistency and authority for implementation. We also determined that the related policies in the eManual and SOPs do not define and specify circumstances that constitute emergency travel.

On regional and country offices operations

(g)   We observed several gaps along several operational processes in the regional and country offices we visited. These gaps include: (a) overdue reports in direct implementation projects; (b) absence of procurement plans; (c) presence of high post vacancy rates in offices and less-optimal workplan objectives in some WCOs; (d) non-adherence to prescribed period on travel request approval; (e) non-issuance of Declaration of Receipt of assets; (f) incorrect or inconsistent identification of task status in the Top Task Technical Monitoring Reports for projects; and (g) delayed submission of reports to donors. In the area of risk management, we observed in six offices that the identified risks were not completely described in their respective Risk Registers and that risk management competencies need to be enhanced further.

Summary of recommendations

9.   We provided recommendations which are discussed in detail in this report, the salient points of which are as follows:

    a.   Strengthen the award management requirements responsibilities to ensure that receivables are collected from donors on a timely basis;

    b.   Establish regular review of expenditure coding to ensure that the correct expenditure type is selected for fair presentation of the expenditure accounts in the financial statements;

    c.   Develop and implement a standard adjudication report template, and enforce use of the template across the Organization to ensure transparency in procurement;

d.   Strengthen the review and verification process for payment requests made by staff, and revisit the respective SOP to consider revision thereof to include the newly developed templates/checklists developed by the Global Human Resource (GHR) which will strengthen the controls in processing rental advance transactions;

e.   Continue the noted improvement in Direct financial Cooperation (DFC) policies and monitoring of the overall reduction in outstanding DFC reports, by addressing the root causes of overdue DFC reporting to ensure that these are mitigated through more effective strategies and interventions which enhance related accountabilities;

f.   Enhance the design of its SOPs for Inventory and Asset Management to increase their control value by clarifying accountabilities and ownership of the SOPs with the end-view of establishing distinct roles and responsibilities; reviewing and enhancing the roles and responsibilities of process owners; and incorporating asset/inventory management operational risks into the SOPs;

g.   Clarify the functions of the Asset Management Group (AMG) and improve controls through the separation of incompatible functions;

h.   Assess the current capacity of AMG and that of the other offices on the management of assets and inventory in all offices to ensure that they deliver their respective roles and responsibilities more effectively;

i.   Assess the WFS project collaboration barriers particularly its dependency with other internal delivery partners, and address any gap to ensure that the project proceeds without unnecessary impediment thereby assuring that vehicle management within the Organization is enhanced;

j.   Enhance WHO's end-user IT equipment management, through the Department of Information Management and Technology (IMT), AMG and the Corporate Procurement and Policy Coordination (CPPC) by: incorporating a requirement for justification and IMT approval for IT equipment procured outside of the standards set for better transparency and accountability; providing regular updates to business units on the age of IT equipment to support acquisition planning and decisions on IT replacement and purchases; standardizing the global software desktop configurations which shall be done at the manufacturer's site to further speed up the acquisition to delivery cycle time; and providing AMG with access to IMT mobile device management tools such as the System Center Configuration Manager (SCCM) and AirWatch to speed up the equipment verification;

k.   Investigate further the reasons for the exclusion from the 2017 reported fixed assets of some fixed asset items, as well as the inclusion of retired/disposed/donated items in the list of serviceable fully depreciated assets; and apply appropriate remediation strategies on the root causes identified;

l.   Prepare a sound policy and guidance on the preparation of the SIC that: defines its scope, framework and process to assess internal control effectiveness; provide the basis for conclusion and those charged to prepare the Statement; and ensure that it is communicated to those concerned and is appropriately monitored;

m.   Enhance WHO's travel policies and procedures by: aligning the provisions of the SOPs and Information Notes with the eManual to improve clarity of authority on staff travels; providing electronic link of the SOPs with all relevant travel policies to communicate guidance more efficiently; incorporating environmental considerations in its travel policy aligned with the United Nations Climate Neutral Strategy of 2007 to demonstrate its commitment and contribution to the reduction of UN climate footprint; and incorporating a provision in its travel policy of what constitute emergency travel to ensure application uniformity across the Organization, enhance transparency and clearly define the related accountabilities;

n.   Upgrade WHO's travel module infrastructure through better information technology support, from the point of travel planning and the monitoring of preconditionalities for official travels, through clear responsibilities for approvals to achieve optimal travel planning process and more effective travel plans; and

o.   Endeavour to prioritize the review and identification of Budget Centres with operational risks and take mitigation measures to ensure the adequacy of the supervisory and monitoring activities, thereby establishing that the specific control activities embedded therein function as expected and support the overall operating objectives of the offices.

Implementation of external auditor's recommendations in prior years

10.   We validated the implementation of External Audit recommendations contained in prior years' audit reports. We noted that of the 26 recommendations 15 (58%) have been implemented, 5 (19%) were closed as they were updated and included in this report, while 6 (23%) were still in progress.

A.   MANDATE, SCOPE AND METHODOLOGY

Mandate

11.   The Sixty-eighth World Health Assembly granted in May 2015 through resolution WHA68.14 a new mandate to the Chairperson of the Commission on Audit of the Republic of the Philippines as External Auditor of the WHO for the four-year period from 2016 to 2019. Regulations XIV of the Financial Regulations of WHO and the Appendix thereto elaborate on the terms of reference governing the external audit. The regulations require that the External Auditor report to the World Health Assembly on the audit of the annual financial statements and on other information that should be brought to its attention with regard to Regulation 14.3 and the Additional Terms of Reference.

Scope and objectives

12.   Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of WHO's compliance with Financial Regulations and legislative authority. The primary objectives of the audit are to provide an independent opinion on whether:

a.   the financial statements present fairly the financial position, the results of financial performance, the changes in net assets/equity, the cash flows, and the comparison of actual amounts and budget of WHO for the financial year ended 31 December 2017 in accordance with IPSAS;

b.   the significant accounting policies set out in Note 2 to the financial statements were applied on a basis consistent with that of the preceding financial period; and

c.   the transactions that have come to our notice or that we have tested as part of the audit complied in all significant respects with the Financial Regulations and legislative authority.

13.   We also carried out a review of WHO operations consistent with Financial Regulation 14.3 which requires the External Auditor to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls and, in general, the administration and management of WHO operations.

14.   Likewise, we conducted an audit on the financial statements and operations of the five WHO hosted entities, namely: the Joint United Nations Programme on HIV/AIDS (UNAIDS); the United Nations International Computing Centre (ICC); the International Agency for Research on Cancer (IARC); UNITAID; and the Staff Health Insurance (SHI) Fund. A separate report is issued to the governing body of these entities.

15.   Overall, the audit intends to provide independent assurance to Member States, increase transparency and accountability in the Organization, and support the objectives of the Organization's work through the external audit process.

Methodology and auditor's responsibilities

16.   We conducted our audit in accordance with the ISA. These Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The audit included examining on a test basis evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and the significant estimates made by WHO Management as well as evaluating the overall presentation of the financial statements.

17.   The risk-based audit approach was adopted in the audit of the financial statements. This approach requires the conduct of risk assessment of material misstatements at the financial statements and assertion levels based on an appropriate understanding of the entity and its environment including its internal controls.

18.   The auditor's responsibility is to express an opinion on the financial statements based on an audit. The audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free of material misstatement caused by fraud or error.

19.   With respect to the review of WHO operations based on our risk assessment, we focused on management control activities operating in offices, information and communication technology, and procurement strategy delivery. We also reviewed the implementation of risk management in the offices visited.

20.   During the financial year 2017, aside from the audit of the financial statements at headquarters (HQ), we also audited the offices of the GSC; the WPRO; and the WCOs in Angola, Egypt, Indonesia, Kenya, Lao People's Democratic Republic and Nepal. Moreover, to add value to WHO's financial management and governance, we reviewed the fixed asset and inventory management, as well as the travel management and the activities leading to the issuance of the 2017 Statement of Internal Control.

21.   This report does not include any comments on the financial statements of the Pan American Health Organization (PAHO)/the Regional Office for the Americas (AMRO), which is being audited by the Spanish Court of Audit. We placed reliance on their audit based on the Comfort Letter dated 15 March 2018. The Spanish Court of Audit informed us that their audit of 2017, thus far, did not detect any material errors, misstatements or any other matters that will adversely affect the audit opinion on the PAHO financial statements. They further informed us that they can only conclusively give assurance that there are no material misstatements, once the audit of the 2017 financial statements is fully concluded and have been certified. An unqualified audit opinion was also given on the 2016 annual accounts.

22.   We coordinated with the Office of Internal Oversight Services (IOS) on the planned audit areas to avoid unnecessary duplication of efforts, and to determine the extent of reliance that can be placed on IOS work. We also collaborated with the Independent Expert Oversight Advisory Committee (IEOAC) to further enhance our audit work.

23.   We continued to report audit results to WHO Management through audit observation memoranda and management letters containing detailed observations and recommendations. We issued 18 audit management letters to the WHO heads of offices and entities during the financial year 2017. The practice provides a continuing dialogue with Management.

B.   RESULTS OF AUDIT

24.   The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the World Health Assembly. The WHO Management was afforded full opportunity to comment on our audit observations. The recommendations provided to WHO Management are designed to support the objectives of WHO's mandate, and to help improve and add value to WHO's financial management and governance.

1.   GOOD PRACTICES IMPLEMENTED BY WHO MANAGEMENT

25.   We recognize and commend WHO for the following good financial management activities which enhanced the management of inventories, increased awareness on internal control, facilitated the reporting of expenditures, and ensures efficient implementation of established controls:

1.1   Global Inventory Management System

26.   The Global Inventory Management Inventory System (GIMS), recommended by the External Auditor to be established to manage inventories, is the new Global Management System (GSM) module through which WHO technical units and logisticians will order, receive and ship inventory items. Global roll-out for GIMS was conducted in 2017. It brings about, among others: a) management of warehouses integrated with Procurement and Finance; b) readily available global stock situation report; c) harmonized master items across the organization; d) semi-automated accounting entries; and e) IPSAS-compliant costing of the inventory balance.

27.   When the GIMS was rolled out, 80 users were trained in 48 warehouses in regions and countries reporting stockpiles. With GIMS installation and implementation, inventory transactions are recorded as they occur to ensure that stock levels are always up-to-date. It provides transparency of transactions to Technical Units and AMG as well as real-time visibility of stock levels across the Organization. Warehouses can check stock levels in other warehouses, which facilitates the exchange of items between warehouses and thus more efficient use of existing stocks.

1.2 Improvements in the 2017 Statement of Internal Control

28. As a result of our review of the SIC issued in 2016, we recommended to Management to improve the content and the evidences and tools supporting the SIC, such as the Letter of Representation and the ICF Self-Assessment Checklist, and provide capacity building to WRs and BC managers. The SIC that is appended to the 2017 financial statements already provided additional disclosures in the "scope of responsibility section"; included significant internal control issues resulting from reviews of the effectiveness of internal control; disclosed the significant internal controls issues reported by its External Auditor; provided mitigation strategies for significant control and risk issues; and enhanced its disclosures in the Internal Control Framework and risk management section.

29. The scope of the LoR was expanded to include the significant risks identified as a result of the assessment on the effectiveness of internal control; the Clusters and Regional Offices were required to keep documentary evidences to support review and verification process of LoRs; and the LoR preparation process was standardized to achieve more effective assessment of their internal controls. In the preparation of its ICF self-assessment checklist, Management integrated the WHO ICF internal control Principles; monitored and supported the collaboration and review processes among the WRs, BC Managers and their teams; enhanced the review process through better feedback; and checked the accomplished ICF self-assessment checklist against other relevant reports to identify inconsistencies. Capacity building of WRs and BC managers on governance mechanisms such as accountability, risk management and internal control was also provided to enhance their competencies thereby increasing the effectiveness of their assessment.

30. With the improvements made, the issuance of the SIC as an accountability and guidance document that communicates the state of internal control in WHO, affords the Director-General an opportunity to make assertions on the soundness of internal control pervading within the Organization, and enables the decision makers and oversight bodies to make meaningful assessments of the assurances contained therein.

1.3 Expenditure hardcoding enhancement

31. In 2016, the External Auditor recommended that Management fast track the implementation of the hardcoding enhancement in the Purchase Requisition (PR) page in the GSM and continue to provide guidance and relevant training to users in the light of the new process in assigning expenditure types in the GSM, to ensure capture of the correct expense account code for transactions. WHO completed the enhancement in December 2017. The enhancement facilitated the accurate recording and coding of expenditures.

1.4. Good practices in WPRO

32. We noted the efficient and consistent implementation of established controls in key business processes and compliance with WHO regulations and rules in WPRO and the Lao WCO. We recognize WPRO's efforts in DFC management and the related DFC assurance activities. While WHO as a whole is challenged by overdue DFC reports, which prompted WHO to adopt Direct Implementation as an alternative disbursing modality in lieu of DFC, and by the occurrence of overdue reports in DI, we noted that WPRO has no DI for the past two (2014–2015 and 2016–2017) bienniums but has no overdue DFC reports as at 31 December 2017. WPRO Management efficiently implemented the provision in the WHO eManual XVI.5.1 Paragraph 40 on Direct Implementation: "A DI Imprest Purchase Order (IPO) should only be initiated once it has been determined that other types

of standard contracts (e.g. DFC, APW, GES) are not possible." They find ways to support the Ministries of Health requests through other contracting mechanisms (regular Service POs in GSM) as recommended in the eManual; and hence zero DI. We were informed that it is a slight administrative burden on their part but it is an efficient way of implementing and applying WHO regulations and rules. We laud the work of WPRO Management along this area. WPRO's practice can be duplicated by other offices in WHO to address the challenges in DFC and DI.

33.   We also recognize WPRO's and the Lao WCO's work in other areas covered by our audit where we noted based on our audit tests, that overall, the monitoring and controls in place were consistent and effective in the areas of: (i) management of eImprest (cash bank transactions); (ii) management of procurement; (iii) management of duty travels; (iii) management of awards and (iv) reporting to donors. We noted that controls are operating satisfactorily along these business processes.

2.   FINANCIAL MATTERS

2.1   Audit of Financial Statements

34.   We concluded that the financial statements present fairly, in all material respects, the financial position of WHO for the financial year ended 31 December 2017, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. As such, we issued an unmodified opinion on the WHO's financial statements. The statements audited were as follows:

(a)   Statement I. Statement of Financial Position;

(b)   Statement II. Statement of Financial Performance;

(c)   Statement III. Statement of Changes in Net Assets/Equity;

(d)   Statement IV. Statement of Cash Flow; and

(e)   Statement V. Statement of Comparison of Budget and Actual Amounts.

35.   We appreciate the efforts taken by WHO Management to address a number of recommendations issued in the course of the interim and year-end audits of the WHO 2017 financial statements in order to present fairly the balances of the affected accounts and improve the presentation and disclosures in compliance with IPSAS. The financial statements for the period ended 31 December 2017 reflect the adjustments on the balances of the accounts affected, as well as the corrections and additions to the note disclosures.

36.   In addition, as required under WHO's Financial Regulations, we concluded that the accounting policies were applied on a basis consistent with that of the preceding year. Further, we concluded that the transactions of WHO that came to our notice during the audit or that were tested as part of the audit of the financial statements, were in all significant respects, compliant with the Financial Regulations and legislative authority of WHO.

37.   While we issued an unmodified audit opinion on the financial statements, we noted the following improvement opportunities which need to be made by Management to: (a) further improve financial transactions' recording, processing and reporting; and (b) ensure the fair presentation of the financial statements in the next reporting period.

2.2   Receivables – Voluntary Contribution

38.   Our examination of the Statement of Financial Position disclosed a receivable ending balance from voluntary contribution of USD 1291 million as at 31 December 2017, of which USD 1055 million is current and USD 236 million is non-current. We further noted that a total amount of USD 135 million, which is 13% current portion, was entered as receivable more than 360 days. Management explained that, of that amount, USD 101 million pertains to payment terms of donor agreements. Much of the remaining USD 34 million was due to the delayed submission of reports to the Donor that should be addressed through improved donor reporting.

39.   The WHO eManual and other related SOPs provide the responsibilities of the Award Manager (AM) which primarily include monitoring award implementation and ensuring timely submission of donor reports. However, our verification disclosed that the main cause for the non-collection of overdue accounts was the delayed submission of reports to the Donor which should have been addressed at the level of the AM who is responsible for monitoring and reporting implementation of the award and the collection of the outstanding balances. The Finance Officer further commented that receivables are monitored as required and that follow-ups are communicated to the AM for the collection of the amount due from the Donor.

40.   While we agree that the responsibilities of the AM as regards awards management and monitoring of receivables from Donors have been generally provided in a number of SOPs, nevertheless, the existence of a significant proportion of overdue accounts in the non-current balance of the voluntary contributions receivable account, warrants a revisit of said SOPs with the end of encouraging more specific and strict enforcement of the duties of the AM to ensure timely collection of receivables and compliance with the donor agreement.

41.   **We recommended that WHO strengthen the award management requirements to ensure that receivables are collected from the donors on a timely basis.**

2.3   Expenditures

2.3.1 Classification of expenses

42.   In 2016, we recommended that Management: (a) fast track the implementation of the hardcoding enhancement in the Purchase Requisition (PR) page in the GSM; and (b) continue to provide guidance and relevant training to users in the light of the new process in assigning expenditure types in the GSM, to ensure capture of the correct expense account code for the transactions in 2017.

43.   Thus, during the 2017 interim audit at the Global Service Centre (GSC), Malaysia, we checked on the implementation of the above recommendation. We still noted errors in 44 sampled transactions on the use of expenditure types (accounts) for procurement of goods and services. In this regard, we recommended that the necessary adjustments be made for the affected accounts during the closing of the books for 2017 and that the new system enhancement be completed. During the year-end audit at the HQ, we continued to validate the accuracy of recording. We noted 18 unadjusted POs with aggregate amount of USD 1.5 million.

44.   As follow-up to the action taken on the audit recommendations pertaining to the 2017 interim audit in GSC, we noted that corrections were made by Management at the HQ through their post facto assurance activity. Despite this endeavour of Management to address completely the issue, we still noted three remaining POs amounting to USD 739 000 erroneously charged.

45.   In sum, we confirmed that the system enhancement took effect in December 2017 and look forward to more accurate recording in 2018. Except for the remaining gaps discussed in the preceding paragraphs, expenditure types in all service procurement requisitions are already selected indirectly through service categories.

46.   **We recommended that WHO establish regular review of expenditure coding to ensure that the correct expenditure type is selected for fair presentation of the expenditure accounts in the financial statements.**

2.3.2 Adjudication Report (AR) for procurement

47.   An AR is a memorandum which describes the process undertaken to choose a contracting partner of the WHO, and demonstrates that it was a fair and objective process carried out in accordance with the WHO eManual requirements. The choice of the partners may be based on several factors, such as quality of work, cost of services, availability, reliability and ability to meet, or work within the set deadline which must be established clearly and completely by the procuring entity.

48.   We noted eight sample POs that were not prepared strictly in accordance with the requirement of SOPs. This gives a general impression that said requirement is not strictly complied with by the procuring units. It is emphasized that the AR is included in the validation matrix used as reference by the procurement officer in the review of the service requisition before a PO is issued. GPL confirmed that, while they validate availability of AR for service requisition of USD 15 000 or more, they do not validate the contents of the AR or challenge the decision of the requestor, since they do not have the technical capability to do so. The same was also noted during the audit of two Country Offices.

49.   This practice impacts on the regularity of transactions and runs counter to the Best Value for Money principle adopted by WHO on procurement. Specifically, the AR did not provide sufficient information as to how the contracting partner was chosen, how the fee or cost was calculated, and how reasonable the fee is compared to the same item in the open market. Thus, this practice does not ensure transparency of the procuring entity as to the foregoing factors in their procurement.

50.   **We recommended that WHO develop and implement a standard Adjudication Report template, and enforce use of the template across the Organization to ensure transparency in procurement.**

2.3.3 Processing payment of staff entitlement

51.   Review of the Staff Cost transactions particularly rental payment processed by the HR at GSC disclosed an error in processing the claim for rental advance by one staff member in July 2017. The incident emanated from an error committed by the staff member when he entered the USD currency instead of the local currency or the currency as agreed in the lease agreement between the staff member and lessor. The error went undetected through three levels of review from the HR Entitlement Specialist/National Officer at the regional level; Global Human Resource (GHR) Administrator (GHRA); and GHR Certifying Officer (GHR CO). Had it not been detected and corrected by the Payroll Administrator, it would have caused the Organization to incur an overpayment of USD 2.411 million for just one staff.

52.   GHR admitted the error and to avoid occurrence of the same incident, GHR mentioned that a new checklist was developed for rental advance. Said checklist requires additional cross verification at checker level to verify the amount and currency of the transaction, versus the amount and currency

agreed in the lease agreement. The requested amount should not be greater than the amount specified in the lease agreement.

53.   **We recommended that WHO strengthen the review and verification process of payment requests and revisit the respective SOP to consider revision thereof to include the newly developed templates/checklists developed by GHR which shall strengthen the controls in processing rental advance transactions.**

2.4   Direct Financial Cooperation

54.   DFCs directly contribute to the achievement of WHO's objectives. As a mechanism to achieve the intended results of a given strategic objective of the Organization, the reporting of programme results delivered through DFCs deserves equal importance as the financial delivery and expenditures accountability. The Organization incurred expenditures amounting to USD 151.585 million in 2017 which is 25% lower than last year's expenditure of USD 203.695 million.

55.   At the onset, we noted a 42% decrease in overdue DFC reports from 738 in November 2016 to 430 in February 2018 primarily due to significant reductions of overdue reports in the African Region. In addition, strengthened post facto assurance activities conducted by Management have assisted in improving the timeliness and quality of reporting. Nevertheless, the 430 overdue reports in February 2018 remain significant. This condition was confirmed in the audit conducted in three WCOs.

56.   The delivery of DFCs including the required reports is critical to the preservation of the Organization's reputation as underlined by its responsibility to report back to Member States and other stakeholders. It bears emphasizing that, while the 430 overdue reports registered for 2017 is a marked improvement from the previous years, the figure still calls for better coordination, monitoring and even direct intervention due to the institutional risks involved. To a lesser degree, the occurrence of delayed submission of DFC reports also calls for better monitoring from all levels of the Organization because if delays remain unchecked, they will result to undelivered reports.

57.   **We recommended that WHO continue the noted improvement in DFC policies and monitoring the overall reduction in outstanding DFC reports, by addressing the root causes of overdue DFC reporting to ensure that these are mitigated through more effective strategies and interventions which enhance related accountabilities.**

3.   GOVERNANCE MATTERS

58.   For an organization to achieve its operating objectives, it must ensure that the delivery of its governance as magnified through three cornerstones of Accountability, Risk Management and Internal Control is at the optimum. Essentially, the realization of an organization's aspirations flows from how authorities are established and how internal controls are designed to manage risks. Given that governance can be an amorphous concept, it could be appreciated better if it takes on a more concrete shape through risk management activities and risk controls residing across processes. During 2017, we reviewed the critical areas of assets and inventory management, the production of WHO's Statement on Internal Control, Travel Management and several Regional and Country Operations with the end-view of assessing how the risk control mechanisms put in place, through policies and procedures, are influenced by the overall governance arrangements within a given office or the Organization itself. Such review is aligned with our mandate under Regulation 14.3 of WHO's Financial Regulations. The succeeding discussions highlight the results of our review.

3.1 Assets and Inventory Management

59.   The protection of WHO's assets and imposition of accountability in the use of these assets are explicitly highlighted in its Accountability Policy where *Financial and Asset Management* is considered as one of the defined main pillars. This pillar profoundly declares the responsibilities of the Organization's staff and managers in safeguarding assets entrusted to them which includes the effective, efficient and economical use of financial resources. It is thus vital for WHO to have an asset and inventory management system that establishes synergy between finance and accounting, logistics and operations as well as information system technology. Greater emphasis therefore must be placed by WHO on accountability and control practices and procedures to ensure that its assets and inventories are better managed to support the achievement of organizational objectives and planned results. Our review of this management area is also anchored on these pronouncements, the results of which are discussed in the succeeding paragraphs.

3.1.1 Standard Operating Procedures for Asset and Inventory Management

60.   The use of SOPs by WHO in asset and inventory management is rooted in its primary accountability for the safekeeping of its assets and the effective, efficient and economical use of its resources. Effectively, SOPs have become the logical extension of WHO's entity-wide risk management environment.

61.   We observed however, that the SOPs, while owned by the Operational Support Service (OSS), generally contain shared responsibilities and accountabilities between OSS and FNM. This is particularly evidenced by the Document Specifications portion of the SOPs where activities were either authored or approved by OSS and/or FNM. Further, we noted that SOPs on Inventory/Asset Management mainly provide clarifications on the application of IPSAS in reporting the assets in WHO's Financial Statements.

62.   We also noted that the SOPs only recognize risks that directly relate to Financial Statement Misstatement Risks. The same SOPs also detail the activities involved in the management of assets and before any asset information is translated into financial information. It has to be recognized that a number of risks such as obsolescence and asset loss are also of vital importance to any asset management process. The SOPs also need to further clarity the specific roles and responsibilities of each process owner which have to be defined in a more logical sequence prepared in a standard format.

63.   At their most fundamental level, SOPs are used to communicate and control. Similarly, WHO's SOPs on asset and inventory management are designed to specifically provide control and guidance to process owners to achieve uniformity and increase process efficiency and effectiveness. Specifically, SOPs are expected to communicate the: (a) risk control objectives effectively, (b) established authority and duties in accordance with the Organization's criteria, (c) segregation of incompatible duties, (d) access restriction and controls, and (e) authorization to changes in the processes. With SOPs also being used to measure performance, these must be accurately and clearly written to achieve the expected value so that risks of process inefficiency and performance gaps are mitigated.

64.   **We recommended that WHO enhance the design of its SOPs for Inventory and Asset Management to increase their control value by:**

    a.   clarifying accountabilities and ownership of the SOPs with the end-view of establishing distinct roles and responsibilities for both the OSS and FNM Departments;

b.   reviewing and enhancing the roles and responsibilities of process owners defined in each of the SOPs and ensuring that the process steps follow chronological sequencing to support root-cause review of process delivery; and

c.   incorporating asset/inventory management operational risks into the SOPs to completely guide the process owners and enhance understanding of their roles and responsibilities in relation to financial statement misstatement risks.

3.1.2 Functions of the Headquarters' Asset Management Group

65.   The WHO headquarters' asset and inventory management function is assigned to AMG under OSS. The defined functions of AMG include the receipt and registration of goods in GSM, including: review of customs clearance documents; annual verification of HQ fixed assets (equipment); recording details of HQ lost, stolen and missing equipment including submissions to the HQ Property Survey Committee (PSC); tracking and financial reporting of Construction-in-Progress; and tracking and financial reporting of the value of Intangible Asset projects in progress and those completed, among others. Apart from these, we also noted that AMG delivers vital responsibilities such as: (a) global financial reporting of WHO Fixed Assets and Inventory, including management of the GSM Fixed Assets Module; and (b) acting as focal point for GSM Fixed assets module support and advice, including support to Regions and data control of new fixed assets in the GSM.

66.   We observed that there is need to improve the organizational structure and function of the AMG based on roles and responsibilities, and business processes performed. On *roles and responsibilities*, we noted that certain financial transactions disclose inadequate separation of duties where AMG staff performs both asset handling and disposition, as well as recording of transactions which properly belongs to the financial reporting functions of FNM. Moreover, the current work arrangements within AMG in terms of its financial reporting function do not permit effective monitoring and review. As regards the *Business Processes* parameter, we observed that the business processes delivered by AMG is a mix of administrative work and financial reporting activities although the latter is not included in the defined objectives of OSS. The business process of financial reporting actually constituted the majority of AMG's work load from 2012 to 2017 due to IPSAS implementation, and had made its functions more complex.

67.   As part of its mandate to provide responsive managerial and administrative services, and global policies relevant for all regions, and to promote an efficient and collaborative working environment, we observed that AMG delivered its mandate not just within the limits of the HQ operations but also globally with particular significance placed on supporting the Organization in producing the IPSAS-compliant financial statements. With the global role that AMG plays, it is thus implied that it must also be capacitated to perform the task more effectively and efficiently. With limited human resources to fulfil the need to provide global support, the AMG's mandate must now be clarified further.

68.   The aforementioned gaps suggest that the organizational structure dictates the relationship of roles and responsibilities in an organization and how people function, so that when not managed properly, may result to ambiguity and lack of accountability. More than these however, information flow and decision rights drive the functioning of the concerned Departments to a large degree. The relationship between functions has to be made explicit and distinct so that accountabilities are clear and reporting lines are made simple.

69.   **We recommended that WHO:**

    a.   **clarify the functions of AMG to enhance accountability as well as performance monitoring, and improve controls through the separation of incompatible functions; and**

    b.   **assess the current capacity of AMG and that of the other offices on the management of assets and inventory in all offices to ensure that they deliver their respective roles and responsibilities more effectively.**

3.1.3 Vehicles Management

70.   We noted that as at 31 December 2017, the Organization had in its fleet a total of 2019 vehicles with a total value of USD 15.917 million with AFRO having the most number at 1048, followed by SEARO at 459 and EMRO with 382 in its fleet. With these fleet figures, a policy aimed at promoting effective management and accountability for vehicles is needed. We observed however, that the eManual does not include such a policy, so that the Regional Offices crafted their own policies on vehicle management with varying components depending on their needs.

71.   Realizing the need for a strategic direction, vehicle management within WHO was re-shaped and renewed starting 2016 when an assessment of the Organization's prevailing fleet management practices was conducted. The assessment results revealed poor management and control of vehicle movement impacting on the achievement of WHO's mandate, staff safety and asset management in general. The assessment also highlighted *cost management inefficiency due to lack of controls and an ageing fleet.* In response, WHO put in place the mechanisms needed to manage its vehicle fleet globally through the WHO Fleet Services (WFS) project. We were informed that WHO and the Fleet Forum were to pilot the implementation of the fleet management business model in the African and Eastern Mediterranean regions which was supposed to start in July 2017. An estimated USD 310 000 was reportedly incurred for this initiative from July 2017 up to March 2018.

72.   Based on the WFS initiative timeline and milestones, we determined that there are still 12 main activities planned for the years 2017 and 2018. We also noted that the principal milestones of WFS Preparation were already delivered except for the implementation of the first pilot countries within the African Region. We were informed that the delay to start the pilot countries was due to the need to complete work to improve the overall fixed asset management, which has been a major priority across all country offices in the region, and involving the same staff as will be working on the fleet management project implementation. The WFS Project Manager informed us that the African Region countries pilot implementation was originally planned for 1 April 2018 but this was now subject to 2 to 3 months delay due to the above resourcing constraint. It is clear from the project plan that, for the succeeding activities to proceed without impediment, adjustments have to be made in the business model based on the results of the pilot tests and the overall delivery of the project's product globally.

73.   The Organization's vehicles are dispersed across several locations with concentration in three regions. Part of the challenges inherent to this type of assets with multiple locations is how to make the management of the same efficient and effective. Two main goals, therefore, can be deduced from these challenges, i.e., to make the planning, execution and operations rule-based, conducive and supportive to the Organization's operations; and to save time and improve operational efficiency. Coordination and enterprise-wide management of these assets are thus of vital significance. While the delivery of the WFS initiative competes for resources and attention with other initiatives, it must be made to work within a wider perspective with the top management needing to keep strong links where the change is supposed to happen and how the initiative is supposed to work with the existing realities.

74.   **We recommended that WHO assess the WFS project collaboration barriers particularly its dependency with other internal delivery partners, and address any gap to ensure that the project proceeds without unnecessary impediment thereby assuring that vehicle management within the Organization is enhanced.**

3.1.4 End-user IT Equipment Management

75.   We noted that WHO has currently in its possession roughly 9000 units of end-user Information Technology (IT) equipment deployed globally with 10 750 users. This makes the management of the asset's life cycle crucial as the related inventory management is highly dependent upon the established context that involves decision centres such as procurement, deployment, usage and retirement of the asset. To optimize the management of the IT assets including its software licensing agreements, building a replacement or upgrade plan for hardware, involve a decision which can be costly to the Organization. Planning this decision early in the life cycle can eliminate the decision traps later in the asset life cycle.

76.   In the first phase of an IT asset life cycle which is *procurement*, we observed that when a WHO IT equipment is procured, the product standards were usually satisfied by suppliers that have Long-Term Agreements (LTAs) with WHO. Our inquiry however revealed that there were procurements of IT assets that were not within the standards set. We also noted that procurement requests were not validated against a procurement plan in the absence of the latter which are supposed to have been prepared by the business units. IMT informed that it updates on an ad-hoc basis the business units on the age of their IT equipment to help technical units plan replacement and purchases. We also gathered that delivery by the supplier of IT equipment procured can run up to three weeks.

77.   In the second phase of the asset life cycle or *deployment,* which is done at the WHO premises, we determined that when IT equipment is deployed, the system is updated with relevant data such as location, responsible staff in the Organization, vendor, warranty, and other data that will be useful in managing the asset including its configuration. Basically, it takes a few hours to perform the arrangements, but it adds a day or two to the entire delivery process, and requires resources. The process increases the down time in the productive use of the acquired asset which can be improved if the configuration is done at the manufacturer site and standardized. The standard configuration will aid visibility of all IT assets globally and can have many benefits, such as WHO standardized interface for all users, better support, compatibility with global applications and improved security, among others.

78.   The third phase is the *usage of the asset in operations*. In this phase, equipment verification and tracking are performed. We noted that IMT has software applications such as the System Center Configuration Manager (SCCM) and AirWatch that can facilitate verification of inventory and at the same time protect IT equipment and minimize the chances of a data breach. We were informed however, that AMG manually verifies the IT equipment with their custodians in the business units based on the data from the Fixed Assets Register. Nevertheless, it is our view that the process of stock verification can be improved and hastened, if AMG is given access to the SCCM and AirWatch or IMT reports to AMG, within a longer lead time.

79.   To manage the above complexities, IMT had recently prepared the Equipment Change and Life cycle Policy that establishes standards for the physical management of technology assigned to authorized users, and guidelines to promote efficiency and security in the use of WHO IT equipment. It is our view that the policy has to be enhanced for it to answer the IT equipment management realities within the Organization. Moreover, inherent to the management of IT equipment is a

significant risk on an entity's: (a) inability to track the asset life cycle data and not being able to link these to the financial system; and (b) exposure to vulnerabilities of misinformation and the inability to retain maintenance data. A complete view of all IT assets across the Organization and the overall platform is thus vital in the management of these assets and in the promotion of innovation.

80. **We recommended that WHO enhance its end-user IT equipment management, through IMT, AMG and Corporate Procurement and Policy coordination (CPPC), by:**

    a. **incorporating a requirement for justification and IMT approval for IT equipment procured outside of the standards set for better transparency and accountability;**

    b. **providing regular updates to business units on the age of IT equipment to support acquisition planning and decisions on IT replacement and purchases;**

    c. **standardizing the global software desktop configurations which shall be done at the manufacturer's site to further speed up the acquisition to delivery cycle time; and**

    d. **providing AMG with access to IMT mobile device management tools such as the SCCM and AirWatch to speed up the equipment verification.**

3.1.5 Physical assets verification process and reporting

81. The provisions of the SOPs require that during the year a physical verification should be conducted in the Regional Office (RO) and all WCOs within a Region to ensure: (a) that WHO equipment registered in the Fixed Assets Module (FAM) is still in use, kept in reserve awaiting future use, or in storage awaiting disposal; and (b) that equipment reported as missing, lost, stolen or damaged are updated therein, among others. The same SOP prescribes that *the result of verification is updated in the GSM by the concerned RO/CO including the retirement of assets lost, stolen, destroyed, unable to be located, not to be used again, to be disposed of or sold/auctioned/donated, or kept in storage for eventual disposal.*

82. In our review of the 2017 actual physical verification reports prepared by various WHO offices, we noted in the physical verification report of the WCO in Nigeria that from reported assets amounting to USD 277 084 there were 18 excluded fixed asset items carrying a value of at least USD 100 000 for which exclusions were not supported with justification. We further observed that in the physical verification reports of various WCOs in the African Region there were 28 fixed asset items that were retired/disposed/donated, but still included in the reported serviceable fully depreciated equipment totalling 3339 items.

83. While we take note of the Management's representation that compared to prior years, significant improvements were made in the conduct of physical inventory and in the subsequent updating in GSM for all WHO offices, we highlight the fact that the asset information flow from the point of capture still needs to be more incisively analysed and monitored particularly in the ROs and WCOs so that existing controls can still be improved.

84. **We recommended that WHO investigate further the reasons for the exclusion from the 2017 reported fixed assets of some fixed asset items, as well as the inclusion of retired/disposed/donated items in the list of serviceable fully depreciated assets; and to apply appropriate remediation strategies on the root causes identified.**

3.2   Statement of Internal Control

85.   The SIC depicts how internal controls are embedded, monitored and improved in the Organization in relation to the defined risk management and accountability practices. The SIC however, can only deliver its expected value if it is a result of well-structured and established policies and processes that are reflective of the reality. To support its production and further enhance its value, the SIC must also explicitly highlight internal controls that need further improvement to effectively mitigate the assessed risks and achieve better transparency and accountability. For the Statement to be reflective of the reality, it must be evidence-based, the details of which have to be culled from other tools used for the purpose. Our review of WHO's production of the 2016 SIC appended to its Financial Statement is aligned to these basic tenets and conducted along three main areas, namely: enabling policies and guidance supporting its production, its contents, and the tools and practices that provide the evidence.

3.2.1 Enabling policies and guidance on SIC

86.   We observed that WHO had not formally established standard operating policy to define the roles and responsibilities in the production of the SIC and the basis for conclusion on the effectiveness of internal control within the Organization. Management confirmed that *no document is currently existing* that details all the policies and processes in the production of the SIC or the roles, responsibilities and accountabilities of those charged with its preparation, or the linkages and reporting lines. Accordingly, we were informed that the SIC was prepared with the close involvement and knowledge of FNM, the Compliance, Risk Management and Ethics Office (CRE), and the Office of Internal Oversight (IOS) on the status of the internal control framework. Management stressed that all processes leading to its preparation were existing though not formally documented.

87.   In order to establish clear accountabilities, the preparation of the SIC should be founded on concrete grounds which ensures clarity of its basis and the responsibilities for its preparation. The enabling policy and guidance will also create a trail to aid the users of the SIC in understanding how it is produced as well as guide the oversight bodies in defining their expectations.

88.   **We recommended that WHO prepare a policy and guidance on the preparation of the SIC that: defines its scope, framework and process to assess internal control effectiveness; provide the basis for conclusion and those charged to prepare the Statement; and ensure that it is communicated to those concerned and is appropriately monitored.**

3.3   Travel Management

89.   Travel is fundamentally linked to the way WHO delivers its mandate. As an inherent activity to the overall functioning of the Organization, managing official travels thus becomes crucial as its cost is one of its largest controllable expenses. The total travel cost incurred in 2017 was USD 201.9 million (USD 200.3 million in 2016) which is approximately 8% of the total expenses incurred during 2017.

3.3.1 WHO Travel Policy Framework

90.   Official travel in WHO needs to be flexible and reactive owing to its dynamism particularly those inherent to emergency operations. It therefore crucial that the policies pertaining to travel be made robust, complete and clear for there to be more effective guidance and control across the Organization, and at the same time enhance accountability and governance.

91.   We noted that there are 19 SOPs in WHO relating to Travel Management, excluding the Information Notes issued. We also observed that the changes made on the WHO eManual relating to official travel were not incorporated in the existing Travel SOPs. Moreover, Information Note 07/2017 relating to duty travel approvals was noted to be inconsistent with those set out in the WHO eManual. The complexity brought by the large number of SOPs can be minimized through the creation of a single electronic document that is linked to the related WHO rules for more efficient information communication.

92.   Related to WHO's commitment to environment sustainability, we determined that the Secretariat committed to reduce travel costs and the impacts of its travels through an Information Note released in 2010. Said policy is however already outdated and lacks consistency and authority for implementation. We also noted that the requirement of a provision for reduction of CO_2 emissions is not included in the changes to travel policy as reflected in the eManual that could have enabled the Organization to track and determine how travel patterns evolve as a result of the policy. All of these point toward the paramount importance of WHO's conformance with the United Nations Climate Neutral Strategy of 2007. Moreover, while the Organization had already operationalized the use of premium economy class as an option for air travel, such must also be clear in its travel policy.

93.   We also note that the related policies in the eManual and SOPs do not define and specify the circumstances that constitute emergency travel. While the Organization's Emergency Response Framework (ERF) enumerates events for monitoring and possible response, such are not linked to emergency and other travel policies. Further, other programmes may require emergency travels but may not be necessarily covered under the ERF. A clear definition of emergency travel and the situations it encompasses, combined with policy criteria for the use of WHO resources, will strike a balance between allowing flexibility to respond quickly to varying crisis situations or to other equally important programmes, and maintaining control and accountability to stakeholders/donors for the use of such resources.

94.   **We recommended that WHO enhance its travel policies and procedures by:**

    a.   aligning the provisions of the SOPs and Information Notes with the eManual to improve clarity of authority on staff travels; and providing electronic link of the SOPs with all relevant travel policies to communicate guidance more efficiently;

    b.   incorporating environmental considerations in its travel policy aligned with the United Nations Climate Neutral Strategy of 2007 to demonstrate its commitment and contribution to the reduction of UN climate footprint; and

    c.   incorporating a provision in its travel policy of what constitute emergency travel to ensure application uniformity across the Organization, enhance transparency and clearly define the related accountabilities.

3.3.2 Travel Planning

95.   Travel planning is an essential activity in the overall administration of WHO's official travels. Its importance is highlighted in the eManual which provides that *to enhance planning and facilitate cheaper flight tickets, Travel Requests for international duty travel by air of staff must be fully approved not later than 14 calendar days before the date of departure, except when travel is organized in response to a recognised emergency event/programme*. It is further provided in the SOP that, to create a travel request from a GSM staff travel plan, the travel plan must be approved first.

Relative to this, we noted the declining rate of late travel requests, but we still observed an average 43% rate of exceptions from the set parameter. We also observed that the travel requests approved in GSM without a travel plan or with a travel plan that has not been approved, continue to pervade in the WCOs and even in some offices at Headquarters.

96.   Our test of the design of the travel plan functionality in the travel module in GSM proved that, it is not optimal and is designed as pre-approval of individual travels only, which is short of a responsive planning tool at both the department and cluster levels. We also observed that from a traveller's point of view, there seem to be a duplication of functionalities such that information already included in the approved travel plan must also be inputted separately into the travel request functionality and still needed to be re-approved through the standard travel request workflow. We further noted that the HQ Travel Unit is currently reviewing alternatives for more effective travel planning as it also sees the GSM travel planner as cumbersome and not fit for purpose. The Information Management and Technology Department (IMT) informed us that there is no current plan to enhance the travel plan functionality, but demonstrated its intention to address the concern soon.

97.   Travel plans do not only provide information on how much resources the Organization have to commit, but are also tools of accountability that serve as bases whether these travels, will provide recognizable contribution to the fulfilment of WHO defined strategic objectives. Travel planning is also an exercise that adds value to the information in the travel plans. Since the travel plan is a product of travel planning, the essential controlling mechanisms within the process have to be designed to achieve organizational objectives. The process, enabling rules and guidance, information technology used and commitment of the Organization to certain statutes, have to be concrete and complied with, particularly due to the (a) global spread of its offices and resulting wide span of control, and (b) need to closely equate travel cost with travel value.

98.   **We recommended that WHO enhance its travel module infrastructure through better information technology support, from the point of travel planning and the monitoring of preconditionalities of official travels, through clear responsibilities for approvals to achieve optimal travel planning process and more effective travel plans.**

3.4   Review of governance and management controls in regional and country offices

99.   How effective governance in WHO is translated into equally effective internal controls is deeply rooted in the accountability mechanism established through the internal operational mechanisms such as risk management and the internal control framework. These mechanisms ensure that risk management and control activities are appropriately designed and operating as expected; that rules, regulations, policies and procedures are adhered to; that information and communication infrastructures run unimpeded; and that performance, monitoring and reporting processes are assessed at the level expected. With these, there is an expectation that governance and operational control are dynamic and continuing processes.

100.   Aligned with these expectations, we have undertaken in 2017, a review of governance and internal control mechanisms put in place across critical management processes in WPRO, and the WCOs in Angola, Egypt, Indonesia, Kenya, Lao People's Democratic Republic and Nepal. The review was made particularly significant with the second issuance by the Organization of the SIC appended to its Financial Statements that declared a certain degree of assurance on its management controls. A Management Letter is issued to the heads of offices to inform them of the results of audit. The results of our review are summarized in the succeeding paragraphs.

3.4.1 Risk management

101.   We observed in six offices that the identified risks were not completely described in their respective Risk Registers owing to the absence of risk statement components such as risk indicators, causes and effects, thus compromising the quality of the risk information. We also noted that risk management competencies need to be supported with appropriate training and capacity building with particular attention on the use of the web-based Risk Management Tool and the ability to effectively identify risks. These gaps are critical as they mainly influence the crafting of risk mitigation strategies that eventually impact upon the design of controls to mitigate the risks.

102.   **We recommended that WHO enhance the quality of risk information in the Risk Registers of the regional and country offices through closer review of the reliability and relevance of the information, and provide further relevant technical support to its staff to advance their competency and, in general, improve their overall risk culture.**

3.4.2 Management controls

103.   Spread across a process, management controls constitute the first line of defence to combat risks and ensure that process outputs and outcomes are delivered as expected. These type of control come either in the form of a policy, or a monitoring activity that guarantee that the processes function, as expected. Our review of these controls embodies the objective of determining whether these are designed effectively and function as planned. Specifically, we have reviewed the management controls that were carried out in several critical management processes, the results of which are presented below.

> *3.4.2.1   Direct implementation:* We determined that this disbursement modality is used by WHO to address the issue of overdue reports in DFC. In 2017, the Organization incurred total expenditure of USD 258 million (USD 233 million in 2016). As of December 2017 there were 924 overdue DI reports. Three WCOs in Africa had the biggest number of overdue reports in 2016, while another three WCOs in the same region topped the list in 2017. WHO attributed the cause of some overdue reports to the political situation in said countries. Other gaps noted in two WCOs on DI include either commencement of activities prior to IPO creation, or commencement of activities simultaneous with the IPO creation date. In one WCO, there was no sufficient review control performed during the preparation of the DI report. In another WCO, there was non-segregation of incompatible functions in DI reporting, due to the absence of a programme manager responsible for the review. These weakened the control activities on direct implementation.

> *3.4.2.2   Project management:* We noted that the most prevalent gap among the WCOs is the incorrect or inconsistent identification of task status in the Top Task Technical Monitoring Reports. The Report serves as the monitoring tool of the implementing units as to the task and progress status of projects. Further, we also identified some Awards that were already expired but with unutilized amounts or open encumbrances. On a similar vein, we noted low rate of deliveries in several Awards in one WCO. As regards submission of reports to donors, we determined that four WCOs had delayed or overdue reports with one office registering the highest percentage of non-compliance where only one out 12 donor reports was submitted on time.

3.4.2.3 Cash management: We noted that in one WCO there were unidentified cash refunds reflected in its bank reconciliation. In another WCO, we determined that the mandatory monthly surprise cash count was not regularly conducted, while in still another WCO replenishment of the eImprest bank and cash accounts were over and above the established ceiling. The existence of a negative balance in the eImprest bank account was also observed as almost pervasive in the offices audited which Management explained was due to the timing of cash replenishments.

3.4.2.4 Asset and inventory management: We observed in three offices that asset items that were not covered by the prescribed Declaration of Receipt. There were also some noted gaps on disposal of unserviceable assets in one WCO and expired inventory items in the RO. In another WCO, lost or missing fixed assets were not reported immediately and the records of assets in an off-line system had no designated values. Problem on asset location was also noted in one WCO.

3.4.2.5 Human resource management: We observed a high vacancy rate in some WCOs due to funding crises, restructuring plan, and position upgrades that affected the ability of these offices to function efficiently. We also noted that the HR Plan of one WCO did not align with the requirements of a good succession plan and affected the continuity of project work. Moreover, we observed that in two WCOs the criteria relating to measurement and time-boundedness were not given emphasis in the definition of workplan objectives as these were mere enumeration of duties and responsibilities and did not show expected/planned outputs or indicators of success. This put performance monitoring and measurement at a disadvantage.

3.4.2.6 Procurement management: We noted inadequate planning for procurement of goods as reflected in the Annual Procurement Plan (APP) of two WCOs which placed the office at the disadvantage for not having a coordinated and integrated plan of action to fulfil need for goods in a timely manner and at a reasonable cost.

3.4.2.7 Travel management: We determined that the WCOs either had inadequate travel plans, non-adherence to prescribed period on travel request approval or delayed travel reports. Specifically, we observed that several duty travels made by three WCOs were not registered in their Annual Travel Plan while two WCO did not have a comprehensive travel plan. Moreover, travel requests made by five WCOs were not approved in accordance with the required period under Section VII.1.4.40 of the WHO eManual. Other gaps noted were delayed or non-submission of travel reports as well as travel claims which is common to all of the WCOs.

104. While there are good practices and controls noted in the regional and country offices, there is still room for improvements that require mitigation action. The common root cause of the improvement opportunities raised are attributable to the less-than-desirable controls that process owners perform, to monitor the functioning of specific activities intended to bring alignment with the established internal control and risk management objectives of the Organization. Implementing the desired control requires that the evidences of performance are reviewed and analyzed. **In essence, when a control activity is under-delivered, non-compliance with established rules and regulations and inefficient processes surface resulting in operational risks.** WHO's system of internal control and risk management are so designed to help the Organization achieve its operating objectives, but the controls put in place to achieve these objectives come at a cost which become costlier, when the controls are weak. Thus, a deeper sense of accountability and responsibility must be impressed upon the Budget Centres to ensure that the noted control gaps and weaknesses are remediated.

105. **We recommended that WHO endeavour to prioritize the review and identification of Budget Centres with operational risks and take mitigation measures to ensure the adequacy of the supervisory and monitoring activities, thereby establishing that the specific control activities embedded therein function as expected and support the overall operating objectives of the offices.**

C.   DISCLOSURES BY MANAGEMENT

106.   **Write-off of cash.** Management reported that in accordance with Section 13.6 of Financial Regulation XIII, a total of USD 453 915 was approved as write-off in 2017 (USD 328 434 in 2016). This amount is comprised of (i) USD 388 620 pertaining to travel advances from former staff members, meeting participants and old cases with staff members where recovery was deemed impossible; (ii) USD 40 478 relating to supplier advances and credit memos where the balance was deemed impossible to recover; and (iii) USD 24 817 affecting salary advances or missing pension contributions from former staff members where the balance was deemed impossible to recover. We noted that the appropriate procedures for the write-off were observed.

107.   **Ex-gratia payment:** There were no ex-gratia payments made in 2017.

108.   **Administrative waivers:** During 2016, two administrative waivers were approved – one for Sierra Leone, in the African Region, for USD 390 951 and another for the Syrian Arab Republic, in the Eastern Mediterranean Region, for USD 14 003. Both relate to old and overdue DI and DFC reports, which were no longer possible to obtain from the governments.

109.   **Frauds and presumptive frauds:** In accordance with International Standards on Auditing 240, we planned our audits of the financial statements so that there is reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with Management. Management confirmed that there are no cases of fraud or presumptive fraud that they are aware of that impact on the financial statements. The Internal Auditor raises all cases of fraud in his report to the World Health Assembly.

D.   IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

110.   We validated the implementation of External Audit Recommendations contained in prior years' audit reports. We noted that of the 26 recommendations, 15 (58%) have been implemented, five (19%) were closed as they were updated and included in this report while six (23%) are still in progress of implementation. The status of the six recommendations which are in progress will be validated and reported in the next financial reporting period. The expected dates of implementation are provided by Management. The **Appendix** presents the detailed analysis of the implementation of the recommendations.

E.   ACKNOWLEDGEMENT

111.   We wish to express our appreciation for the cooperation and assistance extended to our staff during our audit by the Director-General, the Deputy and Assistant Directors-General, Regional Directors, HQ Directors, the Comptroller, Country Representatives and members of their staff.

112.   We also wish to express our appreciation to the World Health Assembly for its continued support and interest in our work.

Commission on Audit
Republic of the Philippines
External Auditor

4 April 2018
Quezon City, Philippines

Appendix

STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PRIOR YEARS (DOCUMENTS A70/43, A69/50, A68/41, AND A66/34)

2017	Recommendation	External Auditor's Validation
Document A70/43		
1	**Supply Chain and Inventory Management** Further address inventory issues across the organization through the evaluation of existing inventory control mechanisms on valuation and reporting, followed by the development of a Global Policy for Supply Chain and Inventory Management which would provide the basis for the development of the SOP on the management of expired inventories.	**In progress** The WHO Health Emergencies Programme has initiated the process and has dedicated resources working on the policy and SOP for supply chain management. Given the high level focus across WHO for supply chain improvements, this will be a key priority for 2018 for the entire Organization.
2	**Expenditure hardcoding in Purchase Requisitions** Fast track the implementation of the hardcoding enhancement in the PR page in the GSM and continue to provide guidance and relevant training to users in the light of the new process in assigning expenditure types in the GSM, to ensure capture of the correct expense account code for the transaction.	**Implemented** This enhancement was implemented in December 2017 including training and further guidance on the use of expenditure types in GSM.
3	**Recognition of Construction in Progress** Map correctly the adjustment account for the recognition of CIP and Software under development to the appropriate expense accounts to prevent the occurrence of the same misclassification in the financial statements.	**Implemented** The mapping has been updated in the 2017 financial statements.
4	**Accounting treatment of Retention Fees** Establish the policy and procedure covering the accounting treatment of retention fees from contracts entered into by WHO to provide guidance and uniformity in recording the same and ensure that retention fees are recorded in the financial period to which they relate.	**Implemented** The retention fee policy has been included in the SOP and the agreed accounting treatment implemented.

2017	Recommendation	External Auditor's Validation
5	**Review of entitlement documents at staff member duty station** Reinforce the requirements for data update and entitlement application, by introducing review and verification procedures of the dependency related documents at the staff member's duty station, where information can readily be obtained and verified before uploading to the Enterprise Content Management to ensure accuracy of information as basis for the payment of claims.	**Closed** The "On-boarding module in the new recruitment system" was implemented in 2017 and addresses most of the recommendations since appointment documentation requires HR Certification at the local level, i.e. HQ, Regional Office/Country office for appointments. In addition, WHO current structure has Global HR reviewing and reverting to the local HR staff in case of doubt, which maintains global consistency in approving entitlements. We will continue to monitor the action of Management on this recommendation, moving forward, depending on the result of the audit of the GSC in the next financial year.
6	**DFC Implementation and control** Strengthen supervisory control to ensure completeness in all aspects of DFC implementation and reporting, while sustaining enhanced monitoring and intensified follow-up with offices with overdue DFC reports to ensure timely submission and reduce further the number that are overdue.	**Implemented** The additional controls put in place over the past 2 years have ensured that there is a review of DFC reports before being uploaded. The number of outstanding DFC reports has been reduced further.
7	**DI controls** Strengthen controls on the evaluation of required documentation, incurrence of expenditures, and observance of milestones to ensure compliance with existing SOP on DI; and continue to adopt measures to diminish if not extinguish the causes of delays in the submission of DI reports to further reduce the number that are overdue.	**Implemented** Controls have been further strengthened over DI monitoring and reporting. Outstanding reports are regularly monitored and followed up. Further reporting and detailed analysis and specific recommendations regarding compliance with SOP requirements has also been added. We still noted overdue reports and this is discussed in the review of governance and management controls in regional and country offices.
8	**Settlement of travel transactions** Continue to address long outstanding receivables by ensuring early closure/settlement of travel transactions to minimize impact on the affected accounts in the financial statements and implement as envisioned the new processes and improved controls in handling travel advance recovery to prevent accumulation of the balance thereof.	**Implemented** Relevant SOPs for travel transactions have been re-visited and the procedures for processing transactions and performing reconciliation related to separation cases have been strengthened. A structured monthly review and reconciliation process was established to monitor the Travel receivables, and address any abnormities found for further checking and correction.
9	**Property, plant and equipment (PP&E) Tracking** Strive to attain complete and accurate tracking and reporting of items PP&E in both the regional and country levels particularly in the African region to ensure full compliance with IPSAS.	**Implemented** Resources have been invested to ensure WHO meets the full IPSAS requirements.

2017	Recommendation	External Auditor's Validation
10	**PP&E reporting tool** Introduce a more reliable tool for monitoring and tracking asset data and enhance the functionality of the existing Oracle financial reports for PP&E to ensure compliance with IPSAS.	**Implemented** The Business Intelligence reporting tool for Fixed Assets was successfully introduced in October 2017.
11	**Carrying value fully depreciated PP&E** Adhere to the recognition principle under paragraph 14 and also the disclosure requirement under paragraph 94.(b) of IPSAS 17 on the carrying amount of fully depreciated PP&E still in use, upon the recognition of remaining asset classes after the transition period.	**Implemented** Information on the fully depreciated PP&E has been added to the 2017 Financial Statements.
12	**Note disclosure PP&E** Disclose in the Notes to the financial statements pursuant to paragraph 30.(b) of IPSAS 17, the use of a standard rate for the incidental costs in the acquisition of PP&E and update the said rate, to approximate the directly attributable costs in bringing the asset to the location and the condition for its use.	**Implemented** Additional disclosures have been added to the 2017 financial statements.
13	**Internal controls** Leverage on its existing internal control framework and policy to further the effectiveness of monitoring the embedded management controls across operational processes, and maximize the value offered by its internal governance mechanism for internal control through closer guidance to ensure a high level of assurance on the Statement of Internal Control appended to its financial statements.	**Closed** This topic has been extensively covered as part of the audit on Statement of Internal Controls. The control gaps noted in the audit of regional and field offices were addressed by the individual offices. We will continue to monitor the action of Management on this recommendation and provide new recommendation pertaining to controls based on the result of the audit of headquarters, regional and country offices.
14	**IMT Strategic Plan** Develop a concrete and formal Information Technology (IT) Strategic Plan (i) with definite time frame as the product of an institutionalized strategic planning process to provide shared direction for all initiatives to be developed and for those currently underway; (ii) that contains the minimum requirements such as IT Strategic Directions and Guiding Principles, Goals and Objectives, Key performance metrics, IT Investments, and Delivery milestones; and (iii) that ensures that the delivery and prioritization of core business solutions through the employment of dedicated resources and management of constraints are based on formally-established strategies.	**In progress** IMT already has a clear Vision Mission Strategy and Tactics, but agrees to further develop the Strategic Plan which will include recommended elements and suggestions included in the Audit Letter.

2017	Recommendation	External Auditor's Validation
15	**IT Board** Establish an (i) IT Board with clear roles and responsibilities to provide oversight function over IT projects from a cross-functional perspective to ensure that the IT strategy is aligned with the strategic goals of the organization and (ii) IT Performance Management framework with IT performance metrics for the proper measurement of the quality of IT services to provide effective information for decision-making; and re-define the GSM Transformation Project governance structure to provide clearer roles and functions as basis for the composition of the members of the Steering Committee and Project Board.	**In progress** The IT Board was established in January 2017 and is currently prioritizing this project through the assignment of funds. Further strengthening of the governance is in progress.
16	**IMT Risk Identification Activities** Enhance its risk identification activities by infusing better root cause analysis of the identified risks to avoid assumptions and logic traps and ensure that remediation strategies result in the application of more effective risk controls within the appropriate context.	**In progress** IMT agrees to enhance risk identification in projects and operations in collaboration with the Compliance, Risk and Ethics office.
17	**Responsibilities of IMT PMO** Ensure that the Project Management Office bear responsibility for all major projects or initiatives of the IMT to include the Global Management System Transformation (GSMT) Project, to guarantee a more streamlined and authoritative delivery of the mandated function, and make the prescribed accountabilities and responsibilities more stable, which may eventually result to more effective governance and project quality assurance process.	**In progress** GSMT and the Global Information Technology Fund approved initiatives have been consolidated into one portfolio. This led to the discontinuation of the GSMT Steering Committee. Initiatives are governed by the IT Board and led by the one Programme/Portfolio manager.
18	**Enhance efficiency of Information Security Services** Recognize the pervasive and cross-cutting role of the Chief Information Security Officer (CISO) position, streamline the pertinent reporting lines and authority, and make the CISO report directly to the Chief Information Officer (CIO) to enhance information security service efficiency, and maintain a healthier posture of the Organization's information assets.	**Implemented** Following the separation from WHO of the previous CISO, the Manager of the Enterprise Architecture and Security now performs the function of CISO and reports directly to the CIO.

2017	Recommendation	External Auditor's Validation
19	**Control Framework on IMT management** Formalize the control frameworks on the critical processes of IT management, giving priority to (i) outsourcing arrangements, (ii) criteria for classification of critical IT assets, and (iii) IT Performance Management Framework, and ensure that these control frameworks are documented and shared across the Organization for effective management and monitoring. Also align the control frameworks with the risk identification activities that need to be enhanced focusing on the defined key result areas.	**In progress** As part of the revised IMT Strategy and improved governance, IMT is strengthening the way it engages project resources through appropriate vendor/sourcing strategy, managing resource capacity and looking at service performance.
20	**WHO's procurement strategy** Enhance the plan for implementation and execution of WHO's Procurement Strategy to minimize the gap between planned versus actual activities by: (i) managing more effectively risks relating to delays and undelivered products; (ii) prioritizing better its deliverables through a more logical sequencing of activities giving consideration to tight timelines and complexities of planned products; and (iii) allowing more time for coordination activities and closer engagements covering internal dependencies to factor in their requirements into the whole implementation plan.	**Implemented** The two phased implementation plan has been consolidated to a single plan, and activities have been re-prioritized. The plan is reviewed on a monthly basis and adjusted as required; Progress is reported regularly to governing bodies, highlighting the progress made on planned activities particularly on their implementation, as well as on recent major achievements and the updates on any issues that exist.
21	**Focus on delivery of procurement planning** Provide more focus on the delivery of the procurement planning component of the Procurement Strategy through the prioritization of related policy formulation and the preparation of the specific procedures and accompanying templates to ensure the timely execution of planned procurement activities.	**Implemented** The procurement planning component has been incorporated in the overall strategy implementation plan. In addition, the necessity of a procurement planning policy was captured separately in the overall plan.
22	**Emergency procurement policy** Craft the emergency procurement policy framework including related SOPs to support the Organization's emergency response and integrate them in the Procurement Strategy's implementation plan to enhance the control and monitoring of the delivery of related activities and tasks.	**Implemented** The emergency procurement policy was incorporated in the overall strategy implementation plan. The emergency policy was published in the eManual and is supported by a dedicated Adjudication report template. The SOPs in support of the emergency procurement policy have been updated and the revised emergency procurement policy was presented.

2017	Recommendation	External Auditor's Validation
23	**Risk management process** Enhance further the monitoring activities in the execution of risk management process across all levels of management, primarily focusing on formal risk contextualization and identification; and consider assessing the Organization's level of risk maturity to identify strategic opportunities for improvements.	**Implemented** A training package is now used globally to train on risk management emphasizing on identifying and describing risks (cause-risk event – impact) and the context in which they occur. Sessions on risk management and the new online tool have been carried out. The new online risk management tool (launched in September 2017) also contains a formal workflow in which a designated risk focal point checks the quality of the submitted risks from the budget centres, including risk descriptions. Finally, a review of WHO's approach to risk management has started with the help of an external consultant. A key objective of the review is to assess the risk maturity of WHO and to propose an action plan to further enhance it.
Document A69/50		
1	**Donor Agreement – Centralized tracking tool** Fast track the completion of a centralized tracking tool for donor agreements under the Global Engagement Management (GEM) project, to immediately address the delay in the creation of awards thus, ensuring timely recognition of revenue.	**Closed** The GEM project is currently on hold pending further decision on the overall Resource Mobilization Strategy. Delays in the receipt of award requests continue to be addressed – an information note was distributed before year-end and any agreement/award requests received after 30 days beyond the last signature date are questioned and explanations required. The average delay in receiving requests to create new awards was reduced significantly from 47 days in 2015 and 2016 to 31 days in 2017. We will continue to monitor the action of Management on this recommendation, and may provide a new recommendation, depending on the result of the audit of the accounts in the next financial year.

2017	Recommendation	External Auditor's Validation
Document A68/41		
36	**Recruitment** Develop a workforce planning model as called for by the World Health Assembly and the appropriate tools such as the skills inventory, staffing and skills gap analyses, and workforce risk assessment including a succession planning policy for implementation in the ongoing workforce planning exercise.	**Closed** The adoption of a workforce planning model similar to the one described in the audit recommendations, is very challenging. WHO allocates its financial and human resources based on priorities identified by Member States, which priorities provide the overall direction for WHO health programmes that evolve within the biennium or from one biennium to another. During the process of operational planning, financial and human resources are allocated in line with the health priorities agreed by Member States. Budget Centres, at their levels, revise and cost their HR plans based on required results and available budget. This process is done in direct consultation with country counterparts, partners and WHO officers responsible for planning. It is known that the Workforce planning process is constrained by the: (a) programmatic priorities; (b) budget allocated by category/programme; (c) activities which country and regional offices identify as priority; and (d) country or regional needs. Heads of Budget Centres have the delegated authority to review their HR plans in response to the needs of their environment; establish or cancel positions; identify the development needs of their respective teams; and initiate restructuring exercises as required. HRD provides policy and operational support as needed. HRD recognizes the importance of conducting skills inventory and staffing/skills gaps analysis. In this regard, the new recruitment and on-boarding system launched in February 2017 and known as *Stellis,* provides centralized master data for managing profiles of staff and non-staff. *Stellis* will enable managers to have data on staff skills and relevant areas of expertise as it includes skill taxonomy function tailored to WHO's mandate. The skills inventory data drawn from the system can be used later on as foundation for assessing skills gaps and addressing staff development or restructuring needs.

2017	Recommendation	External Auditor's Validation
		To conclude, HRD do not see that a one-size-fits-all workforce planning model is feasible given the WHO current funding and governance model. HRD however, continues to address the issues related to skills inventory and gap analysis.
		Finally, HRD highlights that with the finalization of the draft thirteenth general programme of work and the implementation of the new Transformation Agenda of the Director-General, a new planning model for programmes is being sought. This will have an impact on the workforce planning and might help address the issue in future. At this point, it would be untimely to develop a workforce planning model while many changes are being driven by the Transformation Agenda. HRD proposes that this recommendation be closed and revisited in the near future.
		We will likewise continue to monitor the action of Management on this recommendation, and may provide a new recommendation, depending on the result of the audit of human resource management in the next financial year.
Document A66/34		
40	**Update to WHO Emergency Standard Operating Procedures** Include specific operating standards in the area of logistics in the Emergency Response Framework taking into account the accountability in managing resources and the risks involved in specific arrangements with suppliers and donors.	**Closed** A set of SOPs on WHO Emergency Supply Chain Management has been developed for inclusion in the WHO eManual, covering WHO Emergency Supply Chain Management principles and how they are applied at HQ, regional and country level in terms of needs, planning, requesting, procurement, shipping and customs clearance, stock management and distribution. Accountability in managing resources and risks are emphasized and proper mechanisms have been defined. We will continue to monitor the action of Management on this recommendation especially the inclusion of the SOPs in the eManual.

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