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## **Implementation of internal and external audit recommendations**

### **Report by the Secretariat**

1. At its sixteenth meeting in May 2012, the Programme, Budget and Administration Committee of the Executive Board requested that it be provided additional information on steps taken to address external and internal audit recommendations that were over two years old, including explanations of delays in achieving satisfactory implementation.<sup>1</sup>
2. The purpose of this report is to update the Committee on progress made in responding to these longstanding open audit recommendations. As stated by the Director-General during the Sixty-fifth World Health Assembly, timely and effective implementation of audit recommendations is a priority for the Organization.<sup>2</sup>

#### **INTERNAL AUDITS**

##### **Statistical information**

3. The report of the Internal Auditor, considered by the Health Assembly in May 2012,<sup>3</sup> presented a summary of the status of open internal audit recommendations as at 6 March 2012. Of the audits listed, there were 28 that had been issued before 2011; if not closed before the end of 2012, they would, therefore, have been open for more than two years.
4. Systematic follow-up activities, undertaken between March and mid-November 2012, enabled 15 of the 28 outstanding audit reports mentioned above to be closed. A list of these audits is provided in Annex 1.<sup>4</sup> With the successful closure of these reports, three WHO regions – the African, European and Western Pacific regions – have no audit reports that have been outstanding for more than two years.<sup>5</sup>
5. With regard to the remaining 13 audit reports with open recommendations, for which details are provided in Annex 2, two were issued in 2008, six in 2009 and five in 2010. The current implementation rate for these audits varies from 22% to 96%, the average rate being over 60%. Six of the open audit reports have an implementation rate of over 80%; however, the reports cannot be closed until all recommendations have been settled.

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<sup>1</sup> See document EB131/2.

<sup>2</sup> See document A65/47.

<sup>3</sup> Document A65/33.

<sup>4</sup> As at 16 November 2012.

<sup>5</sup> Audits in the Region of the Americas are covered by the Office of Internal Oversight and Evaluation Services of the Pan American Health Organization.

6. Since March 2012, progress updates have been provided to the Office of Internal Oversight Services on all of the 13 open audit reports issued before 2011. On the basis of these updates, the Office of Internal Oversight Services has been able to close a further 96 recommendations, leaving 155 still to be settled (of these, 54 are considered “open” and 101 “in progress”). The 13 audit reports in question contained a total of 416 recommendations.

### **Challenges to implementation**

7. Although statistics give a useful indication of the situation and highlight the progress made, it is equally important to understand the types of recommendations that are being dealt with, the implementation processes involved and the circumstances under which WHO is operating – especially at the country level. A full review of all open recommendations is not possible in the context of this paper; however, the examples below describe the challenges the Secretariat is faced with when responding to audit recommendations.

8. **Financial constraints** frequently cause delays in implementing audit recommendations, especially in cases where new investments are required. For example, work at the WHO Country Office in Juba to ensure full compliance with United Nations Minimum Operating Security Standards (audit 09/813) was initially delayed by insufficient funding. Lack of funding can hamper the recruitment of additional personnel to ensure, for example, an adequate segregation of duties in the finance area. In such cases, pending additional funding, alternative solutions need to be implemented, such as utilizing Regional Office personnel to ensure additional checks.

9. A number of audit recommendations tackle **complex issues**, requiring extensive consultations and negotiations as well as approvals involving a wide range of stakeholders. This is the case, for example, with audit 09/808, Management and oversight of the Staff Health Insurance Fund. Although measures were initiated shortly after the audit report was issued in 2009, it took until late 2011 to design a new governance structure for the Fund, following consultations and the relevant approvals on the part of the SHI Joint Meeting (which used to meet only once every three years) and the Director-General. The new governance structure will now be effective as of 1 January 2013. Furthermore, in some cases implementing the audit recommendations requires changes to be made to WHO’s policies, or even new policies to be established. This can be a time-consuming process given the broad consultations that are required across the three levels of the Organization. In the area of human resources, for example, any proposed policy changes are presented to the Global Staff/Management Council prior to their implementation. This internal body has both headquarters and regional representation, including representation from the Staff Associations.

10. **Staffing issues** (including the non-availability of staff with the appropriate expertise and delays in recruitment) present additional challenges that need to be met in order to ensure an efficient response to audit recommendations. For example, for the audit report on the WHO Country Office, Teheran, Islamic Republic of Iran (audit 10/829) a period of managerial vacuum existed until the new WHO Representative was appointed. As a result, there was an initial delay in mounting a comprehensive response to the audit. Audit 08/779, Global insurance coverage at headquarters, revealed a need for additional expertise in the area of insurance risk management. This type of expertise is not readily available in the Organization and therefore external outreach and recruitment is needed. Lack of available expertise can be especially problematic in remote locations. Staffing shortages have also contributed to a significant backlog in the filing of human resources documents in the records management system (see audit 10/830, Records management system for the Global Management System). Also, recruitment processes can be slowed down due to delays in receiving funding.

11. In some cases the implementation of audit recommendations can experience **delays due to linkages with other initiatives**. For example, the review of staff-related insurances under audit 08/779, Global insurance coverage at headquarters, had to be put on hold pending the outcome of the WHO reform process because changing contract types and staff entitlements has an impact on the liabilities that the Organization must finance. Furthermore, several of the open audits reported on in this paper are being reviewed in the light of the progress made with the implementation of WHO's new Internal Control Framework (e.g. audits 07/758, Global Management System Global Service Centre control readiness assessment; 09/805, Review of WHO's approach to Comptrollership; and 10/837, Review of the internal control environment at the Regional Office for South-East Asia post Global Management System go-live). This is a major initiative, requiring close coordination across the three levels of the Organization and action in many areas. Although good progress has been made with the project, it will only be fully implemented during 2013.

12. Several of the open audit **recommendations are dependent upon the forthcoming upgrade of the Global Management System**. Audits that are awaiting the upgrade of the System, or further enhancements to it, include audit 10/830, Records Management System for the Global Management System. This audit recommended the establishment of an audit trail in the Records Management System. The Secretariat explored the possibilities for this and concluded that the audit trail is dependent on the implementation of other technical features that will not be in place until after the project to integrate the Global Management System and the Records Management System has been completed in early 2013. Integration will significantly reduce the build-up of backlogs in the future.

13. Efforts to resolve audits fully can be slowed down by **organizational restructuring** (often accompanied by staffing changes). This has been the case for audit 08/773, Alert and response operations, Epidemic and Pandemic Alert and Response Department at headquarters, which has recently been closed. WHO's efforts to create a single operating platform for emergencies have involved a number of restructuring initiatives that have affected the operations and direction of the unit responsible for alert and response operations. Under these circumstances it has been challenging for the unit to comply fully with the recommendations of the audit, which were issued at a time when the unit was operating in a different setting and with a different structure.

14. The examples provided above concern the resolution of current longstanding open internal audit reports; however, the challenges outlined apply also to other more recent reports following both internal and external audits.

15. In its efforts to close internal audit recommendations, the Secretariat is guided by specific feedback and advice provided by the Office of Internal Oversight Services. Since 2010, the Office has been classifying its recommendations based on their significance (high/medium/low), the effort required to resolve them (in terms of the time and complexity involved) and residual risk (high/medium/low). Additionally, the Secretariat evaluates the financial costs involved in responding to the recommendations. In reviewing the overall situation and planning on implementation, priority is given to those recommendations that are of high significance and high risk to the Organization. In addition, it is intended to tackle without delay those recommendations that require little effort to implement.

16. Although concrete measures have been taken to clarify responsibilities linked to audit follow-up and closure across the Organization, further steps still need to be taken to strengthen accountabilities in this area. One additional measure that is being considered is to include clear objectives on audit follow-up and implementation in the performance appraisals of the managers concerned.

## EXTERNAL AUDITS

17. External audit recommendations are summarized in the annual reports submitted to the Health Assembly. Before completing his term of office in mid-2012, the Comptroller and Auditor General of India reviewed and closed most recommendations; however, a number of recommendations were not formally closed. The key issues were reported to the Sixty-fifth World Health Assembly in May 2011.<sup>1</sup> The new External Auditor (the Chairperson of the Commission on Audit, Republic of the Philippines) is following up on all recommendations from those reports in order to ensure that appropriate action is being taken. The most important open areas concerned bank and imprest reconciliations and procurement. An update on progress made in dealing with these issues is given below.

18. Bank reconciliations are being carefully monitored by the Department of Finance at headquarters in order to ensure that reconciliations are completed on a timely basis and that there are minimal differences between the bank balance and the general ledger balance.

19. Imprest reconciliations from country offices are directly monitored by the regional offices. Each region is required to submit details of the status of reconciliations to the Department of Finance for review by the Comptroller on a quarterly basis. Notable improvements have been made in the reconciliation of imprest accounts across the Organization. However, additional work remains for both the Regional Office for Africa and the Regional Office for the Eastern Mediterranean in order to clear all outstanding reconciling items by year end. The new Standard Operating Procedures for the management of imprest accounts have been issued and regional Budget and Finance Officers are undertaking regular reviews of imprest levels to ensure that accounts remain within the approved imprest limits.

20. Although a range of measures have been implemented in response to issues linked to reconciliations, it is also important that the skills and expertise of finance staff, especially at the country level, be further strengthened.

21. With regard to procurement, concerns have been raised by the external as well as the internal auditors about controls and compliance in goods and services procurement, especially at the country level. Measures to address these issues have been taken across the Organization including the following:

- Manual provisions concerning procurement have been updated and are being complemented by new standard operating procedures and training.
- In order to enhance the compliance function, compliance teams have been established at the regional offices to conduct in depth ex-post-facto reviews on procurement of services. For some high-risk areas, ex-ante checking also takes place. At headquarters, a pilot project has been launched to carry out ex-ante checks on high-value Agreements for Performance of Work. Supplementary compliance measures are carried out by the procurement team in the Global Service Centre.
- Checklists and templates for different procurement types have been developed to strengthen compliance with procurement rules and regulations; they have also been made available electronically.

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<sup>1</sup> Document A65/32. See also document A64/30 submitted in 2010.

- The work of the regional Contract Review Committees has been enhanced, inter alia, through lowering of the thresholds for mandatory contract reviews.
- For high-value transactions, additional approvals from the Regional Directors are required.
- Focal points to provide advice on procurement have been nominated in the regions.
- On-site visits are being carried out at country office level in order to support and monitor the procurement-related work of WHO country teams.

22. Additional areas where compliance checks have been enhanced include travel and imprest returns.

23. Overall, the Secretariat is committed to further improving its performance in the area of audit follow-up in order to minimize the number of longstanding open audits and ensure that the issues identified are dealt with without unnecessary delay. However, in some cases, this requires resources to be redirected away from other work. The Secretariat is confident that the implementation of a sound internal control and accountability framework will contribute to a reduction in the number of recurring issues identified by the auditors in the work of the Organization.

#### **ACTION BY THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE**

24. The Committee is invited to note the report.

## ANNEX 1

**INTERNAL AUDIT REPORTS ISSUED BEFORE 2011 THAT WERE CLOSED  
BETWEEN 6 MARCH AND 16 NOVEMBER 2012**

<b>Audit number</b>	<b>Audit title</b>	<b>Responsible manager</b>
07/735	Bank accounts of associations and other entities established by WHO staff at headquarters	ADG-GMG
07/757	Regional Office for Africa	RD-AFRO
08/767	WHO Country Office, Pretoria, South Africa	RD-AFRO
08/768	WHO's collaboration with the private sector	ADG-GMG
08/773	Alert and response operations, Epidemic and Pandemic Alert and Response Department at headquarters	ADG-HSE
08/778	Security in regions	ADG-GMG
08/780	WHO Country Office, Islamabad, Pakistan	RD-EMRO
09/797	Quality and safety: Medicines Team, Essential Medicines and Pharmaceutical Policies Department	ADG-HSS
09/801	Global Management System access	ADG-GMG
09/807	International Agency for Research on Cancer	Director IARC
09/817	WHO Country Office, Lusaka, Zambia	RD-AFRO
09/818	Management Support Programme Unit at the WHO Regional Office for Europe	RD-EURO
09/820	Regional Office for Africa	RD-AFRO
10/832	WHO Country Office, Abuja, Nigeria	RD-AFRO
10/842	WHO Country Office, Bamako, Mali	RD-AFRO

ANNEX 2

**INTERNAL AUDITS ISSUED BEFORE 2011 THAT CONTAIN OPEN RECOMMENDATIONS  
(AS AT 16 NOVEMBER 2012)**

Objective/ focus of the audit	Description of outstanding recommendations	Proportion of outstanding recommendations (either “open” or “in progress”)*	Next steps with timelines
<b>Audit number:</b> 07/758 <b>Audit title:</b> Global Management System Global Service Centre control readiness assessment. <b>Responsible manager:</b> ADG-GMG			
The audit assessed the control readiness before the Global Service Centre was established and the Global Management System rolled out, and provided a control framework for the Service Centre that identified the control objectives and activities for high-level risks.	The recommendations in this audit focus on the strengthening of the Global Service Centre’s control environment in view of the roll-out of the Global Management System (design of controls, reporting for controls and role definitions).	3/4	While the Global Service Centre considers that this audit has been superseded by audit 09/819, the Office of Internal Oversight Services has clarified that the closure of this audit will be reviewed in light of progress made with WHO’s internal control framework, which is expected to be put in place during 2013.
<b>Audit number:</b> 08/779 <b>Audit title:</b> Global insurance coverage at headquarters <b>Responsible manager:</b> ADG-GMG			
The audit evaluated whether WHO’s business insurance coverage was managed appropriately to protect the Organization’s assets, staff members and service providers while providing value for money.	The open recommendations in this audit touch a range of topics, including governance, the need to review existing insurance arrangements across the Organization, risk management, asset and inventory management, delegation of authority and segregation of duties in the area of insurance management, reconciliation issues, monitoring of insurance policies, coordination between headquarters and the regional offices in insurance matters and in the selection of insurance providers.	31/45	A working group was established to review the non-staff insurance policies and this work has been finalized with the new policies effective since 1 January 2012. As a next step, the staff accident insurance policies need to be reviewed. Although the timing of this step is dependent on the results of WHO’s contract reform, the aim is to launch the request for proposals in 2013 so that the new policies can be effective in January 2014. An important step is also the decision to hire a Risk Management Insurance Officer for WHO (recruitment under way). Overall, it is expected that this audit can be closed by early 2014.

Objective/ focus of the audit	Description of outstanding recommendations	Proportion of outstanding recommendations (either “open” or “in progress”)*	Next steps with timelines
<b>Audit number:</b> 09/803 <b>Audit title:</b> Tobacco Free Initiative at the WHO Regional Office for South-East Asia <b>Responsible manager:</b> RD-SEARO			
This audit reviewed the performance of the Tobacco Free Initiative unit in the Regional Office for South-East Asia.	The only remaining recommendation in this audit is related to the need for the unit to define and communicate the agreed responsibilities of the team (including responsibilities related to country level reporting and supervision) to relevant partners both in the region and at headquarters.	1/24	It is foreseen that this audit will be closed in December 2012. Supplementary evidence is being provided to the Office of Internal Oversight Services on actions taken to close the last remaining recommendation.
<b>Audit number:</b> 09/805 <b>Audit title:</b> Review of WHO’s approach to Comptrollership <b>Responsible manager:</b> ADG-GMG			
This audit was carried out by an international audit firm on behalf of the Secretariat. The objective was: (i) to perform a high-level analysis of WHO’s current approach to Comptrollership; (ii) to compare it with effective practices; and (iii) to highlight any weaknesses in the current structure with respect to the Organization’s system of internal control.	The remaining recommendations are related to the enhancement of WHO’s internal control framework. In particular, they concern the strengthening of finance-related accountabilities (through both the development of accountability matrices, role definitions and sign-off procedures, and the rewriting of post descriptions, as required). The recommendations also concern the review of the layers of controls needed in the internal control framework.	4/31	The final recommendations will be addressed as part of the further development of WHO’s internal control framework, planned to be fully in place and functioning in 2013.

Objective/ focus of the audit	Description of outstanding recommendations	Proportion of outstanding recommendations (either “open” or “in progress”)*	Next steps with timelines
<b>Audit number:</b> 09/808 <b>Audit title:</b> Management and oversight of the Staff Health Insurance Fund <b>Responsible manager:</b> ADG-GMG			
The audit reviewed whether the fund assets are administered in accordance with WHO’s investment strategy and stated objectives and assessed the overall governance of the Staff Health Insurance Fund.	The open recommendations in this audit touch a range of topics, including communication between headquarters and regional surveillance committees, information flow between the Insurance Unit and participants in the Staff Health Insurance scheme, reconciliation issues, reporting and monitoring, further development of the Staff Health Insurance information system and benefit coverage and incentives for participants in the scheme.	17/49	The recommendations of this audit have been considered by a working group; the group drafted substantive governance reforms which were subsequently approved by the appropriate bodies and by the Director-General. These decisions are now being implemented and the new Staff Health Insurance governance structure will be effective as of 1 January 2013. In parallel, action is being taken to respond to the more technical recommendations. It is foreseen that this audit will be closed by mid-2013.
<b>Audit number:</b> 09/813 <b>Audit title:</b> WHO Office for South Sudan <b>Responsible manager:</b> RD-EMRO			
The audit focused on internal controls that mitigate the risks associated with the areas of administration and finance.	The remaining recommendations are related to compliance with United Nations Minimum Operating Security Standards, cash management practices, segregation of duties in the area of payments, enforcement of procurement rules and regulations, inventory management and fleet management.	17/34	The Regional Office for the Eastern Mediterranean is in a process of tackling the outstanding recommendations with the aim of having the majority of them closed by end 2012. However, the implementation of those recommendations that require further recruitment of administrative staff could be delayed by non-availability of competent staff at the local level and financial constraints.

Objective/ focus of the audit	Description of outstanding recommendations	Proportion of outstanding recommendations (either “open” or “in progress”)*	Next steps with timelines
<b>Audit number:</b> 09/814 <b>Audit title:</b> Knowledge management strategy at headquarters <b>Responsible manager:</b> ADG-HIS			
The audit focused on strategic and managerial aspects of the knowledge management strategy and resolution WHA58.28 on eHealth and reviewed their relevance, the adequacy of the management structures for them, the effectiveness of their implementation and the adequacy of resource mobilization and partnerships built around them.	The two remaining recommendations are related to the need to establish an external advisory group to guide the work on eHealth in WHO and to develop a position paper on WHO’s engagement with the private sector in support of WHO’s eHealth strategy.	2/11	Good progress has been made with the establishment of the advisory group; the terms of reference have been developed, the membership is being defined and it is foreseen that the first meeting can be held in February 2013. With regard to private sector involvement in eHealth, it is foreseen that this issue will be tackled as part of the Organization-wide policy on private sector collaboration (currently under development).
<b>Audit number:</b> 09/819 <b>Audit title:</b> Review of controls of selected business processes at the Global Service Centre <b>Responsible manager:</b> ADG-GMG			
The audit was carried out by an international audit firm on behalf of WHO, with the objective of reviewing selected business practices in the Global Service Centre, namely payroll, procurement and accounts payable, in order to assess the existence and effectiveness of related key controls.	The open recommendations cover a range of topics, including the need to clarify the control framework and accountabilities for the Global Service Centre processes, enhance Global Management System user access controls, improve supplier monitoring and enhance management of invoices on hold as well as unliquidated obligations.	12/62	Regular updates providing evidence of action taken to address the open recommendations are sent to the Office of Internal Oversight Services. The next such update is planned for early 2013. The aim is to have this audit fully closed in 2013.
<b>Audit number:</b> 10/824 <b>Audit title:</b> Secretariat of the Global Drug Facility <b>Responsible manager:</b> ADG-HTM			
The objective of the performance audit was to assess the performance of the Secretariat of the Global Drug Facility of the Stop TB Partnership under the principles of results-based management.	The open recommendations in this audit touch a range of topics, including strategic and operational planning, human resources management, capacity building, prequalification issues, procurement, communications, quality management and donor relations.	39/50	An update on open recommendations has been provided to the Office of Internal Oversight Services The Office is currently awaiting supporting documents as advised to complete its review.

Objective/ focus of the audit	Description of outstanding recommendations	Proportion of outstanding recommendations (either “open” or “in progress”)*	Next steps with timelines
<b>Audit number:</b> 10/829 <b>Audit title:</b> WHO Country Office, Teheran, Islamic Republic of Iran <b>Responsible manager:</b> RD-EMRO			
The objective of the integrated audit was to assess: (i) the performance of WHO in the Islamic Republic of Iran in achieving results as stated in the 2008–2009 workplan; (ii) the contribution of the Organization towards improving health outcomes; and (iii) the operational capacity in place to support the achievement of results.	The open recommendations in this audit touch a range of topics, including resource mobilization, technical collaboration, procurement, monitoring of programme implementation, collaboration with the Regional Office and headquarters and knowledge management.	22/44	Although there was initially a delay in dealing with the recommendations in this audit in a comprehensive manner due to a delay in the recruitment of the WHO Representative, a full action plan is now in place for closing the open recommendations in this audit. It is foreseen that the audit can be closed by end 2012/beginning 2013.
<b>Audit number:</b> 10/830 <b>Audit title:</b> Record Management System for the Global Management System <b>Responsible manager:</b> ADG-GMG			
The objective of the operational audit was to assess the effectiveness of internal controls exercised over the completeness of, access to, and accuracy of, filing of documents in the Records Management System.	The two remaining recommendations are related to: (1) a backlog of filing of human resources-related records in the Global Service Centre as well as the need to establish a process for certification of human resources-related documents; and (2) the need to establish an audit trail in the Records Management System.	2/20	This audit is expected to be closed during the second half of 2013. Measures have been taken to eliminate the backlog and it is expected that it will be processed by end 2012. A procedure for certification of human resources-related documents is being developed and will be put in place in 2013. The establishment of the audit trail is foreseen for the second half of 2013, following the finalization of the Global Management System-Record Management System integration.

Objective/ focus of the audit	Description of outstanding recommendations	Proportion of outstanding recommendations (either “open” or “in progress”)*	Next steps with timelines
<b>Audit number:</b> 10/835 <b>Audit title:</b> Integrated audit of WHO in Indonesia <b>Responsible manager:</b> RD-SEARO			
The objective of the integrated audit was to assess: (i) the performance of WHO in Indonesia in achieving the expected results as stated in the workplans for 2008–2009 and 2010–2011; (ii) the contribution of the Organization towards improving health outcomes in Indonesia; and (iii) the operational capacity in place to support the achievement of results.	The two remaining recommendations are related to access rights for the Global Management System and segregation of duties as well as to the need to review the different administrative processes at the Country Office in order to take better advantage of the Global Management System framework.	2/38	Final replies are being prepared by the Regional Office for South-East Asia; they will be submitted to the Office of Internal Oversight Services before end 2012.
<b>Audit number:</b> 10/837 <b>Audit title:</b> Review of the internal control environment at the Regional Office for South-East Asia post Global Management System go-live <b>Responsible manager:</b> RD-SEARO			
The objective of the audit was to review risk management and controls in selected high-risk areas of the Division of Administration and Finance of the Regional Office, after the implementation of the Global Management System.	The remaining recommendations in this audit are related to the enhancement of control mechanisms in relation to the Division of Administration and Finance as well as a further need to review access rights to the Global Management System.	3/4	A further update on actions taken to implement the pending recommendations will be provided to the Office of Internal Oversight Services by end 2012. However, the final closure of this audit will be reviewed in light of progress made with WHO’s internal control framework, expected to be in place during 2013.
<b>Total outstanding recommendations</b>		<b>155*/416</b>	

\* “Open” (54); “in progress” (101)