

## **Audit and oversight matters**

### **External and internal audit recommendations: progress on implementation**

#### **Report by the Director-General**

1. The present report provides an update of actions taken by the Secretariat to ensure full implementation of external and internal audit recommendations. It also includes an overview of the outcome of the investigations to which reference is made in the report of the Internal Auditor for the calendar year 2019.<sup>1</sup>
2. The Secretariat reiterates its commitment to implementing audit recommendations in a timely manner and ensuring measures are put in place to reduce the number of those outstanding.
3. In its efforts to improve accountability and strengthen internal controls and reporting, the Secretariat has made significant progress in the areas of direct financial cooperation and direct implementation (see the section in this report on strengthening compliance at the country level).
4. With regard to the need to improve resource mobilization for key WHO programmes as mentioned in the Internal Auditor's report, the Secretariat has introduced a new budget structure as of 2020 that is based on integrated outputs as opposed to disease-specific areas. This reduces compartmentalization and enables a more flexible allocation and utilization of funds. In addition, the introduction of thematic funding facilitates negotiations with donors to reduce specificity of funding.
5. The Secretariat takes note of the recommendations of the External Auditor<sup>2</sup> with regard to reporting on the programme budget. Beginning in the current biennium, the WHO mid-term review will be based on output reporting, using a new scorecard measurement system. This is a multidimensional approach describing the work of the Secretariat along three dimensions: normative work, country support and leadership. It will also consider gender, equity, human rights and value-for-money aspects in delivering the outputs.
6. As far as procurement is concerned, the report of the External Auditor encourages the Secretariat to focus on training all staff involved in this process. In this regard, a new mandatory Global Procurement Training Programme was launched at the end of 2019, targeting WHO staff procuring

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<sup>1</sup> Document A73/28.

<sup>2</sup> See document A73/27.

goods and services, and those working in a technical, administrative, managerial and quality-control capacity.

7. The new process for the supply chain shifts the Organization from a procurement-centric approach to a more holistic approach to supply management, supported by an end-to-end process that includes needs assessment and planning, requesting, purchasing, transport, stock management and warehousing, and distribution. The new process also provides improved visibility and analytics on the entire supply chain, from order to delivery (that is, a “control tower” function) and supports the emergency response.

8. With regard to travel, changes to the Organization’s travel policy and cost-efficiency measures have been introduced by the Secretariat since 2017, leading to a 15% decrease in the average ticket price between 2016 and 2019. During the same period, the percentage of business class tickets out of the total number of tickets issued for duty travel purposes, dropped from 15% to 7%. In addition, the percentage of staff travel requests approved at least 14 days before the departure date increased from 41% to 71% for non-emergency international travel by air. Mindful of the need to demonstrate the “value for money” of its travel expenditure, the Secretariat will continue to strengthen its monitoring capacities, in order to better report on the operational purposes of official trips. It will also promote the use of video-conferencing and web-based technologies to further reduce the amount of travel.

9. In the area of compliance, risk management and ethics, the Secretariat is currently defining an enhanced risk management and compliance approach to serve the objectives of the Thirteenth General Programme of Work, 2019–2023. One aspect of this enhanced risk management and compliance approach is the strengthening of the “risk culture” and related governance arrangements, with a view to focusing efforts towards improved internal controls and programmatic results at the country level, particularly in country offices operating in challenging environments.

10. In this context, the Secretariat will continue to work to build more evidence-based mechanisms in support of the certification of their control environment. The enhanced approach will also involve further clarifying and strengthening the roles and responsibilities of the first- and second-line functions in effectively managing and monitoring the risks the Organization faces (including related to compliance) in application of the three lines of defence model.

11. WHO’s fraud prevention policy and preventive mechanisms will be revised to strengthen the Secretariat’s effective management of the risk of fraud and corruption across the three levels of the Organization.

## **STRENGTHENING COMPLIANCE AT THE COUNTRY LEVEL**

12. With regard to country audits, the Secretariat takes note of the recommendations and findings in the report of the Internal Auditor, above all in relation to country offices that operate in challenging environments.

13. Since the findings of an audit of the Yemen country office in 2019, the Secretariat has created a three-level task force, engaging subject matter experts from the country, region and headquarters in identifying replicable solutions, tackling the most urgent issues (namely those with the highest level of residual risk) and applying lessons learned primarily across country operations in emergency settings with similar risk profiles.

14. In line with this, the focus to date has been on those areas that represent the highest level of financial and operational risk. The actions outlined below aim to prevent, detect and mitigate these risks,

specifically in the areas of direct financial cooperation, direct implementation and cash management, asset management and supply chain management.

15. Direct Financial Cooperation assurance activities and training of national officials have been further strengthened through a risk-based approach, which has been undertaken to ensure funds granted to third parties are used as intended.

16. In addition, the risk of misuse of funds granted to third parties (such as health ministries), which could lead to financial loss or reputational damage, has been included in the WHO principal risks register to ensure that mitigation of this identified risk is regularly monitored. It is worth highlighting that the number of overdue direct financial cooperation reports has reduced further, to only 1% of the total direct financial cooperation reports in February 2020, compared with 10% in 2015.

17. The use of direct implementation has increased as more WHO country offices are directly implementing activities on behalf of Member States. At the same time, new policies and procedures have been put in place to strictly define when direct implementation should be used, as well as to ensure appropriate documentation, detailed advanced reviews, and timely submission of relevant reports. In addition, systems to monitor timely liquidation of committed amounts and reporting have been implemented.

18. A global tracking system of all assurance activities conducted at the country level has been put in place so that compliance with the policy, as well as the results of the assurance activities, can be monitored at the global level.

19. In addition to the assurance activity function implemented by compliance units in various regional offices, in Iraq, Syrian Arab Republic and Yemen, contracted audit firm(s) have been engaged to conduct systematic assurance (capacity assessments and expenditure reviews) on grants to non-State implementing partners.

20. With respect to direct implementation and cash management, a major policy revision on the use of cash at the country level and direct implementation is being finalized through a final consultation with WHO regions and programmes. As a result, local payments to vendors are expected to be further rationalized.

21. The use of direct implementation will be restricted to well defined activities and to situations where controls are clearly defined and in place, in advance. In addition, advances of cash in the implementation of activities will be further limited and replaced by other disbursement methods (such as mobile banking and bank transfers). It is foreseen that once these methods have been established, in instances where no other method of payment is feasible, the exceptional cash advances will be recorded in a global tracking system that has been developed and was rolled out in 2019. This will become standard practice across all operations, including in emergency response settings.

22. With respect to asset management, the standard operating procedures and user guides related to the recording, tracking, verification and reporting of assets have been revised and shared with all WHO regional offices.

23. In the WHO Eastern Mediterranean Region, the Dubai Hub, a health supply chain management system, has been established to strengthen the end-to-end supply chain process and corresponding internal controls in emergency response settings. The Hub represents the main platform for the provision of medical supplies to the humanitarian response in the region. It has facilitated partnerships with UNICEF and WFP, allowing increased logistical support to life-saving activities in the

Syrian Arab Republic and Yemen. It is important to note that the area of action of the Hub is not limited to the Eastern Mediterranean Region. For example, in the response to coronavirus disease (COVID-19), the Hub functions have been expanded, shipping supplies to 96 countries across all WHO regions.

24. An operational toolkit is being developed as part of the Secretariat's ongoing focus on ensuring dissemination of good practices in administrative compliance in an emergency response settings.

25. The Secretariat takes note of recommendations made following an internal audit of the Libya country office. As in Yemen, the operational environment in Libya is one with high security risks, leading to movement restrictions that adversely impact effective implementation on the ground. However, unlike in Yemen, funding resources are limited and did not adequately provide for the establishment and maintenance of a critical enabling functions platform. The lack of such a platform resulted in deficiencies in some internal controls, as observed in the Internal Auditor's report.

26. To address these issues, lessons learned from the audits of the country offices in the Democratic Republic of the Congo, Somalia and Yemen helped the Secretariat to initiate key actions in order to bring about a gradual improvement in the control environment of the Libya country office.

27. For that purpose, a country functional review has been undertaken for the Libya country office operation, and a fit-for-purpose organigram and operational framework has been developed and is in the process of being implemented. In addition, a new Head of Office and Operational Officer were appointed, both with extensive experience in leadership and management in similar complex operations.

## **CYBERSECURITY**

28. The Secretariat takes note of the recommendations related to cybersecurity in the report of the Internal Auditor and confirms that its Cybersecurity programme's objective is to protect WHO's digital assets while ensuring the ability to deliver services with an acceptable level of risk.

29. Following the establishment of the WHO Cybersecurity Roadmap in 2016, significant efforts have been made in the areas of prevention and detection of cyber threats. Following an annual mandatory training for staff and non-staff in October 2018, regular exercises to detect vulnerability to phishing attempts were undertaken in January 2019 for over 4000 users. Through early identification and proper (standardized) reporting, phishing incidents can now be identified and remediated in their early stages, thereby limiting any negative impact on WHO. An increasing trend is that WHO workforce is much more aware of and involved in preventing cybersecurity issues. This is partly evidenced by an increase in the workforce reporting of suspicious emails. In addition to the above trends, WHO's proactive threat intelligence system allows the Organization to prepare for or identify potential attacks before they happen.

30. In addition, the Cybersecurity team is evaluating all notifications from the workforce and acting on them through coordination among information technology teams within headquarters, the regions and countries. It also notifies staff and non-staff in cases of identified password leaks in the Dark Web, for example.

31. Cybersecurity is part of the overall strengthened Information Management and Technology Governance structure, thus ensuring a constant focus on information technology security matters.

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## OUTCOME OF INVESTIGATIONS

32. With regard to the investigations described in the report of the Internal Auditor for the calendar year 2019, the Secretariat confirms its commitment to timely action and would like to provide the following update on the outcome of the investigations.

33. With respect to the 15 investigation reports of substantiated allegations provided in Annex 6 to the report of the Internal Auditor, eight cases were related to fraud, five of which were related to fraudulent medical insurance claims.

34. The five cases that were related to fraudulent medical insurance claims (IR2020/02, IR2020/03, IR2020/04, IR2020/05 and IR2020/06) led to the separation from service of the staff members involved. Actions were also taken to recover the financial loss.

35. With respect to the other three fraud-related cases (IR2020/10, IR2020/11 and IR2020/12), one (IR2020/10) concerned a former staff member who was found to have provided a fake university degree when recruited by WHO. The case resulted in a non-disciplinary reprimand after concluding that the former staff member did not know that the degree was illegitimate at the time of the recruitment. The other two (IR2020/11 and IR2020/12) are currently under review by the competent office in order to initiate disciplinary action.

36. Of the remaining seven cases, one was related to physical assault (IR2020/01) and resulted in the summary dismissal of the staff member who carried out the assault. Two cases were related to unauthorized access to confidential information (IR2020/09 and IR2020/13) and are still under review by the competent office. Two cases – one of which was related to unauthorized outside activity (IR2020/07) and one involving unethical conduct by a staff member during an international conference (IR2020/08) – are still under review.

37. Two cases were related to allegations of harassment/abuse of authority and sexual harassment. One case (IR2020/14), which concerned inappropriate conduct of a supervisor towards a supervisee was resolved with the involvement of the impacted parties. In the other case (IR2020/15), which concerned a consultant, the allegations were only partially substantiated and the case was resolved with the involvement of the affected staff member.

38. Since 2014, the Secretariat has published an annual circular informing staff members of concluded disciplinary proceedings. This circular raises awareness of breaches of standards of conduct and of action taken by the Administration to deal with violations of such standards. The circular on disciplinary cases concluded in 2019 will be published shortly.

## ACTION BY THE HEALTH ASSEMBLY

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

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