

External and internal audit recommendations: progress on implementation

Report by the Director-General

1. As requested by the Programme, Budget and Administration Committee at its thirteenth meeting in January 2011,¹ this document provides an update of actions taken by the Secretariat to ensure full implementation of recommendations made in the reports of the External and Internal Auditors. The present report also includes an overview of the outcome of the investigations referred to in the report of the Internal Auditor for the calendar year 2017.²

INTRODUCTION

2. The Secretariat takes note of the progress highlighted in the reports of the External and Internal Auditors and reiterates its intention to implement their recommendations in a timely manner and to reduce the number of recommendations that remain outstanding. Overall, there are no “unsatisfactory” internal audit conclusions. In addition, the report recognizes that improvements have been made in recent years, including at the country level. Furthermore, at 6% the percentage of open overdue internal audit recommendations remains quite low, compared with previous levels. This positive trend is further evidenced in the area of external audits where only six recommendations out of a total of 26 (23%) are still in progress of implementation with the remaining recommendations being either closed or fully implemented.

3. As part of the Organization’s commitment to strengthening internal controls, further progress has been made in the areas of travel and procurement through the review of current policies and the development of effective frameworks, as well as the dissemination of information to key stakeholders. The confirmation of WHO’s progress in the development of internal controls and procurement was evidenced during the recent visit of the representatives of the European Commission’s Directorate-General for Humanitarian Aid and Civil Protection (ECHO). ECHO reviewed WHO’s compliance with European Commission procurement standards and recommendations and received a progress update of the implementation of ECHO’s earlier recommendations related to the internal control system and grant management. Although a final outcome of this review is not yet available, based on the initial comments received, this exercise should result in a more positive assessment than the 2014 report on these and other subjects. The Secretariat’s commitment to strengthening internal controls is further evident in the significant work undertaken in the area of fraud and its prevention. In effect, the increased incidence of reported fraud is a reflection of improved training and heightened awareness; of

¹ Document EB128/3.

² Document A71/33; the report of the External Auditor for the financial year ended 31 December 2017 is contained in document A71/32.

the introduction of an integrity hotline and a policy on whistle-blowers, and protection against retaliation; and of efforts to better communicate WHO's ethical principles.

4. In the area of inventory and asset management, tremendous progress has been made since 2013. This was further highlighted in the 2017 review by the External Auditor, which shows that there is now a strong platform to ensure both asset management and the operational and financial management of inventory. However, the Director-General takes note of the external audit recommendations and will work towards a clearer differentiation between the tracking of asset management, and the corporate accounting and reporting of assets inventory, with both functions needing to be resourced adequately.

5. With respect to information technology, WHO has implemented an appropriate governance structure, including an Information Technology Fund Governance Board with representatives from all regions and from headquarters. This addresses some of the concerns that the Independent Expert Oversight Advisory Committee had raised in the past¹ and further work will be done in this area to establish a more comprehensive corporate governance mechanism for the overall information technology spending and its priorities.

6. In keeping with the Organization's mandate, the Secretariat has established the WHO Fleet Services in order to address the challenges of managing WHO's vehicle fleet in a manner that minimizes occupational health risks, lowers accident rates and reduces carbon emissions. This initiative will enable WHO to meet the Sustainable Development Goal targets for health and well-being, and enhances the Organization's ability to respond to an increasing number of health emergencies. To deliver the service effectively, WHO aims to improve its vehicle fleet management, mitigate enterprise risks and provide the transport capacity required to deliver operational efficiency and effectiveness both in emergencies and in the Organization's day-to-day activities. The WHO Fleet Services concept will soon be rolled out in selected countries and work is in progress to set up a pilot project.

7. With respect to global human resources at the Global Service Centre, and in line with the Secretariat's commitment on internal controls, further work will be carried out to improve the tracking of exceptional transactions and to strengthen the compliance monitoring of transactions, through enhanced system data validations and a better audit trail of changes applied to data.

8. Details of fundamental advancements in the area of Direct Financial Cooperation, Staff Health Insurance liability management and procurement are provided below.

DIRECT FINANCIAL COOPERATION

9. WHO spent US\$ 150 million through the Direct Financial Cooperation mechanism in 2017. This supported a range of immunization and capacity-building projects in over 100 country offices, in partnership with the respective national health authorities. Half of all Direct Financial Cooperation is dedicated to supporting poliomyelitis eradication campaigns, and approximately 75% of all Direct Financial Cooperation is concentrated in 20 countries.

¹ See document EBPBAC28/2.

10. Policy and procedures surrounding the use of Direct Financial Cooperation have been substantially improved as described in previous reports,¹ with the result that the use of funds is more targeted, and the reporting on the use of funds is more timely and reliable. These policy and procedural improvements are acknowledged by the Office of Internal Oversight Services, and in 2017 all outstanding recommendations were closed from the audit conducted in 2014. This was also achieved thanks to efforts made in the Regional Office for Africa, which had the highest number of outstanding reports. Recommendations from both external and internal audits have enabled the formulation of many of the current new procedures.

11. Largely as a result of these measures, the number of outstanding Direct Financial Cooperation reports has been reduced by 42%, from 738 in November 2016 to 430 in February 2018 as noted in the report of the External Auditor.² In effect, the overall use of Direct Financial Cooperation was approximately US\$ 50 million lower in 2017 than in 2016. This was as a result of the decision to reduce the use of Direct Financial Cooperation in some countries, pending the resolution of outstanding non reported Direct Financial Cooperation-funded activities.

12. Improving controls over the use of Direct Financial Cooperation continues to be a priority for all regional offices. Also, in those locations where the Direct Financial Cooperation counterpart is the same for other United Nations organizations, which may have their own assurance procedures, WHO is exploring ways of improving inter-agency collaboration.

13. Lastly, all regions have implemented regular Direct Financial Cooperation compliance checks, verifying supporting documentation to justify the use of funds and tracing the flow of funds. Documentation of all such checks, and discussion of the results with national authorities, is ongoing. Where necessary, further funding may be withheld in the event that the results of checks are unsatisfactory.

STAFF HEALTH INSURANCE LIABILITY

14. The Independent Expert Oversight Advisory Committee has highlighted the need for WHO to ensure that an adequate long-term financing plan is in place to cover the after-service health care entitlements for retired staff. This long-term financial liability is projected by the professional actuary to steadily increase, due to a higher proportion of WHO retirees compared with active staff, increasing life expectancy and growing health care costs in many countries.

15. WHO has been gradually building up reserves in order to meet this financing need. Increases in the contributions from staff and the Organization, together with investment earnings, have been used to finance the necessary growth, with the reserves increasing from US\$ 500 million to US\$1 billion over the last six years. The Organization is also implementing cost containment measures, targeted in particular at higher cost locations. Decisions on financing and on cost containment are taken based on recommendations from a governance committee, which includes representatives from WHO senior management, retirees and staff associations of participating entities (in particular, WHO and PAHO).

16. The total projected financial liability is now US\$ 2.9 billion, of which US\$ 2.3 billion relates to WHO. The calculation of this liability is based on several financial and demographic assumptions, a

¹ See documents A70/56 and EBPBAC22/4.

² See document A71/32.

number of which are subject to change over time. It is the intention to progressively finance this projected liability over time, with a particular focus on the liability related to staff working in programmes (such as the polio programme) that are funded through voluntary contributions, which are less predictable.

PROCUREMENT

17. The Secretariat concurs with the requirement for continuous development in the area of procurement and, for this reason, the strengthening of procurement processes has been a key focus in 2017.

18. The procurement policy framework (comprising policies, procedures, guidelines and templates) has been further enhanced and clarified. The procurement practice has been aligned across the Organization, through a regular meeting of procurement experts from headquarters and all major offices. Standard operating procedures for emergency procurement will be further disseminated to regional and country offices and a global training programme (including a module on emergencies) will be implemented across all levels of the Organization during the current biennium in order to further raise awareness of procurement rules in country and regional offices.

19. Vendor management has been strengthened through the implementation of a supplier performance evaluation procedure; the clarification of the rules pertaining to debriefing and procurement protests; and the further refinement of the due diligence procedure.

20. The establishment of a team of procurement experts solely in charge of managing global goods catalogues and long-term agreements, combined with the introduction of procurement planning for goods throughout the Organization, will contribute to increased cost-effectiveness.

21. The mandatory use of the newly developed e-tendering tool (In-Tend), under the United Nations Global Market place, has further reinforced the transparency, compliance and quality of the high-level acquisitions.

22. In order to enhance staff awareness of internal controls in procurement and improve managers' accountability a review of procurement roles is being carried out in the Global Management System. In the following phase, further definition of roles and responsibilities in the Global Management System and their enhanced assignment will ensure accountability and segregation of duties in procurement.

OUTCOME OF INVESTIGATIONS

23. With regard to the investigations described in the report of the Internal Auditor for the calendar year 2017,¹ the Secretariat confirms its commitment to timely action and is providing the following update on the outcome of the investigations.

24. Of the 11 investigation reports with substantiated findings issued by the Office of Internal Oversight Services in 2017, two cases led to the separation from service of the staff members involved (IR2017/1 and IR2017/5). In case IR2017/1 involving a WHO Representative, in addition to the

¹ See document A71/33.

sanction of dismissal, action for the recovery of the financial loss was taken. In one case, the fixed-term appointment was not extended beyond its expiry, pending the completion of the investigation which confirmed the negligence of a staff member in the fleet management unit resulting in a loss of fuel (IR2017/4). In one case involving a Special Services Agreement, the contract was cancelled as soon as the allegations were raised and following the finalization of the investigation, consideration is being given to referring the case to national authorities (IR2017/7). In the case related to allegations of harassment (IR2017/6), in accordance with the Policy on the Prevention of Harassment at WHO, the case has been referred to the Global Advisory Committee on future actions in harassment complaints for its recommendation to the Director-General.

25. In the five cases involving fraudulent claims to the Staff Health Insurance scheme (IR2017/2, IR2017/3, IR2018/1, IR2018/2 and IR2018/3), the individuals, whether still staff members or separated or retired staff members, have been notified of the charges. If the charge of fraud is confirmed, actions will be taken to recover the financial loss, and consideration will be given to referring the case to national authorities for possible civil and criminal action. Furthermore, under the Staff Health Insurance Rules, these cases may also be referred to the Staff Health Insurance Global Standing Committee for examination and possible recommendation to the Director-General on suspension or exclusion from participation in the Staff Health Insurance scheme. Finally, disciplinary action, which may include summary dismissal, may be taken against the staff members. One case has been closed as the investigation concluded there was insufficient evidence to support the allegation that the staff member had obtained unauthorized benefits from the Staff Health Insurance (IR2018/4).

26. Since 2014, the Secretariat has published an annual information note to inform staff members of disciplinary proceedings concluded by WHO. This note raises awareness of breaches of standards of conduct and of the action taken by the administration to address violations of such standards. The note on the disciplinary cases concluded in 2017 will be published shortly.

ACTION BY THE HEALTH ASSEMBLY

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

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