



**World Health
Organization**

SIXTY-THIRD WORLD HEALTH ASSEMBLY
Provisional agenda item 16.1

A63/37
3 May 2010

Report of the External Auditor to the Health Assembly

The Director-General has the honour to transmit to the Sixty-third World Health Assembly the report of the External Auditor on the financial operations of the World Health Organization for the financial period 2008–2009 (at Annex).

ANNEX

**REPORT OF THE EXTERNAL AUDITOR TO THE HEALTH ASSEMBLY ON THE
FINANCIAL OPERATIONS OF THE WORLD HEALTH ORGANIZATION FOR
THE FINANCIAL PERIOD 1 JANUARY 2008 TO 31 DECEMBER 2009****INTRODUCTION**

1. The audit of the World Health Organization (WHO) was assigned to the Comptroller and Auditor-General of India for the financial periods 2008–2009 and 2010–2011 in terms of resolution WHA60.7 of the Sixtieth World Health Assembly.
2. The scope of the audit is defined in Regulation XIV of the Financial Regulations and the Additional Terms of Reference Governing the External Audit appended thereto. According to these terms of reference the auditor shall express an opinion on the financial statements for the financial period and report on the financial operations and various other matters set out therein.
3. The audits were conducted in accordance with the International Standards on Auditing. The audits focused on financial, compliance and value-added aspects.
4. Audit of financial statements for the financial period 2008–2009 revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole and I have placed an unqualified audit opinion on the Organization's financial statements for the financial period ended 31 December 2009.
5. Audits were conducted during the financial period 2008–2009 at all the regional offices of the Organization in addition to selected country offices in each region. The Interim Report containing the results of the audit performed in the first year of the financial period covering the regional offices for Africa and the Western Pacific and selected country offices, as well as an in-depth review conducted on the working of the Global Service Centre in Malaysia along with an assessment of procedures adopted and implemented for Global Management System data conversion performed at headquarters was transmitted to the Sixty-second World Health Assembly in document A62/29.¹
6. In the second year of the financial period, audits were carried out at the regional offices for South-East Asia, Europe and the Eastern Mediterranean, along with selected country offices in each region. In addition two in-depth management reviews were also conducted at the WHO headquarters at Geneva and the Global Service Centre at Kuala Lumpur. The review on cash management and bank reconciliation of Treasury at WHO headquarters at Geneva and of bank reconciliations at the Global Service Centre, Kuala Lumpur, was conducted to review the effectiveness and efficiency of the system of cash management in the Global Management System environment. In addition, the effectiveness of the human resource processes including payroll and Staff Health Insurance was reviewed to check the adequacy of internal controls in the Global Management System. Matters which had been previously reported to the Health Assembly were followed up, where necessary.

¹ The interim report was noted; see document WHA/62/2009/REC/3, summary record of the second meeting of Committee B, section 3.

7. In addition to the audit of WHO, the separate accounts of the African Programme for Onchocerciasis Control, the Trust Fund for the Special Programme for Research and Training in Tropical Diseases, the Trust Fund for the Joint United Nations Programme on HIV/AIDS, the International Computing Centre, the International Agency for Research on Cancer and the UNITAID were also examined. The respective audit opinions are transmitted separately to the governing bodies or management committees of these entities.

8. The working relationship with the Secretariat was 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 Services 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 more significant of these findings, appropriately aggregated, have been incorporated in this report.

10. The Secretariat has accepted the recommendations made in the report.

11. In compliance with the direction of the Programme, Budget and Administration Committee, this report contains a schedule detailing the status of significant recommendations made by the External Auditor.

FINANCIAL MATTERS

12. The hosted entities that do not form a part of WHO's programme budget have not been included in the financial statements. This change and other improvements in the presentation of financial statements for the biennium 2008–2009 necessitated restatement of 2006–2007 financial statements' income and expenditure items and balance sheet items.

13. During the biennium the total operating revenue was US\$ 3759.11 million. An amount of US\$ 10.66 million was lying under unidentified and unapplied receipts to be recognized under voluntary contributions during the year 2010. Total operating expenses for the biennium was US\$ 3941.55 million while US\$ 111.26 million was encumbrance from the Programme budget for goods and services to be delivered next year. The overall deficit carried forward to 2010 after taking into consideration net financial revenue and expenses of US\$ 80.98 million in 2008–2009 was US\$ 101.47 million.

14. Of the US\$ 2412.91 million held as cash and cash equivalents by WHO, the amount of US\$ 513.10 million is on behalf of the non-consolidated entities under administrative agreements.

MANAGEMENT REFORMS

15. I note that three more regions, the Regional Office for South-East Asia, the Regional Office for Europe and the Regional Office for the Eastern Mediterranean have introduced the Global Management System as of January 2010. The full benefits of the Global Management System remain to be fully realized as acknowledged by the Secretariat.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

16. In line with similar initiatives throughout the United Nations system, WHO, in accordance with resolution WHA60.9, adopted the proposal to introduce the International Public Sector Accounting Standards (IPSAS). The move to these Standards was stated to support better decision-making and enhanced governance that would reinforce the results-based management framework by providing more complete and transparent information about the financial situation of the Organization.

17. Independent audit assurance is essential to lend credibility to the annual financial statements. The Financial Regulations were revised in accordance with resolution WHA62.6 to fulfil the Organization's commitment to implement the Standards fully from 1 January 2010. However, the amended Financial Regulations created a non-alignment between the frequency of financial statements and frequency of audit cycle. While the revised Financial Regulations enabled WHO to move from a biennial to an annual accounting cycle, the un-amended Financial Regulation governing external audit continued to require the External Auditor to issue a report on the audit of biennium financial report prepared by the Director-General.

18. The Secretariat agreed that no provision was made for full annual audits of financial statements at the time the amended Financial Regulations were presented to the Executive Board in January 2009. It concurred that WHO would not achieve full IPSAS certification until it moved to annual financial statements accompanied by annual external audit. The Secretariat further stated that WHO would not be in a position to present financial statements under IPSAS until the year 2012 because; (a) fully IPSAS compliant data was dependent on the introduction of Global Management System which would not be rolled out to all locations until towards end 2010; and (b) of the ongoing work needed in the areas of fixed assets and inventories.

19. I support the Secretariat's proposal to present the timeline for resolving the conflict between the Financial Regulations XIII and 14.8–14.9 and to bring a change to the mandate of the External Auditor to accommodate the need for annual audits. I have also noted that a paper would be presented to the Health Assembly by the Secretariat to explain the misalignments and to request, notwithstanding Financial Regulation 13.1, that 2010–2011 biennial financial statements would continue to be presented in accordance with United Nations System Accounting Standards.

BUDGETARY CONTROL AND FUND UTILIZATION

20. I had recommended in my previous report that periodical reviews might be undertaken to ensure optimum utilization of allotment/award. Allotment holders are required to ensure that obligations are raised within available allotments. Red balances were still observed in the regional offices. In the Regional Office for Europe the negative balances in some cases exceeded US\$ 100 000 each. The major causes were exchange rate differentials and salary expenditure funded from different sources by the technical units. In the Regional Office for the Eastern Mediterranean, expenditure had been incurred against nil allotments. Regional managements' assurance that no red balances would occur with the implementation of the Global Management System from January 2010 is noted.

21. In the Regional Office for South-East Asia, there were five funds out of 26 in which 46% to 93% of the total allotted fund remained unobligated. Utilization of funds in the Office of the WHO Representative to India was less than 50% in seven programme codes with two of them having zero utilization. Implementation rates in certain key work areas identified in the country cooperation strategies in the Regional Office for the Eastern Mediterranean were very low despite fund availability.

22. I *recommend* that periodic review of the allotments against disbursements/obligations be done for optimum efficiency.

UNLIQUIDATED OBLIGATIONS

23. Unliquidated obligations represent liabilities of the Organization which have not been discharged. A large number of obligations amounting to a significant sum remained to be liquidated in all the regional offices and the Offices of the WHO Representative to India and Yemen. In the Office of the WHO Representative to Yemen, the unliquidated obligation ranged between 46% and 100% of the allotted amount in cases where the allotted amount was greater than US\$ 100 000.

24. The regional and country managements agreed on the requirement of continuous year round review of unliquidated obligations. I was informed that in the Global Management System, as a control approach, the concept of unliquidated obligation would be replaced by encumbrance which would equal a firm commitment for goods and services which had not been delivered.

PROGRAMME MANAGEMENT

25. WHO has adopted results-based management approach in budgeting, monitoring and evaluation for the planning and implementation of the programmes. The activity management system in the Regional Office for South-East Asia links the financial information to work plans. Of the total 1380 office-specific expected results considered for analysis, 57.03% were fully achieved, 26.74% were partially achieved, and 4.27% were not achieved. Information was not available in the report for the remaining 11.96%. There was no direct correlation between the technical progress and financial implementation of a product. The budget centre-wise obligation status report generated through the activity management system indicated that the percentage of obligations unlinked was above 50% in seven out of 11 budget centres in assessed contributions. For voluntary contributions, it was more than 50% in respect of four budget centres. In the absence of a complete linkage, the assessment of the performance of achievement in relation to amount spent was not possible. Most of the unlinked allotments in the Office of the WHO Representative to India related to human resource allotments managed by the Regional Office. In the Regional Office for Europe there were many cases where the technical and financial progress was below 75%. Also in some cases, though the status was shown as completed, the technical and financial implementation was not updated. The country management in Kyrgyzstan agreed that the status reflecting the progress of workplans could be made more effective. The implementation rate in some activities was noted to be below 50% in the Office of the WHO Representative to Yemen.

26. I have noted the assurance of the regional management of South-East Asia and country management of Yemen that with the commencement of operations under the Global Management System it would not be possible to incur expenditure without linkage to the workplan and respective activity. I *recommend* that linkages may be established for all the obligations to assess the performance of programmes in relation to money spent.

CASH MANAGEMENT AND BANK RECONCILIATION

27. A review on cash management and bank reconciliation of Treasury in headquarters was conducted. The objectives of audit were to review the effectiveness and efficiency of system of cash management and bank reconciliation in the Global Management System environment.

28. **Cash planning:** Efficient cash management is the primary responsibility of Treasury. Cash budget is one of the tools of financial planning and efficiently managing cash. Cash budgets are used to assess whether the entity has sufficient cash to fulfil regular operations and/or whether too much cash is being left in unproductive capacities. The daily cash flow planning and monitoring constitutes the cash budget approach for which the cash flow tool used is Excel worksheet. A weekly estimation is done of the cash needed by the Organization to spend on payroll, accounts payable, staff health insurance payments and regional accounts funding. These figures are derived from historical weekly average figures as extracted from the Common Payment Platform in the Global Management System. Large upcoming one-off payments advised by the technical units are factored in. The daily cash position reports are prepared as cash estimations of required and available balance in each bank on the spreadsheets as workarounds outside the Global Management System. The cash forecast tool in the Global Management System is not useful as it is driven by accounts payable balances with most invoices being paid immediately by the Global Service Centre.

29. The Secretariat maintained that there was no need or use for a cash budget as WHO cash outflows were largely staff costs and therefore reasonably predictable while cash inflows from donors were completely unpredictable. For large unexpected payments, short-term cash was kept in short-term money market accounts. Cash invested in the Enhanced Cash investment mandates could be called upon with two working days notice. The cash planning exercise was thus based on daily management of cash by the Treasury. The processes were not institutionalized nor were the details duly documented. The daily cash position reports were available from August 2009 only as these were not kept by the previous dealer. Likewise, the large payment pre-advice were also not recorded as these were stated to be received either by telephone, e-mail or memo.

30. The flow of assessed contributions, which is about a quarter of the total income of WHO, should be mapped by a trend analysis as also the voluntary contributions that have been more than 50% of the total income of WHO during the last three years. Absence of a structured cash budget prevents a variation analysis between what was forecasted and the actuals, timely identification of unusual items and initiating corrective actions. The report of the Office of Internal Oversight Services (09/805) on "Review of WHO's Approach to Comptrollership" has commented upon lack of a budget and progress monitoring report structured according to broad categories of revenue and expenditure, which is necessary for results-based management approach.

31. I have noted the Secretariat's assurance that there are no liquidity issues for WHO. I *recommend* that long-term cash budgeting approach may be reviewed and adopted to plan receipts, payments and investments. All related information may be documented for risk assurance and audit trail. The utility of the various functionalities and reports available in the Global Management System for managing cash requirements may also be reassessed.

32. **Investments:** The investment structure of WHO comprises internal and externally managed investments. The internal investments are taken care of by the Treasury; the fund managers take care of the external portfolios. WHO has a laid down investment policy which is governed by the Financial Regulations and the Financial Rules of WHO. The objective of the investment policy is to earn a competitive market rate of return while protecting the safety of the principal. Of the US\$ 2100 million

in investments as of December 2009, US\$ 1100 million was invested in in-house time deposits; there was a structured deposit of US\$ 25 million and the WHO Treasury terminal payments of approximately US\$ 34 million were invested in fixed-income corporate bond instruments via the custodian bank Northern Trust.

33. **Internal investments:** The in-house time deposits have come down during the year by about US\$ 240 million from US\$ 1365 million in May 2009 to US\$ 1125 million in December 2009. It was noted that a number of banks were holding substantial amounts for a considerable period over and above their weekly/monthly spending value. A daily review would have revealed balances, beyond immediate requirement, lying un-invested in certain accounts. Proper utilization of available funds becomes necessary in the context of current global recession, economic upheaval, unpredictable nature of voluntary contributions and the current cash flow issues. The Secretariat agreed that certain balances were higher than required. The balances were stated to be reviewed within the constrictions of the cost-benefit decisions comparing current account interest rates with deposit rates and assessing whether it was worth the time and cost of placing and transferring.

34. Though I find that there was no significant loss to the Organization in the present rate of interest regime, I *recommend* that all surplus funds lying un-invested even for a short time in the banks be regularly reviewed for appropriate investment decisions.

35. **Foreign exchange transactions:** WHO is operating in a multi-currency environment and handles inflows and outflows of various currencies. Cash management is done daily by the Treasury to maintain foreign exchange balances to tide over the various payment obligations. It was observed that some currencies were being bought/sold in the same month/next month and even on consecutive days, indicating the need for better planning.

36. I support the Secretariat in planning and tracking long-term requirements and receipt for foreign exchange.

37. **Management reporting:** Previous to the implementation of the Global Management System (July 2008) there was a bi-monthly Treasury report which detailed the investment position, credit limits, foreign exchange gains and losses. Subsequent to the Global Management System implementation, the reporting on internal investments to the top management was not found to be formal, regular and documented.

38. I am encouraged by the Secretariat's assurance that a regular and structured management report on investments position is being reinstated.

39. **External investments:** Externally managed investments accounted for about US\$ 1000 million of the total WHO investments in 2008–2009. External investments are carried out by fund managers according to the broad investment guidelines prescribed by WHO as well as portfolio management agreements executed between the fund managers and WHO. The Advisory Investment Committee observed poor short-term performance of all fund managers, particularly in the year 2008. The lack of resources dedicated to the monitoring of the fund managers' performance was also commented upon in the report of the Office of Internal Oversight Services (09/805). Significant volatility was noted in the UBS-managed investment portfolio performance, including realized and unrealized losses of US\$ 10.9 million on one group of securities within the portfolio during 2008. Likewise, performance of the European Credit Management's IGE Note value continued in the negative. The Secretariat stated that the 2008 losses were completely erased as in total the two portfolios returned respectable positive average returns of 4.6% over the 2008–2009 biennium.

40. The need for the appointment of a risk analyst for making a detailed risk analysis of the portfolios was recommended in November 2008. It was observed that the Requests for Proposal with regard to the risk analysis project were received in July 2009 only and placed in the Advisory Investment Committee meeting of November 2009, a year after its recommendation.
41. I have noted that the Investment Risk Analyst has since been appointed. The results of his review are targeted for presentation to the Advisory Investment Committee in March 2010.
42. **Northern Trust:** WHO entered into an agreement with Northern Trust as global custodian in respect of the Organization's assets (cash and securities). Its responsibility is to ensure that all income, interest, cash distributions and all other payments are collected and credited on a timely basis. It is required to provide performance reporting with regard to investment risk and analytical services. It was observed that performance reporting did not provide an analysis of reasons for the poor performing funds for the management to take suitable and corrective actions. The Advisory Investment Committee had also recommended that Northern Trust reporting should be suitably enhanced.
43. I have noted that enhanced reports on cross-portfolio counterparty risk and poor performing equities and securities have since been included in the Analytics reporting package for the Advisory Investment Committee. I encourage further reporting enhancements as a result of the review by the Investment Risk Analyst.
44. It was observed that the internal controls tested by the Independent Service Auditor of the Custodian provided reasonable but not absolute assurance with regard to the effectiveness of controls in view of various exception reports as of March 2009. These included the need for annual account reviews to ensure that transactions are timely recorded, are received from authorized sources, changes to existing application systems are timely authorized and documented, and tax receivables are completely and accurately recorded. WHO would need to seek assurance from its Custodian on the follow-up action on annual reviews, risk-based review of authentication processes and other system improvements implemented for enhancing the effectiveness of controls.
45. I *recommend* that the follow-up action by the Custodian, Northern Trust on the report of the Independent Service Auditor be ensured.
46. **Bank reconciliation:** Bank reconciliation process is an important internal control that provides an assurance that cash transactions at the bank are completely, timely and accurately recorded in the accounting records for financial reporting purposes. WHO has been unable to conduct monthly bank reconciliation since go-live in the Global Management System in July 2008 owing to system problems of buffer upload. The schedule of reconciliation was continuously revised and remained behind schedule.
47. **Reconciliation up to 2008:** Of the 38 bank accounts handled by Treasury for reconciliation up to December 2008, reconciliation was found to be complete in only 33 accounts and was pending for three accounts even after accounts closure. The pending accounts included the three most complex reconciliations of UBS: US dollars, Swiss francs and Euros. Of the 33 bank accounts where reconciliation was completed as of December 2008, it was observed that action on some of the reconciled items remained to be taken. The reconciliation of 2008 transactions was completed along with 2009 transactions as late as in March 2010.

48. The reasons were attributed to teething problems and learning curve issues with the bank reconciliation module of the Global Management System, complexity and quantity of bank reconciliations involved, staffing issues and other work commitments of supporting the Global Service Centre. The bank reconciliations must be done monthly and should have been brought current at the earliest as keeping them un-reconciled is risk prone.

49. **Reconciliations of 2009 accounts:** Of the total 51 bank accounts to be reconciled for the year 2009, 28 are required to be reconciled by Treasury and 23 solely by the Global Service Centre. There was a backlog of nine months' reconciliation pending at the time of audit with the attended risks of accuracy of the accounts and duplicate, wrong or over-payments. Reconciliation was also observed to be pending in the 12 accounts that were shared between the Global Service Centre and Treasury from 1 January to 30 April 2009. Treasury had apprised the Global Service Centre of 2160 bank statement lines in these accounts which needed reconciliation as of 30 September 2009. Treasury was in the process of reconciliation of about 3300 stated transactions in the 15 accounts it was exclusively responsible for along with deletion of duplicate lines which had appeared in these as also in the shared accounts. The reconciliation of 2009 transactions including that of shared accounts could be completed only at the closure of biennium accounts.

50. I *recommend* that a time schedule for keeping the bank reconciliations up to date be laid down and strictly adhered to. Stabilization of the Global Management System continues to be a risk area and needs to be closely monitored.

51. **Duplicate bank statement lines:** Duplicate bank statement lines appeared in the Global Management System resulting from duplicate electronic delivery of these statements by the banks used by WHO.

52. I have taken note of the subsequent removal of these duplicate statements and encourage the Secretariat to pursue a system enhancement to prevent such duplicates being loaded into the Global Management System.

53. **Bank statements with batch numbers:** Daily bank electronic statements sent by the banks refer to batch amounts instead of individual transactions resulting in intensive manual reconciliations of these accounts and rendering the auto-bank reconciliation module available in the Global Management System non-operational.

54. I encourage continued engagement with the banks on the issue of batch debits.

55. **General ledger balances:** It was observed that with the bank reconciliations in arrears there were differences in the bank balances as per general ledger and bank balances as per bank statements at the end of year 2008, based on which the accounts for the year 2008 were prepared. The differences have been identified, accounted for, or adjusted in the reconciliations completed up to the accounts of December 2008; these were reconciled by the Treasury in the year 2009 only.

56. Significant differences were observed between figures from treasury control databases and figures as available in the general ledger of the Global Management System, some of which pertained to 2008. The indicated system differences in business procedures between the general ledger and Treasury modules have since been reconciled.

57. **Cash in transit:** In the transition phase of the Global Management System large payments had to be voided due to overload in the system. Cash in transit head was operated for the piled up

debits/credits. The cash in transit head was not cleared consequent to fixing the issue of void payments with balances of US\$ 1 251 656 as of October 2009 in the account. These amounts included differences due to double posting of funds transferred, wrong foreign exchange rate applied, and uncleared balance on imprest accounts transactions.

58. I have noted the reconciliation since done on mismatched accounts and *recommend* a periodical review of cash in transit account for ensuring completeness of accounts.

59. **Internal control:** Internal controls provide a reasonable assurance with regard to the achievement of the objectives of an organization on the compliance with rules and regulations, efficiency and effectiveness of operations and sound financial reporting. Effective segregation of duties represents a vital component of an organization's internal control system. The duties of the Treasury assistants were observed to include multiple tasks of administering cheque receipts, their dispatch to the bank, payment preparation, bank reconciliation activities and also petty cash handling. Segregation of duties of the staff members involved in investment activities from payment authorization and bank reconciliation is required to be maintained as these constitute overlapping control functions. The issues of staff resource constraints referred to by the Secretariat should not be allowed to weaken internal controls.

60. The Fraud Prevention Policy of the Organization requires particular attention to be placed on personnel risk. Fraud could be perpetrated if systems development staff is involved with live operations. Treasury functions involving internal investments worth more than US\$ 1000 million should not be handled by a short-term staff either.

61. I *recommend* that the responsibilities of staff involved in bank reconciliations and making internal investments be reviewed.

BANK RECONCILIATION IN THE FIELD

62. There were delays in receipt and preparation of reconciliation of monthly bank statements in respect of all the bank accounts in the Regional Office for South-East Asia and some in the Regional Office for Europe after the rolling out of the Global Management System, as the inter office vouchers for the resolution of payment instructions were not received in time from headquarters.

63. I *recommend* that closure of monthly bank accounts be done on schedule.

IMPREST

64. Imprest accounts are a high-risk area of work where the control systems mandated under the WHO Manual need to be complied with to ensure that the monthly expenditures are within the limits specified. Replenishments of the imprest account each month should be made on balance available, historical data of disbursements incurred during the period of at least three previous months and expected special needs for the month. In the Regional Office for the Eastern Mediterranean as also in the Office of the WHO Representative to Yemen, either or both of expenditure and replenishment figure crossed the ceiling in several months. Frequent delays in the receipt of imprest returns were observed in all the regional offices leading to delayed reconciliation with supporting cash and bank records. Negative and some over- and under-stated balances were observed in certain imprest accounts maintained by headquarters due to lack of timely journalization of clearing accounts. In the Regional

Office for Europe imprest amounts were kept in bank in excess of the ceiling limit in a few countries. Regional and country managements have assured that e-imprest module developed under the Global Management System would henceforth enable timely receipt of information and recording.

65. I *recommend* that all offices responsible for controlling imprest accounts must regularly review the status of the account and ensure adherence to the provisions of the WHO Manual.

DIRECT FINANCIAL COOPERATION

66. Direct Financial Cooperation is a formal agreement between the WHO and the local government for costs incurred by governments which are subsidized by WHO in order to strengthen health development. The first deliverable is a signed contract and the final deliverable an acceptable technical report and financial certification which are to be received within three months of the completion of the activity. Refund of unspent balance was overdue in 88 out of 606 total Direct Financial Cooperation cases in the Office of the WHO Representative to India. The technical reports and the certification of expenditure were received in only two cases. The programme/project had not taken place in 22 cases and the amounts advanced remained outside WHO funds for up to eight months. Direct Financial Cooperation payments had also not been withheld from contracting partners where technical reports and financial certification as mandated under the Manual's provisions were due. In the Office of the WHO Representative to Yemen, financial and technical reports were awaited in 14% of the cases although considerable time had lapsed.

67. The database for controls to monitor the advances and recoveries under Direct Financial Cooperation after the completion of the projects was not complete or properly integrated to harness the information for management in the regional offices for the Eastern Mediterranean and South-East Asia. It was observed that, out of 15 countries where agreements had been entered into in 2008, 10 countries had un-utilized amounts in the Regional Office for the Eastern Mediterranean. In 2009 there were only 120 financial certifications on record out of 3198 obligations raised in the year. The compliance with the Manual's procedures continued to be weak despite administrative waiver of US\$ 46 531 868 given in April 2009 to this Regional Office on grounds of unavailability of required documentation.

68. I support the regional and country managements' efforts in monitoring through the Global Management System and recommend strengthening of internal control procedures to ensure effectiveness of Direct Financial Cooperation-funded project/activity.

PERSONAL ADVANCES TO STAFF

69. Sanction of personal advances and their timely recovery as per the Manual's provisions was recommended in my previous report. The regional managements had given assurance to settle outstanding advances. An advance amounting to more than one month's salary and/or repayable over a period exceeding three months is granted only in the gravest emergencies. A large number of salary advances were observed as given in the regional offices. The main reason stated for such large number of salary advances was problems being encountered in the new Global Management System environment under which the payroll of the fixed-term staff was being handled since July 2008. Many staff members were not on the Global Management System payroll although they held valid contracts. This aspect of human resource processes in the Global Management System has been separately

commented upon by me in this report. In the Regional Office for South-East Asia, of the 463 salary advance cases 212 cases were pending adjustment for more than three months.

70. Travel advances are to be recovered from salary or entitlements of the staff, if the travel claims are not submitted within 30 days of completion of each trip in accordance with the Manual provisions. In the Regional Office for South-East Asia there were 364 cases that were to be followed up. There were as many as 40 cases of overpayment and non-submission of travel claims within the stipulated time frame of 30 days in the Regional Office for the Eastern Mediterranean. Recovery was due in 14 cases. The control mechanism through delinquent recovery process introduced in the Global Management System for deduction of unclaimed advance from salary was not found fully activated in the Global Service Centre. Travel authorizations were given in the Regional Office for Europe and in WHO country offices in Estonia and Kyrgyzstan after commencement of the journey. The percentage of ad-hoc travels ranged between 33 and 47 in the Regional Office for South-East Asia. A further analysis revealed that 227 officials had undertaken travel on ad-hoc basis on more than one occasion during a quarter. Duty travel reports had not been submitted in 1356 cases of planned travel.

71. The objective of the Staff Health Insurance rules is to reimburse a major portion of the expenses incurred for medically recognized health care. In the regional offices for the Eastern Mediterranean and South-East Asia, outstanding cases remained to be reviewed and cleared. The practice of making direct payments to health-care providers in the Organization is required to be brought in line with the rules prescribed by headquarters.

72. I have noted the efforts made by the managements to reconcile the personal accounts and *recommend* recovery be made effective under the Global Management System. The practice of making direct payment to service providers after service has been rendered may be reviewed to bring it in alignment with the rules.

HUMAN RESOURCE PROCESSES

73. A detailed study of the human resource processes including payroll and staff health insurance was conducted at headquarters and the Global Service Centre, Kuala Lumpur, to assess the effectiveness of processes and the adequacy of internal controls in the Global Management System environment. The Global Service Centre uses the Global Management System infrastructure to deliver end-to-end human resource services by carrying out processes on change of status or personal information, contract management, absence administration, disciplinary measures and education grant entitlement of about 7700 staff members.

74. **Efficiency and effectiveness of human resource processes:** The efficiency and effectiveness of human resource processes run at the Global Service Centre can be assessed from achievement of service levels defined in the Service Level Agreement which sets inter alia the expectations about services with all stakeholders, resolution of service requests and salary-related payments. Analysis of the databases in the trend reports revealed that percentage of cases within the turnaround time set as target business days was between 34 and 59 only on such human resource actions as appointment, change in grade and reassignment. Service levels for human resource actions like Special Service Agreement holders, conference staff, other types and temporary assignment to higher position are not given in the Service Level Agreement. Details relating to education grant, leave processing and priority request cases were not included in the trend reports either. Service Level Agreement was found to be valid up until December 2009 only and was in the process of being revised.

75. The Secretariat maintained that Service Level Agreement was developed in the early stages of Global Service Centre operations when there was no real experience with using the new system and complete data to statistically validate the assumptions was not available. It was informed that after the Global Management System went live in July 2008, hundreds of bugs and system issues surfaced and many workarounds had to be used and were continued to be used. These add to the process time to complete transactions. In addition a large volume of legacy transactions was inherited which was not part of the trends report. The Secretariat maintained that the real validity of the Service Level Agreement was from completion of stabilization period until 31 December 2009. The transactions examined in audit related to the trend reports as on November 2009, 16 months after implementation of the Global Management System.

76. I have taken note that Service Level Agreement is under review in order to establish a more realistic performance target.

77. Analysis of Application Support Weekly Review reports generated by the Global Management System revealed a number of cases that were pending in the business units for want of customer updates. Prominent retro-adjustments were made against 88 pay elements involving 8432 staff members and valuing US\$ 6 366 648 in August 2009 payroll. Such a large number of retro-cases are a pointer to delayed human resource processing and/or delayed initiation of human resource actions by the staff and/or supervisors.

78. The Global Management System was intended to make processing faster and simpler by eliminating paper chains and providing electronic workflow and checks, swiftly moving transactions through brief chains of approval, and incorporating electronic budget and planning checks where needed. Data were to be entered only once, which would then be consistently reflected in all areas that rely on the same information and link accountability with access to the information required by associating actions and information with the role and responsibility of a staff member. The human resources self-service was to update changes to personal data, for example marriage, birth of a child and change of address, directly. These continue to be manually reported and tracked. The Secretariat acknowledged that the quality of requests and data was not entirely satisfactory. There is back-and-forth communication between the Global Service Centre and initiators and/or requestors to seek clarifications, obtain information, and complete administrative formalities before all the pre-requisites as defined in the Service Level Agreement are met. In addition, due to system problems the requests reach the Global Service Centre days later than the time they are approved.

79. I support system enhancement to capture all human resource actions so that the efficiency and effectiveness of human resource processes is brought to the established standards and the primary objectives of the Global Management System are fully realized.

80. **Data clean up and integrity:** The transaction data entered for processing, whether people-generated, system-generated or interfaced inputs, should be subject to a variety of controls to check for accuracy, completeness and validity. It was noticed that some employees were given two employee numbers whereas it should have been unique as per control requirement. Necessary controls were not seen in place to establish unique identity to avoid duplicate payments.

81. I *recommend* that the Secretariat institutes unique identity for individual staff and establishes checks and IT improvements to address granting of duplicate staff numbers.

82. It was seen in a large number of records that the requisite information on major office, assignment reason, appointment type, start date on appointment type, appointment type was missing and the database was incomplete, thus affecting its accuracy and validity.

83. I support the Secretariat's move to create checklists and control reports to detect potential missing information.

84. **Dependency status:** As per the United Nations common system of salary and allowances, dependency benefits are provided in the form of higher net salaries and allowances for staff with dependants than for those without dependants and by flat-rate allowances for children and secondary dependants. The dependency status also impacts Staff Health Insurance contributions and claims, the financial implications of which run very high. The staff members must provide satisfactory evidence of dependency to establish that they are eligible for dependency-related allowances. Changes in the status of any dependants for whom an allowance is paid must be reported by the staff member immediately. It was observed that the responsibility for annual verification of dependants had not been assigned nor was there awareness about focal point for dependency status verification among employees. The verification of dependants was last done in 2006. The notification for annual review for 2007 and 2008, which was slated for the end of 2009 was brought out only in January 2010.

85. I *recommend* that the 2007–2008 verification exercise be completed in a time-bound manner and followed up by recoveries wherever applicable.

86. As per rules, the verification of dependency is done with respect to documents at the time of joining WHO. The rules do not provide for submission of necessary documents to establish continued dependency. In the absence of such provision, the risks of ineligible payments due to wrong dependency status cannot be ruled out. It was informed that it is part of the staff member's obligation to submit the changes in their personal information through the self-service facility of the Global Management System. Staff members are expected to notify changes in status immediately and not wait for the annual review.

87. I have taken note of the Secretariat's move to bring in place system controls for auto-cessation of benefits on end date. I *recommend* that dependency-related entitlements should be subject to regular and periodic verification in view of the financial implications.

88. **Control activities in human resource processes:** Internal control includes a range of detective and preventive activities such as authorization and approval procedures; segregation of duties (authorizing, processing, recording, reviewing); controls over access to resources and records; verifications and reconciliations; reviews of operating performance; supervision (assigning, reviewing and approving, guidance and training). An organization should reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to control activities in order to achieve the objectives.

89. **Documentation:** Documentation of the transactions is one of the key internal controls. Necessary documents supporting a transaction should be readily available for audit trail, transparency and accountability. These were not found to be readily available in the cases checked either in Record Management System or shared I: drive even after months of completing human resource actions. It was informed that the structure had since been significantly modified to make the process of uploading human resource records quick and accurate.

90. It was noted that there was no monitoring mechanism in place to ensure timely and complete upload of documents nor was any management information system report mandated to monitor uploading/updating of documents. The Secretariat's measure to put a monitoring process in place as part of quality control framework is noted.

91. I encourage the ongoing exercise of uploading incoming and saved documents to the Record Management System by March 2010. I *recommend* timely and complete uploading of all documents into the Records Management System to facilitate audit trail, retrieval of documents by different business managers and informed decision-making. The legal validity of scanned documents may also be confirmed.

92. **Audit trail:** Audit log is a chronological sequence of records, each of which contains evidence directly pertaining to and resulting from the execution of a business process or system function. The copies of process logs in sampled transactions were not found on record. The Date Track History available in the human resources module in the Global Management System did not have any access in the back end to see the full audit trail. Work was ongoing for the full audit trails through Discoverer Reports.

93. The larger issue of availability of process log which would give history of record and user identification of persons creating, editing or modifying the record remained to be addressed. The establishing of an audit trail in the Global Management System to allow tracking is noted.

94. **Checklists and job aids:** A checklist helps to ensure consistency and completeness in carrying out a task. It lays out tasks to be done according to time of day or other factors. The quality control in framing of comprehensive checklists and job aids was not available. The Secretariat's assurance to have since put in place checklists to capture required steps and documents for processing critical transactions is noted.

95. **Segregation of duties:** No single individual or team should control all key stages of a transaction or event to reduce the risk of error, waste, or wrongful acts and the risk of not detecting problems. The duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing and recording transactions, processing, and reviewing or auditing transactions. In the cases examined, segregation of duties was not found in some Within-Grade Increase and appointment cases and in all cases of changes in personal information as the complete transaction was processed by one person. The Office of Internal Oversight Services had earlier recommended the Organization to ensure that all payments related to entitlements and benefits to staff members were checked by at least one supervisor for accuracy and relevant background documentation.

96. I *recommend* that the comprehensive review under way to check if further segregation of duties is required may be completed to strengthen internal controls and mitigate potential risks of fraudulent payments.

97. **Input controls:** Input controls are required to ensure correct data entry. These include mandatory fields, check digits, and validation checks in relation to implementation of sampled human resource actions. It was observed that the use of a check digit had not been made in any of the mandatory fields. There was thus no assurance on record about existence and operation of input controls. This is also evident from generation of duplicate employee numbers by the system.

98. The field properties like mandatory/non-mandatory were decided during the system design based on business processes which may require a revisit.

99. **Use of control numbers:** Use of control numbers is necessary to ensure uniqueness of identities, transactions and events. It was noted that generation of control numbers like unique employee number was not system-generated. There was also no validation check for duplication as was evident from existence of same employee numbers to different employees and different employee numbers to same employee.

100. The Secretariat's response that automatic numbering was turned off to accommodate conversion difficulties and would be turned on is noted.

101. **Supervision:** Competent supervision helps to ensure that internal control objectives are achieved. Assigning, reviewing, and approving an employee's work encompasses clearly communicating the duties, responsibilities, and accountabilities assigned to each staff member; systematically reviewing each member's work to the extent necessary and approving work at critical points to ensure that it flows as intended. The Secretariat maintained that some processes had in-built authorization procedure. Additionally, monthly random check of transactions was done.

102. I am assured that formal mechanisms would be put in place in early 2010 for the Global Management System to capture the exercise of the supervision checks at different levels.

103. **Status of self-assessment of controls by business owners and managers:** The best practices require managers to periodically undertake self-evaluations of internal control operations. It was seen that the self-assessment of controls in compliance with the Global Management System project document was not specifically done. This was designed to facilitate compliance with generally accepted application audit and control objectives, serve as a checklist of issues for consideration during application set-up, and assist the functional leads or application owners in defining audit and control requirements.

104. The Secretariat's assurance that standard operating procedures to mitigate potential risk have been put in place since go-live is noted.

105. **Payroll processes:** The regular global monthly payroll run consists of a number of processes that have to be carried out in a pre-defined sequence and within the agreed schedules. Salary advances are normally paid in exceptional circumstances and ideally these payments should be paid through payroll. It was noted that a number of payments were processed through Accounts Payable towards salary advance. This was attributed to the completion of the administrative formalities before converting an applicant to the status of an employee which could take a couple of months. During this period the staff was paid a salary advance on a monthly basis. This process of payment to staff who neither have applicant number nor staff number bypasses the built-in controls of the human resource management system and payroll modules of the Global Management System and lends scope for human error due to manual intervention for salary payment through Accounts Payable. This process also indicates that once the employee joins duty, the process of payment is not validated and controls not automated in the system. This defeats the very purpose of using the Global Management System, which is designed to be an integrated enterprise resource planning solution for human resources and payroll processes.

106. I have noted the Secretariat's contention that salary advances are now made only upon approval of senior management. I *recommend* that payment of salary advance through Accounts Payable be reviewed.

107. **Bank rejection of payroll due to non-verification of bank details:** There should be automatic screen-level validation of bank account and salary distribution details in the system itself and proper verification of bank details of staff and validation check must be exercised. It was noted that there were salary cases voided due to bank rejections and the same were reprocessed in Accounts Payable as per the process design. Retroactive payroll was then run to adjust the payment. The non-payment or delayed payment of salary also added to the number of service requests created. The above consequences are avoidable if the proper validation controls are in place. The efficiency and effectiveness of the Global Management System are affected owing to service requests, in turn leading to the avoidable burden on staff, extra cost and delay in processes.

108. I *recommend* that all the automated validations are put in operation to reduce bank rejections by banks.

109. **Reconciliation of Staff Health Insurance with human resource data:** WHO has an independent Staff Health Insurance scheme to cover medical expenses on admissible health care incurred by its participants. In respect of the staff whose salaries are processed through the Global Management System, the payroll module automatically works out the Staff Health Insurance contributions based on the information available in the human resource management system data and recovers them from the monthly salaries. The health insurance information system that processes these claims takes the staff data from the payroll. Employees having applicant status have to wait for their claim, if any, under Staff Health Insurance until the staff number is allotted and processed in human resources and payroll modules in the Global Management System. Any data discrepancy in human resources and payroll including dependency-related issues would also appear in the health insurance information system. The correctness of health insurance information system data thus cannot be ensured and would remain linked to the issue of human resource management system data integrity. This was acknowledged by the Secretariat.

110. It was seen that no individual-wise reconciliation is done in terms of Staff Health Insurance contribution of a staff member in the payroll and health insurance information system. Any changes in contract period do not automatically get reflected in the health insurance information system. Also, there is no direct automated link between the Staff Health Insurance contribution and claim verification in the health insurance information system.

111. I *recommend* that the enhancement proposed by the Secretariat in the system on periodic reconciliation of employee-wise deductions by payroll towards Staff Health Insurance contribution with the amount actually recoverable may be inbuilt into the process.

112. **Direct payment to staff:** There is no provision in the Staff Health Insurance rules for direct payment. It was informed that direct payments are normally made on behalf of retirees at 80%; sometimes the reimbursement is greater than 80% owing to catastrophic/supplementary benefit. The health insurance information system showed an amount of US\$ 15 million as direct payment on behalf of staff in 2008–2009. It was observed that the information on recovery was presently limited to spot checks only.

113. I have noted the Secretariat's response that a procedure to monitor recovery is being worked on.

114. **Monitoring and evaluation of human resource processes:** The Global Service Centre serves as the global processing platform for the swift and reliable delivery of a comprehensive array of products and services including human resources, payroll and accounts payable. This was a business process reengineering exercise in the context of adoption of service delivery model along with introduction of the Global Management System. It was observed that there were no formal reporting lines by the Global Service Centre to other headquarter departments like Human Resources Management and the Comptroller with reference to data cleaning, updating, validation and authentication. A detailed and formal Management Information System-based coordination/steering mechanism had not been created.

115. The meetings of the Business Owners Committee, a useful forum for greater involvement of business owners in effective implementation of the Global Management System, were not regular. The payroll module is shared among various business owners. The report of the Office of Internal Oversight Services on the review of WHO's approach to comptrollership (09/805) had commented on the misalignment between Comptroller's role as chief financial officer and absence of any role in the key financial transactions processed by the Global Service Centre. It was noted that the involvement of the Human Resource Management department, the repository of domain knowledge, in improving effectiveness and efficiency of human resources processes was intermittent rather than systematic. A working arrangement of coordinators dealing with the human resources and finance modules at the Global Service Centre with the Director, Human Resource Management and the Comptroller on technical matters has since been put in place.

116. The monitoring of the human resource processes being done through trend reports and application support weekly reports do not highlight achievement of service levels given in Service Level Agreement and the reports are likely to suffer from data-integrity issues. These reports are quantitative in nature and do not facilitate the monitoring of quality aspects in processing of human resource actions. The terms of reference, agenda and follow up of weekly meetings of General Management Group Directors to assess the effectiveness of this monitoring mechanism was not on record.

117. It was seen that there were no quality indicators to assess whether controls were effective in the human resources module. Errors in self-service forms showed that the quality of data from technical units was not good. The human resource actions relating to a specific staff member have been consciously kept fragmented for efficiency purposes. The existing business processes model may require a revisit to improve job content of the human resources administrator and to facilitate overview of the human resources process by the human resources administrators.

118. I support the Secretariat's move to schedule workshops to document global human resources business process in terms of standard operating procedures and roles and responsibilities.

119. I *recommend* that clear responsibility lines may be defined where business ownership is shared in view of fragmented human resources processes that have been brought into operation following migration to the Global Management System and service delivery in the form of the Global Service Centre. Greater coordination is required between the Human Resource Management department and the Global Service Centre to achieve better efficiency and effectiveness in human resource processes.

PERSONNEL MANAGEMENT

120. Staff Rules require the supervisors periodically to make a formal evaluation of the performance, conduct and development potential of all staff members under their supervision. This evaluation shall be made at such intervals as the work situation or the individual's performance requires, but in no case less frequently than once a year. The evaluation of performance as reflected in these reports shall be the basis for assisting the staff member to make his or her most effective contribution to the work of the Organization and for decisions concerning the staff member's status and retention in the Organization. The process of receiving the completed reports under the Performance Management Development System for all fixed-term staff for 2008 was not found to be complete in the regional offices for Europe and South-East Asia. In the Office of the WHO Representative to India only 77% of the reports and 23% of workplan objectives were submitted. Deviations from the procedure of appointment such as the recruitment records on convening of selection committee and short listing of candidates in the Regional Office for South-East Asia were also noted. The regional managements' assurance to ensure compliance is noted.

121. I *recommend* that the process of review of staff member's performance should be monitored in accordance with the procedures established to facilitate mid-term correction wherever needed. Recruitment procedures may be followed and documented.

CONTRACTS FOR SERVICES

122. The requirements to get the obligation documents validated for Agreements for Performance of Work include costing details and an adjudication report if the cost equals or exceeds US\$ 15 000, as also a written justification for advance given if any for the proposed activity. All parts of the form relevant to the particular service to be performed should be completed and submitted to competent authority, e.g. the project period, a summary of work, payment terms, and deliverables. A large number of instances continued to be noticed in all the regional and country offices where the requisite documentation including necessary approvals and signatures on the contract was not on record. Advance and final payments were made without justification. Cost estimations were not proper, resulting in refunds. Sufficient competition was not ensured in the Regional Office for Europe. In five cases contracts were awarded for various research-based works. In three cases, the contract was entered into with persons and in others with organizations. In none of these cases was any competitive bidding done to avail the best offer and price despite recommendations of the Contract Review Committee. Retroactive approvals were also accorded.

123. I *recommend* stricter compliance to the Manual's provisions on Agreements for Performance of Work and strengthening of internal controls.

TECHNICAL SERVICE AGREEMENTS

124. Technical Services Agreement refers to an agreement whereby collaborative research services are provided under contract by an institution to WHO. Before agreements are concluded managers should take into account the institution's administrative structure and be satisfied that it is capable of administering and accounting for the funds in accordance with acceptable standards of internal control. The financial and technical reports form part of the agreement at the intervals specified. The costing details, financial and technical progress of work was not found on record in most of the cases examined in all the three regional offices. The country management of the Office of the WHO

Representative to India agreed that initial budgets submitted by contractual partners may need to be further analysed prior to signing the agreements. In most cases the agreements were not signed or signed after the commencement of the contract. In the Regional Office for Europe, the data on technical and financial progress were not filled in though status of work was shown as completed in the activity management system. The data generated in the Regional Office for the Eastern Mediterranean did not match the financial reports in the administrative and financial system resulting in ineffective monitoring. Un-utilized amounts were refunded by two institutions in the Office of the WHO Representative to India as the initial budgeting for projects under the agreement was not made appropriately by the contractual partner.

125. I *recommend* that compliance to WHO processes and procedures on Technical Service Agreements as prescribed in the Manual be strengthened as assured by the country and regional managements.

FELLOWSHIPS

126. The fellowships programme was set up to strengthen the health systems and services delivery in countries through strengthening of capacities of human resources for health in the Member States. Termination of Study report and the Utilization of Fellows' Services reports are to be received within one month of the end of fellowships and 12 months after the end of fellowships, respectively. In the Regional Office for South-East Asia, 905 fellows were awarded fellowships during the biennium. Out of 881 reports due, 156 fellows had not submitted Termination of Study report within the stipulated period. Utilization of Fellows' Services reports was not available in almost all the cases checked in the regional offices for South-East Asia and the Eastern Mediterranean.

127. Regional managements' efforts of periodical follow-ups made with the country offices to facilitate early submission of Termination of Study report and the Utilization of Fellows' Services reports are noted. The timely submission of prescribed reports would help to assess the contribution made for building the capacity of health systems of member countries.

PROCUREMENT

128. The Manual's provisions on procurement with respect to soliciting bids and ensuring full and free competition are required to be complied with. The vendor database needs to be reviewed and updated at regular intervals to make it more comprehensive and for effecting transparent and equitable procurement. In the Regional Office for the Eastern Mediterranean and the Office of the WHO Representative to Yemen it was observed that there was no mechanism in place for monitoring the performance of the vendors. Splitting of purchase orders was resorted to in the Office of the WHO Representative to Yemen.

129. Contracts of purchase orders which require part payment in advance prior to the delivery of goods or performance of services can be entered into only as an exception and only where operationally justified. In the Regional Office for South-East Asia, 50% advance was paid in one case which was not part of the general terms and conditions appended to the purchase order.

130. Under the regulation on the procedure of VAT reimbursement, supply of goods and services for official use to foreign diplomatic missions or consular missions and representative offices of international organizations accredited are subject to taxation at a zero-rate. Refund of VAT was not

claimed on expenditure incurred on fuel, telecommunications and postal charges in the country offices in Estonia and Kyrgyzstan.

131. I have noted the regional managements' assurance to evaluate and update the suppliers' data as also to document the justification for advance payments made. I encourage the monthly submission of claims for VAT refund as a regular mechanism.

INVENTORY

132. I had recommended in my previous report that a comprehensive database of non-expendable equipment be prepared and regularly updated. This is to ensure the continued physical presence of the Organization's assets as also to provide a basis for reporting in the financial statements of the Organization. In the Regional Office for South-East Asia, inventory records were not updated. Missing details included manufacturer's serial number, date of acquisition and purchase reference numbers in the Regional Office as also in the Office of the WHO Representative to India. Physical verification was not seen as a comprehensive exercise to reflect correct location and vital details of the inventories in the Regional Office for the Eastern Mediterranean. There was no separate record keeping for project and non-project inventories in its country offices. A large number of highly attractive assets and other high value items like vehicles received from country offices remained to be inventoried. The lists of all non-expendable items sent to the country and other project offices for physical verification during 2009 as per the requirements of the new Global Management System were found to be incomplete and not updated even for the Regional Office for Europe. Timely action on the decisions of the Property Survey Committee was found wanting.

133. Regional managements' assurance that inventory recording had been centralized and computerized is noted. The efforts made on data shortfalls as also on discrepancies in country offices on physical verification are encouraged. I *recommend* that the use of global asset registry module in the Global Management System for non-expendable property be optimized.

CASES OF FRAUD AND PRESUMPTIVE FRAUD

134. During the biennium, there were four cases of proven fraud involving a calculable financial loss of US\$ 222 689. Loss of US\$ 37 000 occurred as a result of misconduct and/or fraud in two other investigations. Other cases were assessed, completed and closed without resulting in conclusions of financial loss to the Organization.

ACKNOWLEDGEMENT

135. 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.



Vinod Rai
Comptroller and Auditor General of India
External Auditor
31 March 2010

APPENDIX

**STATUS OF IMPLEMENTATION OF SIGNIFICANT EXTERNAL
AUDIT RECOMMENDATIONS**

(As at the end of March 2010)

RECOMMENDATIONS	STATUS OF IMPLEMENTATION
A. Global Management System	
1. It was recommended that a comprehensive costing exercise to determine the exact capital cost/cost of implementation of Global Management System be carried out.	1. A further costing analysis is awaited now that roll-out to three more regional offices is since completed.
2. Making historical information available to the business owners for sound decision making was recommended.	2. This was awaiting stabilisation. Funding and resource capacity needs to be identified to undertake historical data conversion.
3. Legacy system decommissioning and database archiving strategy were to be finalized.	3. A legacy data archiving and system decommissioning project had been initiated and is planned for completion during 2010–2011.
4. It was recommended that an approved Information Security Management System and data classification policy be considered.	4. While the data classification policy was approved in April 2009, Patching management policy would be finalized in second quarter of 2010.
5. It was recommended that additional security tools be installed to enable restriction of access to critical programmes and data.	5. Enhancements with regard to security reporting are being targeted for fourth quarter of 2010.
6. It was recommended that a structured feedback be obtained from GSM users under the Information Technology Infrastructure Library framework.	6. This agenda is being scheduled for next meeting of Business Owners.
B. Procurement	
7. Monitoring processing time for purchase orders.	7. This was pending stabilisation of Global Management System.
8. Database of Suppliers not updated (WCO, Nigeria).	8. The updated status is awaited.
C. Personal Advances	
9. Claims in respect of travel, salary, staff health insurance and other advances outstanding in Regional Office for Africa remained to be processed.	9. Action is stated to be ongoing.

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