



**World Health
Organization**

SIXTIETH WORLD HEALTH ASSEMBLY
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Interim report of the External Auditor

The Director-General has the honour to transmit to the Sixtieth World Health Assembly the interim report of the External Auditor on the World Health Organization for the financial period 2006–2007 (at Annex).

ANNEX

INTERIM REPORT OF THE EXTERNAL AUDITOR TO THE SIXTIETH WORLD HEALTH ASSEMBLY: AUDIT OF THE WORLD HEALTH ORGANIZATION FOR THE FINANCIAL PERIOD 2006–2007**INTRODUCTION**

1. The Fifty-sixth World Health Assembly had assigned the audit of the World Health Organization (WHO) for the financial periods 2004–2005 and 2006–2007 to the Comptroller and Auditor General of India in terms of Resolution WHA56.8.
2. The scope of the audit is in accordance with Regulation XIV of the Financial Regulations and the Additional Terms of Reference Governing the External Audit appended thereto.
3. The audit is conducted in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency.
4. This being my interim report to the Health Assembly, the audit procedures carried out were not oriented towards expressing an audit opinion on the interim financial statements included in the Unaudited Interim Financial Report for the year 2006.
5. I am continuing the practice of reporting on the interim period as this affords me the opportunity of bringing to the notice of the World Health Assembly any significant findings arising from my audits on a yearly, rather than only on a biennial, basis.
6. Audits were conducted in the first year of the current financial period in the Regional offices for Africa (AFRO) and the Western Pacific (WPRO), along with four country offices, two in each region. In addition, an in-depth review was conducted at the regional office for the Eastern Mediterranean (EMRO) and the country office for Iraq at Amman, Jordan. This review examined the operations of the Organization in respect of the United Nations Development Group Iraq Trust Fund. An audit was also performed at headquarters in the interim period. Matters which have been previously reported to the Health Assembly have been followed up, where necessary.
7. In the second year of the financial period, audits will be undertaken in the remaining regional offices and selected country offices, in addition to in-depth studies of some important aspects of the Organization's working. An audit opinion will also be expressed on the financial statements for the financial period 2006–2007.
8. The working relationship with the Secretariat has been constructive and the audits performed at different levels and locations were facilitated by the excellent cooperation from the Secretariat as well as the regional and country office managements. Coordination with the Office of Internal Oversight has been continual and comprehensive. Professional reliance was placed, wherever necessary, on the work of internal oversight.

9. Important findings arising from the audits performed were, after detailed discussions with the concerned managements, conveyed to them through Management Letters. The most significant of these findings, appropriately aggregated, have been incorporated in this report.

10. The Secretariat has accepted the recommendations made in the report and has assured me that the necessary action would be taken.

FINANCIAL MATTERS

11. The total assessed contributions outstanding as at 31 December 2006 amounted to US\$ 148.3 million including special arrangements with Member States, while at the end of the financial period 2004–2005 the corresponding balance stood at US\$ 145.6 million. Out of the figure of US\$ 148.3 million US\$ 97.2 million related to the period 1987–2005. Internal borrowings, as at 31 December 2006, stood at US\$ 22.78 million as compared to US\$ 44.03 million as at the end of the financial period 2004–2005.

12. The quantum of extrabudgetary funding received by the Organization continued to be significant. During the year 2006 the recorded total extra-budgetary income for WHO programme activity was US\$ 1.45 billion of which the total amount received was US\$ 1.06 billion, in comparison to US\$ 1.94 billion in the financial period 2004–2005.

13. In terms of the Fifty-eighth World Health Assembly resolution adopting the budget 2006–2007, the estimated biennial expenditure to achieve the expected results was US\$ 3313 million. Approximately 72% of this was to be funded by voluntary contribution. It is noted that to meet this funding target the Secretariat has instituted new resource mobilization initiatives. An Organization-wide resource mobilization service has been established, backed by a global action plan.

14. The termination of the financial incentive scheme for early payment of contributions by Member States on grounds of administrative simplicity and efficiency is expected to generate additional accretions between US\$ 1 million to US\$ 2 million for Miscellaneous Income.

15. With the introduction of booking of expenditure on the delivery principle, expenditure is now expected to be more closely aligned with actual implementation. Income is being recorded on the basis of signed pledges.

POLICIES AND PROCEDURES

16. The Organization plans to replace the United Nations System Accounting Standards with the International Public Sector Accounting Standards (IPSAS), along with other United Nations system organizations, with the approval of its governing bodies. The implementation is to be fully completed by 2010. Introduction of IPSAS will align the Organization with the best practices in public sector accounting and reporting and enhancing financial statement consistency and comparability. The adoption and implementation of IPSAS in the Organization is supported.

17. The Global Management System (GSM), a fully integrated programme management and administrative and financial system for the entire Organization, is being implemented with the launch of the first stage due by end 2007. It is important that planned controls and audit trails to be built into

the system are rigorously implemented to eliminate potential risks that will accompany the delegations and decentralization to ensue in near future.

18. In my Reports to the Health Assemblies for the financial period 2004–2005, I had outlined the status of the development in the Organization of a detailed framework of delegation of responsibility and authority as well as the environment policy. Work on the framework is still going on and it is yet to be formalized and issued. High level principles of delegation had since been agreed to between the Regional Directors and the Director-General. I have been informed that considerable work on definition of detailed steps in future business processes to identify roles and responsibilities, to be implemented through the GSM project, has been done.

19. Work on the environment policy is progressing. A simple census of current environment-friendly practices at all WHO locations is to be taken up, followed by a comparison of WHO local practices with environmental practices world-wide. On completion of this comparison the draft policy is proposed to be adopted and the associated management systems developed.

ALLOTMENT AND EXPENDITURE CONTROL

20. The Financial Rules of the Organization stipulate that obligations are to be raised only for the purposes indicated on the related allotments and should not exceed the amounts available in the allotments. The allotment holders are responsible for adhering to the rule.

21. However, cases were noticed both in regional as well as country offices where allotments were exceeded, leading to negative balances. In a number of such cases in AFRO the negative balances were more than US\$ 200 000 each. The practice of increasing the allotments to cover the negative balances subsequently can affect other planned activities. There were also cases where the Regional Office Administration and Finance Information (ROAFI) system continued to exhibit negative balances although according to the management no such balances actually existed. Accurate and timely posting of the database information system will reflect the correct picture.

22. I *recommend* that the Organization ensure that the Financial Rules are followed and allotment holders advised not to let negative balances arise.

UNLIQUIDATED OBLIGATIONS

23. Unliquidated obligations represent liabilities of the Organization which have not been discharged. Audits performed showed that in the headquarters of the Organization, excluding the entities, 694 obligations pertaining to the previous biennium and involving US\$ 2 310 721 remained unliquidated. In the Regional offices audited also a number of similar obligations were noticed. Though the existing regulations allow such obligations to be liquidated, to pay for goods and services already rendered, up to the end of 2007, these need to be reviewed to determine their continuance or otherwise.

CASH, BANK ACCOUNTS AND IMPRESTS

24. Cash management is a high-risk area. Cases were noticed in both regional and country offices where cash on hand did not tally with the figure as per the cash-book/ledger. The differences were

attributed to undue delay in updating the ROAFI system; there were also erroneous postings. There was no practice of regular cash count and no surprise cash check was being conducted every month in AFRO, Brazzaville.

25. Regular bank reconciliation and closing bank accounts, which have been inactive for a long time, reduce risks significantly. Cases were seen where there were lags in preparing bank reconciliation statements and transactions remained un-adjusted for several months. In AFRO, Harare it was seen that a number of bank accounts have remained inactive for a long time without being closed.

26. Timely recording of transactions and replenishment of imprests depend on timely submission of imprest accounts by the country offices. During the audits performed at the two regional offices instances were noticed where the monthly statements were received late. Processing delays were also seen in some cases. In the case of a large country office it was noticed that a number of deficiencies like wrong bank entries whose reversals were pending, allotments on vouchers which had no fund allotted, charging of expenditure without reference to any obligation were repeated.

27. The Organization's rules stipulate that only small day-to-day expenses should be met out of petty cash. However, instances were noticed where regular payments like per diem, travel advance and salary were made from petty cash, as a local practice, on the grounds that there were no prescribed limits for petty cash payments and limitations imposed by local banking regulations.

28. I *recommend* that the Organization insist on strict adherence to established best practices relating to custody and handling of cash. There is also a need for regular bank reconciliations and closing dormant bank accounts. Expenses that can be met from petty cash need to be reviewed vis-à-vis ground realities of local conditions.

PERSONAL ADVANCES TO STAFF

29. Travel claims should be submitted within thirty days of completion of travel. In case the claim is not submitted within this period the travel advance is to be deducted from salary or other entitlements. It was seen during audits performed that at headquarters, out of the 4733 travel advances for US\$ 6 156 048 pending at the end of 2005, 3924 advances for US\$ 5 270 122 were cleared during 2006. As at the end of 2006 a total of 4950 cases involving US\$ 6.7 million were outstanding, being more than 30 days old. Advances remaining outstanding for clearance from periods prior to 2006 amounted to 809 cases for US\$ 885 926 as at the end of February 2007. Appropriate resources need to be deployed to clear this large backlog. In AFRO the number of cases outstanding for more than a year as on 31 December 2006 were 254 involving an amount of US\$ 434 103.48.

30. The objective of the Organization's Staff Health Insurance plan is to reimburse a major portion of the expenses incurred for medically recognized health care. Instances were noticed where, instead of reimbursement of expenses, advances were made directly to the staff for which there was no provision in the rules.

31. In cases of emergency, staff members can request an advance against the current month's salary. The advance is to be repaid within three months. Cases were noticed in AFRO where salary advances had been outstanding for more than four months. Further, other elements were being clubbed with salary advances while recording transactions in accounts, in contravention of established procedure.

32. While supporting the ongoing exercises to settle outstanding advances, I *recommend* that the Organization intensify its efforts to settle the outstanding advances and ensure the sanction and recovery of staff advances as per rules.

PERSONNEL MANAGEMENT

33. The importance of completion of contractual formalities before commencement of employment was discussed in my Interim Report to the Fifty-eighth Health Assembly. Instances continued to be noticed where contracts relating to short-term staff and Special Service Agreements had not been signed before commencement of employment. There were cases where the dates of commencement of the contracts pre-dated the dates of offers of the contracts. The need to complete formalities of employment contracts before commencement of the same is reiterated. Closer coordination between regional office and concerned country offices is integral to this.

34. Considering that the Organization is a knowledge-based organization, appraisal of staff performance assumes critical importance. The Performance Management Development System (PMDS) is one of the principal instruments of framing workplans and evaluation of staff performance. It incorporates a three-stage process, starting with recording of workplans by the end of the previous year, based on individual objectives, followed by a mid-term review and a year-end review. Adherence to the time-frame is critical if the system is to serve its purpose.

35. However, audits performed noticed a significant number of instances where all the three stages of the system were in arrears in respect of a substantial number of staff members. In some cases the arrears pertained to 2004 in both WPRO and AFRO. In AFRO there was delay in the implementation of the Staff Development and Learning Plan 2006–2007 and some of the details like participating countries and staff were not firmed up as at the end of 2006. Considering that both positive and negative evaluations need to be addressed to further enhance staff performance, I *recommend* that drawing up of individual-oriented workplans and reviews of staff performance within the stipulated time-frame be ensured.

36. Management initiatives such as inclusion of review of competencies in performance appraisal in headquarters, linking processing of entitlements to the submission of reports, regular individual reminders etc. are supported. It is also noted that a new software, viz., e-PMDS is being implemented in stages across the Organization and is scheduled to cover all staff members, by 2008. It is important that the adoption of e-PMDS dovetails with the on-going implementation of Global Management System and the proposed contract reform.

CONTRACTS FOR SERVICES

37. Contracts for miscellaneous short-term or technical services with firms or individuals are formalized through Agreements for Performance of Work. For contracts valued at US\$ 15 000 or more adjudication reports are stipulated, which are meant to put on record the fairness and objectivity of the process of selection of the contractual partner. Satisfactory delivery of the services/activities specified in the Agreement for Performance of Work is verifiable from the completion reports, to be obtained on completion of the contract period. Costing details are also required to be furnished while processing such contracts for services. My reports to the Health Assemblies on the last biennium had highlighted instances of non-fulfilment of the above requirements.

38. During the audits performed we continued to notice cases where adjudication reports and costing details were not on record and completion reports had not been obtained even though the contract periods were over. In absence of these reports and details, transparency of the contracting process and satisfactory delivery of the services contemplated were not verifiable. There is a need to enforce strict compliance with the stipulated procedures.

39. I *recommend* that completion reports be insisted upon by the Organization to ensure that the contracted services have actually been delivered.

PROCUREMENT

40. The Procurement Monitoring System traces the actual movement of goods, whether they are shipped, outstanding or received and monitors the order, delivery and transfer of items. It was noticed that there were cases where a number of items were shown as outstanding though the purchase orders were issued in the years 2004–2005; information regarding their delivery or receipt were not available in the system. Similarly there was no record of receipt of a number of items shipped during 2004–2005. Cases were also noticed where records in the system were incomplete.

41. Detailed provisions in the WHO Manual govern the procurement of materials in the Organization. However, cases were noticed during the audits that purchase orders for the same commodity were placed on the same date with different firms, amounting to splitting up of purchase orders. Further, purchases were made on single quotation basis which prevented competitive rates being obtained. The Management informed audit that the Procurement Officer under whose supervision these purchases were made had since been removed from service for malpractices.

42. In my report on the financial period 2004–2005 I had pointed out the need for a larger vendor database in headquarters. In the country offices audited it was noticed that there was a need for broadening the vendor base to obtain greater choice and competitive rates and thereby enhance the transparency of procurement process.

43. I *recommend* that the laid down purchase procedure be strictly followed and broadening the vendor base be considered in the country offices.

INVENTORY MANAGEMENT

44. In my Interim Report to the Health Assembly in 2005 I had highlighted the need for maintenance of updated and complete inventory records. Instances of incomplete or inaccurately maintained inventory records continued to be noticed in the audits performed. In a number of cases the value of the inventory was not noted; many items did not carry serial numbers; inventory lists carried no certificate as to completeness; inventory lists of some countries contained entries only up to 2002 and important details like purchase or supply order numbers were left blank. In AFRO, Harare in most of the cases, the verification and review of the inventory list by the inventory in-charge had not been carried out and there was no indication that any regular physical verification had been carried out. Further, the separate list for “Items highly attractive for personal use”, as well as the separate list of items lost or becoming unusable, to be referred to the Property Survey Board, as required under the Organization’s rules, were not being maintained. In respect of one country office physical verification in only seven out of eighteen provinces was completed.

45. The items marked as inventorable in the purchase order placed through the Procurement System are transferred to the Inventory System. Unique expenditure codes have been prescribed in the Organization's manual to be alone categorized as inventorable. However, in WPRO it was seen that items not belonging to the prescribed codes had also been marked as inventorable. The management's efforts at reviewing this gap is supported.

46. I *recommend* that the status of physical verification of inventory in AFRO as well as provinces of country offices be reviewed.

PROGRAMME MANAGEMENT

47. The implementation rates in terms of financial progress for the Regular Budget programme activities were found to be comparatively low in some of the country offices of WPRO. The implementation rate needs to be significantly enhanced in these areas to avoid bunching of activities and rush of expenditure towards the end of the financial period. Management identified the contributing factors as late government approval of 2006 work plans, vacant posts in country offices and frequent staff changes in governments. In one of the country offices the management attributed the slow implementation to the Organization not having the flexibility to work with any other ministry except that of Health. Audit has been assured that management would take necessary action to ensure full and effective implementation of the Programme Budget.

48. Mission reports serve as means of verification of achievements of targets and work plans and it is crucial that the information obtained through Missions is effectively communicated as inordinate delays render the information virtually worthless. However this is an area of concern as a large number of reports were pending in respect of Missions undertaken during 2005 and 2006. About two and a half months' time is allowed for various activities after conclusion of Missions and these reports should have been issued to the agencies/governments much earlier. The Management stated that the average clearance time shown in the Mission Report System was skewed due to problems in the computer programme and failure in some technical units to update the system. Steps taken by the management since completion of audit to ensure that Mission Reports are completed and transmitted in a timely manner are noted.

49. Reprogramming is a management tool to reallocate resources for carrying out mid-course corrections any time during the delivery of the programmes. Delays in processing reprogramming requests affect the timely implementation of workplans. It was seen during audits that a large number of requests for reprogramming were pending in WPRO which pertained to the previous financial period, indicating that urgent review of such cases need to be taken up. It is also understood that a number of the requests are redundant and need to be deleted from the monitoring system. We have been informed that since completion of audit these issues have been addressed.

OPERATIONS IN RESPECT OF UNITED NATIONS DEVELOPMENT GROUP IRAQ TRUST FUND

50. A study was conducted of the Organization's operations in respect of the United Nations Development Group Iraq Trust Fund (UNDG ITF) at the Regional Office for Eastern Mediterranean (EMRO) and the country office of Iraq. The study was based on a risk analysis and included an overall review of the internal controls in place as also test check of transactions in key areas of financial activity and project management. On conclusion of the audit a Management Letter incorporating

specific recommendations was issued to the regional and country offices as well as the Secretariat. The audit findings and the recommendations are discussed in the subsequent paragraphs.

51. **Introduction:** The UNDG ITF was set up in early 2004 as part of the International Reconstruction Fund Facility for Iraq (IRFFI) at the request of donor countries. It provides funding to the whole range of activities foreseen in the UN Assistance Strategy for Iraq. The UNDG ITF is administered by the United Nations Development Programme (UNDP) on behalf of itself and nineteen participating United Nations organizations, of which WHO is one.

52. Participating organizations exercise full programmatic responsibility for the implementation of the approved projects and financial accountability for the funds. As at the end of 2006 ten projects were being executed by the Organization for a total funded amount of US\$ 85 519 728, out of 104 projects approved by the UNDG Steering Committee for a total funded amount of US\$ 868 902 852. As at the end of 2006 the Organization had received funds amounting to US\$ 89 171 828 and expended US\$ 70 993 273.

53. The key criteria of UNDG ITF in taking up projects are alignment with Iraqi-identified priorities; implementability given the security situation and delivery capacity of the participating UN organizations; impact on employment creation and degree of inter-agency cooperation. For each of the projects obligations were being authorized by the WHO Representative, Iraq up to US\$ 100 000. Obligations exceeding that amount were required to be approved by a Contract Review Committee at the Regional office.

54. **Financial aspects:** On approval of an UNDG ITF project by the Iraq Strategic Review Board and the UNDG ITF Steering Committee, the headquarters of the Organization makes available the approved funds to the country office Iraq. The Organization charges six percent of the approved budget of all projects towards Program Support Costs (PSC) and about three percent towards Direct and Miscellaneous costs which include personnel costs.

55. We noted that for the UNDG ITF project Supporting Primary Health Care System, out of the funded amount of US\$ 37 363 516, the Health Action in Crisis cluster in the headquarters of the Organization retained US\$ 699 400 over and above the normal PSC and Direct costs charged and utilised it to cover the salary costs of a number of staff members in the cluster Health Action in Crisis in headquarters.

56. There is no provision in the existing regulations that envisages any basis for retention of funds at the headquarters over and above those mentioned above for providing support to any department in the headquarters. The management explained that this was a standard practice.

57. I *recommend* that the practice of retaining amounts from project funds over and above those of the PSC and Direct cost be reviewed.

58. The rules provide for charging six percent as programme support cost. However it was noticed during the audits performed that the regional office had charged fifty percent in place of six percent from one allotment. The excess charge amounted to US\$ 1 468 082. Management's assurance of necessary correction is noted.

59. Each activity component at the lowest level of workplan is associated with a code called Activity Management System (AMS) code. All the obligations are required to be linked to a particular AMS code in the financial system so that the financial progress of workplan components can be

measured at any point of time. It was observed that there were obligations without AMS codes, against which disbursements were made without any obligated amount. There were also a number of obligations where disbursements far exceeded the obligated amounts. Prevalence of significant numbers of high-value obligation stickers without AMS codes and disbursements without obligations render the internal control environment vulnerable to risks. The management has recognized the problem attributing it to the operation of two systems, Country Activity Management System (CAMS) and Regional Office Administration and Finance Information system.

60. **Project performance:** The Organization has been executing ten projects funded out of UNDG ITF. Of these, four projects, started in 2004, were to be implemented within periods ranging from twelve to eighteen months. However, only one out of these was nearing operational completion as of end-October 2006. The four projects started in 2005 were intended to be quick impact projects with approved project duration of six months. Of these, three were nearing completion by November 2006.

61. The six-monthly UNDG Progress Report for the period January – June 2006 to donor countries on implementation of activities had reported that increasing insecurity and refusal of many suppliers to send staff to Iraq, difficulties in decision-making by the concerned authorities, severe cost increases limiting project impact and lack of operational funding by service ministries of Iraq were the hurdles to implementation of the projects.

62. As one of the key activities of the project Supporting Primary Health Care System (SPHCS), started in July 2004, development of a Health Information System (HIS) as an intranet application was planned, which was to facilitate availability of appropriate forms and patient files and documentation of health records. Hardware items for HIS worth US\$ 950 000 ordered by the WHO headquarters were delivered by the supplier in March 2006 at Amman. Since then the hardware could not be transported to Iraq for almost a year because of the security situation and shortage of warehouse space. It was seen in audit that for the project to be implemented issues like connectivity between public health centres and other entities, choice of software system, site preparation, assessment of costing for sites and end-user training would have to be settled, undertaken and completed. These remained to be settled and audit was informed that an extension of six months would be sought. As other activities of the SPHCS were nearing completion the operational closure of the project was likely to be significantly delayed because of delay in the implementation of HIS.

63. I *recommend* that the pending matters relating to implementation be resolved and completed expeditiously in coordination with the Ministry of Health. I also *recommend* that for future projects relating to information technology a realistic schedule for the soft components like training and development be finalized before ordering hardware.

64. To ensure the best use of all the information related to water quality a Library Information Management System was taken up to be established within the Ministry of Environment network of laboratories, under the primary project of Water Quality Control and Surveillance. Equipment worth US\$ 60 000 was purchased in April 2005 and training for LIMS was imparted to the staff. The hardware was intended to be used for water quality data management system within the laboratories and was distributed to the central and district laboratories. It was reported in the last six-monthly report to the UNDG that the LIMS project was fully implemented. However, audit noticed that the laboratories were not supplied with necessary software, in absence of which an information management system like the LIMS cannot be considered as completed. There was also no linkage between central and district laboratories. Management's contention that the report was in line with implementation in terms of what was planned is to be viewed in the context that a complete

information management system, as targeted in the project, had not been put in place and hence the project could not have been considered implemented.

65. I *recommend* that the necessary linkages and software for the information management system be put in place and made fully functional and the reporting modalities be reviewed.

66. The Organization had agreed to build capacity for supply of oxygen by installing three oxygen plants and was to execute all stages of the project from advertisement for bids to signing of contracts on behalf of the Ministry of Health. However, the possible date of completion of the project, designated as a quick impact project to be completed by February 2006, was still uncertain. In fact the contract remained to be signed with the winner of the bid, as of November 2006. In the meantime the Organization had been supplying oxygen cylinders to hospitals through contracts with local dealers and the expenditure amounted to US\$ 411 119 as at the end of November 2006. The management's contention that the supply of oxygen cylinders had contributed to achieving some objectives of the project needs to be considered in the light of the fact that the primary objective of the project was to establish production capacity and not supply. Further, supplying oxygen cylinders and building oxygen plants are not part of the Organization's regular activities or mandate.

67. We have been informed that all options have been exhausted and it has been decided to cancel the project and return the funds to the donor.

68. Laboratory equipment worth US\$ 657 941 were procured and supplied by a vendor in April 2006 for installation in various hospitals under the Health Care Waste Management project which was a quick impact project. However, only 6 out of 14 pieces of equipment have been installed till the time of audit in November 2006. Also as part of the project rehabilitation of fourteen incinerators was planned. Four contractors were engaged and US\$ 203 406 was obligated in 2006. The work was significantly behind schedule and only four out of the fourteen rehabilitation works were in final stages and work had not even started in seven out of the fourteen hospitals as of November 2006, because of contractors' refusal to commence work in the wake of security threats. Management's efforts at follow up with suppliers are supported.

69. **Procurement activities:** Optimum management of the projects calls for close monitoring of the large volumes of supplies being made by different vendors. An MS Access database was being maintained by the Logistics Unit of the country office for capturing details of the supplies being received from different vendors. After the consignments were received at the designated location, declaration of receipt was being sent by the country office to regional office and headquarters for making payments to vendors. After shipments of items to Iraq, receiving reports were sought by the country office from the concerned ministry. It was noticed in audit that the database had significant gaps and contained defective and incomplete information to a considerable extent. It was also not possible to monitor delays in supplies attributable to the vendors at the country office level, rendering the process of levying penalties for late supplies very difficult. Management's response that the Regional office records do not reflect such gaps and defects underscores the need for the two distinct databases being relied upon currently at Country and Regional office levels to be properly synchronized. The Management acknowledged the problem of multiple databases and expected that this would be solved by GSM.

70. I *recommend* that the local procurement logistics database should be dovetailed with Regional office data and tight control maintained on entry of records into the database.

71. Items valued at US\$ 3 984 942 which were received at various points in Jordan more than six months ago were awaiting transportation as at the end of November 2006. It was seen that apart from the security situation reasons for the delay included waiting for exemption letters and distribution lists. Analysis of the logistics database showed that in the last two years there were a large number of procurements valued at US\$ 6 million when the supply to Iraq was shown to have taken place after four or more months of the supplies reaching Jordan.

72. I *recommend* that orders for procurement be placed keeping in mind the ground realities of transportation of the goods to the final destination.

73. During the audits performed it was noticed that in respect of purchases worth US\$ 3.01 million the receiving reports from the concerned line ministries were awaited despite shipment to Iraq more than four months earlier.

74. As per the provisions of the Organization's Manual, an adjudication note justifying the procurement is required to be approved in each case valued at more than US\$ 15 000 or more. Audit noticed that photocopies of the same adjudication report of previous purchases were used in case of further procurement of the same items. A separate adjudication report needs to be in place even in cases of repurchases as the separate adjudication report would contain the justification for placing orders on the same vendor and/prices.

75. I wish to record my appreciation for the cooperation and assistance extended by the Director-General, the Regional Directors and the staff of the World Health Organization during my audits.



Vijayendra N. Kaul
Comptroller and Auditor-General of India

30 March 2007

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