

---

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

### **Report by the Secretariat**

1. As requested by the Programme, Budget and Administration Committee at the Committee's thirteenth meeting in January 2011, this report 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.

#### **BACKGROUND**

2. The Secretariat confirms its commitment to implement any open internal and external audit recommendations, with particular focus on the longer-term outstanding ones. With regard to internal audit recommendations, since the last report was submitted to the Sixty-eighth World Health Assembly,<sup>1</sup> this responsibility has resulted in the closure of several audits by the Office of Internal Oversight, to the extent that only 2.5% of the recommendations remain "past due".<sup>2</sup> In addition, good progress has been made in addressing the issues raised in the external audit recommendations. Out of the 23 open recommendations from prior years, 57% are now considered closed and the remaining are in progress.<sup>3</sup>

3. To help to strengthen its culture of zero-tolerance for non-compliance, the Secretariat has been putting particular emphasis on the implementation of internal control and accountability frameworks<sup>4</sup> and the enhancement of its procurement function.

---

<sup>1</sup> Document A68/42.

<sup>2</sup> It should be noted that, in order to determine the status of all open recommendations, the Office of Internal Oversight has adopted a more accurate approach that uses the agreed expected date of implementation, as opposed to relying on the time elapsed from the initial date of the report (see document A69/51, Report of the Internal Auditor).

<sup>3</sup> Document A69/50.

<sup>4</sup> See document EBPBAC23/4.

## INTERNAL CONTROLS, COMPLIANCE AND ACCOUNTABILITY

4. Since the Secretariat's last report on progress in implementing external and internal audit recommendations, submitted to the Programme, Budget and Administration Committee at its 22nd meeting in May 2015,<sup>1</sup> several internal control management tools to strengthen internal controls have been introduced. These include the self-assessment checklist. This was piloted in a selected number of offices across the three levels of the Organization before being extended to all country and regional offices in 2015 and at headquarters in March 2016. The self-assessment checklist summarizes the key controls in five overarching areas (Internal Environment, Risk Management, Control Activities, Information and Communication, Monitoring) and seven functional areas (Planning and Budgeting, Awards, Human Resources, Security, Procurement, Travel and Asset Management).

5. The self-assessment checklist has proven to be extremely successful in raising the awareness of the various offices about compliance and controls. Further, it helped to inform the risk management process (which was enhanced by the launch of WHO's corporate risk management policy in November 2015) and triggered the revision of important policies and procedures in areas such as direct financial cooperation, performance management and non-staff contracts.

6. The enhanced use of management dashboards across all offices (including the corporate management dashboard and those used by the regional offices for Africa, South-East Asia, Europe, the Eastern Mediterranean and the Western Pacific) as well as the new global corporate reporting platforms (such as the business intelligence tool) facilitates the review of corporate trends, addresses any compliance weaknesses, and feeds into the metrics used in the Accountability Compact for assistant directors-general at headquarters and similar accountability tools in the regions, for heads of country offices.

7. In addition, the annual Letter of Representation from regional directors and assistant directors-general will continue and will lead to a Statement of Internal Control for the 2016 programmatic and financial report.

8. The introduction and use of the checklist, dashboards and platforms have been accompanied by the revision of the declaration of interest (now extended to all staff with a delegated financial authority) and complemented by the establishment of a network for compliance focal points in the Regional Office for the Eastern Mediterranean and the launch of the Transformation Agenda at the Regional Office for Africa,<sup>2</sup> which includes a sharpened focus on accountability and internal controls.

9. At the country level, administrative and programme reviews are continuing with the aim of improving efficiency and effectiveness in country offices. The following country office reviews have been completed so far: Ethiopia, Indonesia, Lao People's Democratic Republic, Myanmar, Nepal and Ukraine. In the coming months, reviews will be conducted in Maldives and Sri Lanka.

10. Although a positive trend can be seen across the Organization, including country offices, the full impact of all actions taken to strengthen the internal controls will be visible only in the medium-

---

<sup>1</sup> See document EBPBAC22/4.

<sup>2</sup> WHO African Regional Office. The Transformation Agenda of the World Health Organization Secretariat in the African Region 2015-2020. Brazzaville: WHO African Regional Office, 2015 (<http://apps.who.int/iris/bitstream/10665/178621/1/9789290232827.pdf?ua=1>, accessed 19 April 2016).

and long-term, because this process represents primarily a fundamental cultural change that needs to pervade all three levels of the Organization. Work will therefore continue along the lines defined by the accountability and internal control frameworks throughout the current biennium and beyond. This process will ensure that the various initiatives launched under the overall umbrella of strengthening internal controls and risk management will interface with each other more closely. In this regard, the Secretariat is working on a comprehensive compliance road map, emphasizing the “three lines of defence” concept.<sup>1</sup>

11. Areas of priority for strengthening internal controls include the management of non-staff contractual modalities (including consultants, agreements for performance of work and special services agreements), the programme to transform the Global Management System and a stronger mechanism to govern Information Technology programmes.

12. The Organization’s commitment to join the International Aid Transparency Initiative by the end of 2016, by increasing the transparency of the information WHO provides to the public, will further enhance internal compliance with the WHO regulatory framework.

## **PROCUREMENT**

13. Procurement remains an area of attention for the Secretariat, which is increasing its effort to meet the main concerns of Members States, donors, and the internal and external auditors.

14. Following the launch of a comprehensive procurement strategy in 2015,<sup>2</sup> the function of Chief, Procurement Policy and Strategic Directions has been established at headquarters in Geneva. Beyond the overall revision and coordination of the procurement function at WHO, an immediate action is to prepare a global action plan for implementation of the new strategy.

15. In particular, the first step in preparing the implementation is to define the scope of procurement and mechanisms of governance and the delineation of the policy<sup>3</sup> and compliance frameworks. This will be accompanied by the introduction of measures to strengthen the planning of procurement, by enhanced reporting capability and a review of the main contract types. The Secretariat is striving to bring more clarity to the area of procurement of services, a category which in recent years has grouped together numerous diverse contractual modalities and transaction types whose business owners are outside the procurement function (that is, direct financial contributions, grant letters of agreement, internal services, imprest expenditures (in Finance), and consultants and individual agreements for performance of work – (in Human Resources)). In the past, the range of type and scatter of owners have resulted in weaker internal control mechanisms. Specific measures are therefore underway in respect of these “non-procurement” modalities, led by the respective business owners in Finance and Human Resources.

---

<sup>1</sup> Institute of Internal Auditors. Position paper: The three lines of defense in effective risk management and control: is your organization positioned for success? Institute of Internal Auditors, 2013 (<https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Three%20Lines%20of%20Defense%20in%20Effective%20Risk%20Management%20and%20Control.pdf>, accessed 20 April 2016).

<sup>2</sup> See document EBPBAC22/4.

<sup>3</sup> The following elements of policy are currently being drafted: debriefing of unsuccessful bidders; publication of contract awards; due diligence of bidders; procurement protest mechanism (in case of objections).

16. The aim is to submit the implementation plan to the Director-General for endorsement in the last quarter of 2016 and, in parallel, to progress with the closure of all relevant internal and external audit recommendations.

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

17. The Committee is invited to note the report.

= = =