

Report of the External Auditor

Report by the Director-General

The Director-General has the honour to transmit to the Seventy-second World Health Assembly the report of the External Auditor on the financial operations of the World Health Organization for the financial year ended 31 December 2018 (see Annex).

ANNEX

**Republic of the Philippines
COMMISSION ON AUDIT
Quezon City**



**Report of the External Auditor
to the Seventy-second World Health Assembly
on the Financial Operations of the
World Health Organization**

**For the Financial Year Ended
31 December 2018**

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LIST OF ABBREVIATIONS

ACT	Accounts
ADG	Assistant Director-General
AMG	Asset Management Group
AMRO	Regional Office for the Americas
APW	Agreements for Performance of Work
AR	Adjudication Report
BC	Budget Centre
CFE	Contingency Fund for Emergencies
COP	Conference of the Parties to the WHO Framework Convention on Tobacco Control
CRC	Contract Review Committee
CRE	Office of Compliance, Risk Management and Ethics
CRM	Coordinated Resource Mobilization
DAF	Director of Administration and Finance
DDG	Deputy Director-General
DG	Director-General
DFC	Direct Financial Cooperation
DI	Direct Implementation
DoA	Delegation of Authority
DRC	Democratic Republic of the Congo
EMRO	Regional Office for the Eastern Mediterranean
ERF	Emergency Response Framework
EURO	Regional Office for Europe
ePMDS	Electronic Performance Management and Development System
FCTC	Framework Convention of Tobacco Control
FMC	Financial Management Council
FNM	Department of Finance
GHR	Global Human Resource, Global Service Centre
GM	Grant Management
GMG	General Management Cluster
GOC	Global Oversight Committee
GPEI	Global Polio Eradication Initiative
GPR	Global Progress Report
GPW	General Programme of Work
GSC	Global Service Centre
GSM	Global Management System
HQ	Headquarters
HR	Human Resource
HRD	Human Resource Department
HSR	WHO Alliance for Health Policy and Systems Research
IARC	International Agency for Research in Cancer
ICC	United Nations International Computing Centre
ICF	Internal Control Framework
IHR	International Health Regulations
IMT	Department of Information Management and Technology
IMS	Incident Management System
IOS	Office of Internal Oversight Services
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KPI	Key Performance Indicator

LEG	Office of the Legal Counsel
LOA	Letters of Agreement
MDA	Mass Drug Administration
MGA	Management and Administration department
OCR	Outbreak and Crisis Response
ODG/DGO	Office of the Director General
OSL	Operations Support and Logistics
PAHO	Pan American Health Organization
PSC	Property Survey Committee
PMNCH	Partnership for Material, Newborn and Child Health
PO	Purchase Order
POL	Polio Eradication Department
PR	Purchase Requisition
PRP	Planning, Resource Coordination and Performance Monitoring Department
RBM	Results Based Management
RM	Resource Mobilization
RMS	Resource Mobilization Strategy
RMT	Risk Management Tool
RPE	Request for Price Estimates
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SEARO	Regional Office for South-East Asia
SHI	Staff Health Insurance
SOP	Standard Operating Procedure
SR	Selection Report
SQL	Structured Query Language
TDR	UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases
TMS	Transport Management System
TR	Travel Request
TOR	Terms of Reference
TQS	Travel Quality Specialist
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
USD	United States dollar
VN	Vacancy Notice
WCO	WHO Country Office
WFS	WHO Fleet Services
WHA	World Health Assembly
WHE	WHO Health Emergencies Programme
WHO	World Health Organization
WPRO	Regional Office for the Western Pacific

EXECUTIVE SUMMARY

Introduction

1. The report of the External Auditor on the audit of the financial statements and operations of the **World Health Organization (WHO)** is issued pursuant to Regulation XIV of the Financial Regulations of WHO and is transmitted through the Executive Board to the Seventy-second World Health Assembly (WHA).
2. This is the third report to the World Health Assembly by the Chairperson of the Commission on Audit of the Republic of the Philippines, under a new mandate as the External Auditor of the WHO for the four-year period from 2016 to 2019, granted by the Sixty-eighth World Health Assembly under resolution WHA68.14.
3. The objective of the audit is to provide independent assurance to Member States, increase transparency and accountability, as well as operational efficiency and effectiveness in the Organization, and support the objectives of the Organization's work through the external audit process. We have detailed in this Report the financial and governance matters that we believe should be brought to the attention of the World Health Assembly.

Overall result of the audit

4. In line with our mandate, we audited the financial statements of WHO in accordance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board.
5. We concluded that the financial statements present fairly, in all material respects, the financial position of WHO for the financial year ended 31 December 2018, and its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts in accordance with the International Public Sector Accounting Standards (IPSAS). Based on our conclusion, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2018.
6. We also concluded that the accounting policies were applied on a basis consistent with that of the preceding year, and the transactions of WHO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements were, in all significant respects, compliant with the Financial Regulations and legislative authority of WHO.
7. In addition to the audit of financial statements (at HQ and GSC), we also conducted audits of the Regional Office for Europe (EURO) and the WHO Country Offices (WCOs) in Bangladesh, Kazakhstan, Madagascar and United Republic of Tanzania. Moreover, to add value to WHO's financial management and governance, we reviewed the Coordinated Resource Mobilization, the WHO Health Emergencies (WHE) Programme, UNICEF/UNDP/World Bank WHO Special Programme for Research and Training in Tropical Diseases (TDR), the Polio Eradication Department (POL), the WHO Framework Convention on Tobacco Control (WHO FCTC), the WHO Alliance of Health Policy and Systems Research (AHPSR), and the Partnership on Maternal, Newborn and Child Health (PMNCH). The results of the audit on these areas and offices were communicated to WHO Management and are incorporated in this Report.

Key audit findings

8. The more significant observations resulting from our audit are briefly summarized as follows.

Financial transaction processing and recording

(a) Transactions with payment dates from 4–11 January 2019 totaling USD 0.9 million were included as prepayments as at year-end 2018, resulting in prepayments being overstated.

(b) Documentary evidence for service contracts was not submitted on a timely basis in order to evaluate supplier performance and deliverables affecting the recognition of prepayments and accruals.

(c) Of the total voluntary contribution receivables of USD 1.2 billion, receivables totaling USD 9.8 million remained uncollected due to delayed/non-submission of reports to donors.

(d) Inconsistencies in the application of the downgrade of late travel requests (TRs) with business class entitlement, so that some which were approved late were allowed business class tickets, with the result that WHO paid more for air tickets. Supporting documents and actions made on various travel exceptions varied from one regional office to another, with the following differences: (a) not all requests for exceptions were supported with the required *Request for Exception Form*; (b) not all required data in the Request for Exception forms were filled out; (c) there were exceptional TRs approved through emails without complete details on the reasons for exceptions; (d) the Regional Office for the Eastern Mediterranean (EMRO) uses a standard form for the *Justification for Late Travel Request*; and (e) turnaround time in the verification of travel exceptions by Travel Quality Specialists vary from one region to another, contributing to the delay in the booking of plane tickets.

Global Service Centre (GSC)

(e) There were improvement opportunities in the functional processes of the GSC, particularly in procurement services, travel services, award management services, payroll services, and human resource services. These cover issues such as (i) cost inefficiencies in procurement due to rejection of Purchase Requisitions (PR) or cancellation of Purchase Orders (PO) among others; (ii) absence of post-facto checking of non-staff travels; (iii) absence of a pre-defined standard for exceptional emergency award creation as well as for hedging and revenue recognition purposes; (iv) delays in payroll completion and variances between the regenerated Prepayment Reports from the Global Management System (GSM) discoverer module *vis-a-vis* the Prepayment Reports generated during payroll run; and (v) human resource staffing requirements to accommodate the increased workload.

(f) The compliance management and reporting function was not established in the Global Human Resource (GHR) unit in the Global Service Centre although 41% of total programme budget costs are spent on staff costs; and that while GHR manages the master and foundation data of staff members which is a high-risk function, the existing internal control in place does not fully address or mitigate potential risks.

WHO resource mobilization

(g) In order that the Coordinated Resource Mobilization unit (CRM) to facilitate the approval of the draft Resource Mobilization Strategy (RMS) and to have a clear organizational structure that is supportive of the RMS and defines: how activities such as task allocation, coordination and supervision will be directed towards the achievement of organizational objectives or specifically the funding of the General Programme of Work (GPW); staff hierarchy and managerial authority and responsibility; and delineation of relationships and communication channels of staff and Management within and among each Office or Unit in the Organization.

(h) The CRM needs to put in place clearly recognizable implementation plan, which specifies the primary responsibility for resource mobilization (RM) for the efficient implementation of its strategy, and activities which likewise facilitate monitoring, and where day-to-day RM activities and procedures are anchored.

(i) There was no change management strategy to address the different perceptions among all units in the Organization and the possible impediments on the implementation of a centralized resource mobilization strategy, as well as to define the approach needed to manage the RM process changes, to create a coordinated and comprehensive approach to embed the change in the Organization's operations.

(j) There is a need for CRM to provide technical support to the Global Polio Eradication Initiative (GPEI) under the WHO POL and for the latter to take lead in mobilizing resources to fully finance the strategy for maintaining a polio-free world after global certification of the eradication of polio with a new multi-year (2020–2023) budget of the GPEI.

WHO Health Emergencies Programme (WHE)

(k) Three sections of the WHO eManual (Part XVII on Health Emergencies), on operations support and logistics (OSL), planning and RM, are at the very core of the Emergencies Programme but are still under "Content Development" stage; thus the likelihood that staff responsible are not properly guided by consistent and cohesive set of rules and processes in carrying out their respective tasks in these areas.

(l) There is a need to consider the urgency of institutionalizing an effective fleet management system through clearly defined and prescribed processes and procedures. Other perceived gaps and tentative observations on the fleet management operations in the Ebola Response in the Democratic Republic of the Congo (DRC) are requested to be considered by Internal Oversight Services in their upcoming audit of WCO DRC.

(m) The Policies on Emergency Procurement of drugs and medicines: (i) do not provide exceptions to the conditions when emergency procurement procedures may be applied during a protracted emergency, which may result in increased costs considering that competitive bidding and prior approval of the CRC, intended to obtain best value for money, are waived; (ii) are not consistently applied across WCOs; and (iii) there were recorded long delays in the receipt and shipment date in the Purchase Order (PO) as well as in the GSM, indicating either no need for emergency procurement procedures because drugs were not urgently needed, or that the need therefor was not timely met to the detriment of the affected population.

(n) For the period 2016 to December 2018, there were 2025 WHE Travel Requests (TRs) raised globally that were flagged as emergency, but 60 out of 116 of these TRs randomly selected were found to be either: (i) for missions, training, workshops, speaking or presentation engagements and joint external evaluations; (ii) for travel destination not affected by any emergency; (iii) subject to penalty charge since the traveler was on leave; or (iv) approved three days to 53 days after travel start date. These deficiencies on emergency TRs including the late approvals were apparently brought about in part by the absence of clear-cut procedural guidelines on emergency travels.

(o) There is a need to enhance the WHE procedures on selection and recruitment in the areas of: posting of Vacancy Notices; approval of the Selection Report (SR); signing of the SR by the Selection panel; and providing letters of regret to unsuccessful job applicants.

(p) The Contingency Fund for Emergency (CFE) had a 47% shortfall from its USD 100 million target. While the contributions steadily increased, the corresponding allocations also increased. The October 2018 Programme update reported that in 2017 only about a third of allocations were reimbursed and returned to the CFE, so that CFE funds available as of December 2018 were only USD 27.2 million, way below the targeted amount since the inception of the Contingency Fund in 2015, showing that WHE is faced with challenges in resource mobilization which should be addressed immediately.

WHO Framework Convention on Tobacco Control (WHO FCTC)

(q) The hosting agreement between the Secretariat of the FCTC, which was established in 2006 by the Conference of Parties, and the WHO is not yet finalized but is planned to be concluded within the first semester of 2019.

(r) The quality assurance in reporting the implementation and compliance with the Convention was not instituted to provide confidence that quality and validated information will be reported.

(s) The Workplan and Budget was not aligned to the Global Strategy to inform every Party to the Conference the result of implementation of the Workplan and Budget in the initial year of implementing the Global Strategy.

Management controls

(t) Several critical management processes in the WHO Regional Office for Europe, WCOs in Bangladesh, Kazakhstan, Madagascar and United Republic of Tanzania and in six headquarters offices (WHE, AHPSR, WHO FCTC, PMNCH, TDR and POL) need intensified supervision, comprehensive results monitoring and enforcement of policies, regulations and procedures and reporting because of the following gaps:

- programme results not fully reflected in the GSM;
- low or no implementation of awards near their end dates;
- delayed/overdue donor reports, DI reports as well as DFC reports;
- low implementation ratio against funding;

- delayed recording of receipt of delivered goods in the GSM;
- inadequate or no travel plans, or travel plans that were not updated;
- exceptions approved to the prescribed 14-day approval period for travel requests and delayed submission of travel reports;
- delayed and incomplete ePMDS reviews and inadequate alignment of stated objectives in the ePMDS with the SMART objective criteria;
- inaccurate and unreliable fixed asset data due to delays in the registration of fixed asset items in the fixed asset module;
- instances of negative eImprest account balances and discrepancies between bank account reconciliation balance per cashbook and the balance per general ledger; and
- inconsistencies in the results of the internal control self-assessment checklist against the results of our audit.

Risk management

(u) The risk registers of different country and regional offices, partnerships and convention were incomplete and need updating; formulation of high-quality risk statements need to be improved; risks which are required to be brought forward to the concerned authority to facilitate decision as to whether to tolerate the risk or to formulate a risk response action were not escalated; and capacity-building is needed to equip and strengthen staff capabilities in embedding risk management in their processes.

Summary of recommendations

9. We provided recommendations which were discussed in detail in this Report, and summarize as follows.

- a. **Fast track the implementation by GSC of the planned amendments in the data extract and include the review of the generated report in the scope of the year-end procedures to be performed, to ensure that adjustments correctly capture only prepayments made at year-end.**
- b. **Enforce the timely receipt of the deliverables as well as the completion of Supplier Performance Report on service contracts Agreements for Performance of Work (APWs) and non-grant Letters of Agreement (LOA) above USD 50 000 to properly recognize prepayments and accruals.**
- c. **Require the Department of Finance (FNM) to implement a more personalized follow-up with the Award Manager to supplement the regular reminders, and if warranted, to escalate to the Financial Management Council (FMC) and to WHO Senior Management, cases of long overdue accounts receivables including cases of late reporting.**
- d. **Put in place mechanisms to ensure that travel quality checks and controls implemented in all regions are aligned with the Organization's travel policies; harmonize**

key areas of control in travel quality management particularly in ensuring that exceptions are justified and properly documented and the turnaround time of Travel Quality Specialists (TQS) in verifying TRs for approval is standardized to facilitate their prompt processing; and subject travels in EURO to review by the TQS to ensure compliance with WHO travel policy.

e. Undertake the necessary action to enhance further the efficiency and effectiveness of management controls in the services delivered by GSC as well as improve compliance across the Organization with the existing policies, regulations and procedures affecting the GSC process delivery.

f. Establish a compliance and reporting function across all GSC services which should be independent from the teams processing the transactions to provide an additional level of assurance on the quality of the delivery of its services.

g. Facilitate the approval of the WHO resource mobilization strategy and the development of a clear organizational structure for the systematic implementation and coordination of the resource mobilization strategy and policies in line with the operating model that is being developed under WHO's transformation agenda.

h. Consider the development of a detailed Implementation Plan to operationalize the RMS framework, in line with the operating model under the WHO transformation.

i. Adopt a change management strategy to support the implementation of the redesigned resource mobilization process and related systems along with the organizational structure to ensure effective delivery of the new Resource Mobilization (RM) model.

j. For GPEI under WHO POL to take the lead in its resource mobilization activities for the 2020-2023 funding requirements with the technical support of CRM until the redesigned RM strategy is harmonized and embedded in the Organization's operations.

k. Consider with utmost urgency the immediate development and completion of the contents that are the core of Emergency Operations in the eManual for Health Emergencies (Part XVII), complete with Standard Operating Procedures (SOPs), to ensure transparency, consistency and uniformity in interpretation and application of pertinent policies.

l. Consider the urgency of institutionalizing an effective fleet management system with clearly defined and prescribed processes and procedures to avert unnecessary use of funds for rental of vehicles. We also recommend that other perceived gaps and observations on the fleet management operations in the Ebola Response in Democratic Republic of the Congo (DRC), be further looked into by IOS in their audit of WCO DRC.

m. Enhance with urgency the existing policies/procedures for emergency procurement to clearly define the conditions/circumstances when to apply emergency procedures so that funds spent during emergencies will constitute effective use of resources; support regional offices in providing training/capacity building on Operations Support and Logistics (OSL), Supply Chain Management (SCM) and procurement; and revisit the provisions of the WHO eManual and Emergency Response Framework (ERF) on the application of emergency

procedures during protracted emergencies, to include the exception of conditions/circumstances that do not require urgency.

n. Consider the urgency and importance of updating the WHO eManual and SOPs to include the specific circumstances when emergency TRs may be used, as well as the acceptable timelines for WHE approval process of emergency travels; and adopt stop gap measures while awaiting the issuance of the specific guidelines which will require the initiator to be more cautious in flagging TRs as emergency and will capacitate the TQS to ensure that only those compliant with the context of an emergency are flagged and processed as emergency travels.

o. Enhance the current policies on the recruitment and selection process, building on lessons learned, to limit the extension of posting of the Vacancy Notice; reconciliation of the eManual with the related SOPs; requiring on the face of the Selection Report the name and position as well as the signature of the person delegated by the approving authority; disclosure on the Selection Report of the date it was signed by the Selection Panel; and inclusion of a paragraph informing the interviewed applicant on the availability of feedback upon request to HR.

p. Intensify the ongoing Contingency Fund for Emergencies (CFE) financing campaign and strengthen support from donors so that resource mobilization shall be a continuous process, and also strengthen the resource mobilization efforts at country level to sustain reimbursements to the CFE through donor contributions.

q. For the WHO FCTC Secretariat, engage the Conference of Parties through the Bureau, to facilitate the process of review of the draft Hosting Agreement with WHO relevant departments, including LEG with the aim to finalize the document without unnecessary impediments within the first semester of 2019 thereby assuring implementation and execution of the hosting agreement within the current year.

r. For the WHO FCTC Secretariat, craft quality assurance guidelines that: (a) establish clear criteria for specifically defining quality and validated information in each Article of the Convention or key checkpoint for each deliverable; (b) outline roles and responsibilities for the key data quality assurance evaluators; and (c) obtain agreement on the points and time that quality reviews will occur and how and to whom findings will be reported.

s. For the WHO FCTC Secretariat, update the 2018–2019 Workplan and Budget to be aligned to the 2019–2025 Global Strategy.

t. Strengthen further the supervisory and monitoring controls over critical processes by regularly reminding the Budget Centres to improve their compliance with regulations, rules and policies, and to reflect in the ICF Self-Assessment Checklist the actual status of internal control in their respective offices.

u. Consider the enhancement of the monitoring mechanism to determine the extent, quality and status of risk management activities in the three levels of the Organization including hosted entities, and provide capacity building activities to staff to further strengthen the systematic embedding of risk management on the processes of the Organization.

Implementation of External Auditor's recommendations in prior years

10. We validated the implementation of external audit recommendations contained in prior years' audit reports. We noted that of the 21 outstanding recommendations, 14 (67%) have been implemented, one (5%) was closed as it was updated and included in this report and six (28%) were still in progress. The details were provided in the **Appendix**.

A. MANDATE, SCOPE AND METHODOLOGY

Mandate

11. The Sixty-eighth World Health Assembly granted in May 2015 through resolution WHA68.14 a new mandate to the Chairperson of the Commission on Audit of the Republic of the Philippines as External Auditor of the WHO for the four-year period from 2016 to 2019. Regulations XIV of the Financial Regulations of WHO and the Appendix elaborate on the terms of reference governing the external audit. The regulations require that the External Auditor report to the World Health Assembly on the audit of the annual financial statements and on other information that should be brought to its attention with regard to Regulation 14.3 and the Additional Terms of Reference.

Scope and objectives

12. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of WHO's compliance with Financial Regulations and legislative authority. The primary objectives of the audit are to provide an independent opinion on whether:

- a. the financial statements present fairly the financial position, the results of financial performance, the changes in net assets/equity, the cash flows, and the comparison of actual amounts and budget of WHO for the financial year ended 31 December 2018 in accordance with IPSAS;
- b. the significant accounting policies set out in Note 2 to the financial statements were applied on a basis consistent with that of the preceding financial period; and
- c. the transactions that have come to our notice or that we have tested as part of the audit, complied in all significant respects with the Financial Regulations and legislative authority.

13. We also carried out a review of WHO operations consistent with Financial Regulation 14.3 which requires the External Auditor to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls, and in general, the administration and management of WHO operations.

14. Likewise, we conducted an audit on the financial statements and operations of the five WHO hosted entities, namely: the Joint United Nations Programme on HIV/AIDS (UNAIDS); the United Nations International Computing Centre (ICC); the International Agency for Research on Cancer (IARC); Unitaid; and the Staff Health Insurance (SHI) Fund. A separate report was issued to the governing body of these entities.

15. Overall, the audit intends to provide independent assurance to Member States, increase transparency and accountability as well as operational efficiency and effectiveness in the Organization, and support the objectives of the Organization's work through the external audit process.

Methodology and auditor's responsibilities

16. We conducted our audit in accordance with the ISA. These Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The audit included examining on a test basis evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and the significant estimates made by WHO Management as well as evaluating the overall presentation of the financial statements.

17. The risk-based audit approach was adopted in the audit of the financial statements. This approach requires the conduct of risk assessment of material misstatements at the financial statements and assertion levels based on an appropriate understanding of the entity and its environment including its internal controls.

18. The auditor's responsibility is to express an opinion on the financial statements based on an audit. The audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free of material misstatement caused by fraud or error.

19. With respect to the review of WHO operations based on our risk assessment, we focused on the assessment of risk controls in the operational and functional processes in the audited areas and offices. We also reviewed the governance arrangements, implementation of risk management including the internal control systems and processes to determine their effectiveness.

20. During the financial year 2018, aside from the audit of the financial statements at HQ, we also audited the office of the GSC; the Regional Office for Europe; and the WCOs in Bangladesh, Kazakhstan, Madagascar and United Republic of Tanzania. Moreover, to add value to WHO's financial management and governance, we reviewed the CRM, WHE, TDR, and the POL, as well as the WHO Framework Convention on Tobacco Control (WHO FCTC), the WHO Alliance of Health Policy and Systems Research (AHPSR), and the Partnership on Maternal, Newborn and Child Health (PMNCH).

21. This report does not include any comments on the financial statements of the Pan American Health Organization (PAHO)/the Regional Office for the Americas (AMRO), which are being audited by the National Audit Office of the United Kingdom. We placed reliance on their audit based on the Comfort Letter dated 28 March 2019. The National Audit Office of the United Kingdom informed us that their audit of 2018, thus far, did not detect any material errors, misstatements or any other matters that will adversely affect the audit opinion on the PAHO financial statements. They further informed us that they can only conclusively give assurance that there are no material misstatements, once the audit of the 2018 financial statements is fully concluded and have been certified. An unmodified audit opinion was also given on the 2017 annual accounts.

22. We coordinated with the Office of Internal Oversight Services (IOS) on the planned audit areas to avoid unnecessary duplication of efforts. We also collaborated with the Independent Expert Oversight Advisory Committee (IEOAC) to further enhance our audit work.

23. We continued to report the audit results to WHO Management through audit observation memoranda and management letters containing detailed observations and recommendations. We issued

18 audit management letters to the WHO heads of offices and entities during the financial year 2018. The practice provides a continuing dialogue with Management.

B. RESULTS OF AUDIT

24. This report covers matters which, in the opinion of the External Auditor, should be brought to the attention of the World Health Assembly. WHO Management was afforded full opportunity to comment on our audit observations. The recommendations provided to Management are designed to support the objectives of WHO's mandate, and to help improve and add value to WHO's financial management and governance.

1. GOOD PRACTICES IMPLEMENTED BY WHO

25. We recognize and commend WHO for bringing about positive developments such as the adoption of a transformation plan, establishment of a financial management council, improvement in reporting for DFCs, new policies for travel and fixed assets which all translate directly into the people's health at the country level, and reflect good management.

1.1 The WHO Transformation Plan

26. In 2018, the WHO started a major transformation to increase its impact at the country level and be relevant to the Sustainable Development Goals (SDGs) in a rapidly changing world. WHO's vision and mission are complemented by new strategic priorities for the next 5 years as outlined in the Thirteenth General Programme of Work, 2019–2023 (GPW 13). This provides the high-level WHO strategy, with work at all levels driven by Member State priorities as framed by the SDGs. Reflecting the ambition of the fundamental strategic and organizational shifts outlined in GPW 13, and the transformation approach, the WHO Transformation is structured around five areas of work.

27. The five areas of work as reflected in the organizational shifts that are laid out in the 13th General Programme of Work (*WHO Transformation Plan and Architecture, 16 February 2018*) are: a) staff engagement and organizational culture; b) strategy translation process and WHO operating model; c) Fit-for-purpose WHO processes and tools; d) new external engagement and partnerships model; and e) coordination of the transformation and monitoring of results.

28. The External Auditor welcomes the transformation process since as aptly stated in the plan, it is intended to fundamentally reposition, reconfigure and re-capacitate the Organization such that its normative and technical work is of an even higher quality, and more sharply focused on and translate directly into a measurable difference in people's health at the country level. The audit areas for 2018 are aligned along this plan.

1.2 Establishment of Financial Management Council (FMC)

29. In 2018, the FMC was created within General Management Cluster (GMG) consisting of the Assistant Director-General (ADG) GMG, Deputy Director-General (DDG) Corporate Operations and the heads of the Department of Finance (FNM) and the Planning, Resource Coordination and Performance Monitoring Department (PRP). The Council was established for the purpose of achieving coordinated efforts on financial matters of the Organization with the overall objective of ensuring full awareness on the financial condition of the Organization to be communicated to the leadership of the Organization.

30. The FMC meets monthly to review the latest financial highlights and status of financial key performance indicators; and discuss updates on the identified financial risks, status of flexible funding release and expenditures, and the status on efficiency savings, among others. As a result of the collaborative efforts, the FMC has determined a standard format for the Financial Highlights which are circulated to senior management at HQ and has escalated certain cases of overdue receivables which resulted in positive development in terms of collectability.

1.3 Significant reduction in delay of direct financial cooperation (DFC) reports

31. Under direct financial cooperation arrangements, payments are made by the Organization to cover the cost of items or activities that would otherwise be borne by governments, in order to strengthen their health development capacity and ability to participate more effectively in WHO technical cooperation at the country level, and to meet their commitments. DFC had been a priority area within WHO.

32. It was previously recommended that Management assess the root causes of DFC reporting protractions and ensure that these are lessened if not eliminated through more effective strategies and better monitoring, coordination and even interventions to exact and enhance related accountabilities and improve its DFC management performance metrics. In August 2018, WHO revised the DFC policy to ensure that DFC funded activities are in line with WHO's priorities, policies and donor requirements, and implemented according to the DFC agreement.

33. At the end of 2018, the number of DFC POs with overdue final reports reached its lowest level ever reported at 157 POs, from 430 POs in February 2018, of which 137 were overdue by less than 365 days and 20 were overdue by more than 365 days. This significant decline was the result of a series of measures adopted by Management such as system enhancement and controls, reporting and monitoring tools, proactive follow-up, implementing partners assessment, and post-facto verification missions which are currently carried out in the African Region. The positive policy changes were led by the country support unit, Department of Finance and the positive developments were driven by the regions, most notably AFRO. In the African Region overdue DFC reports dropped from 1907 as of 1 April 2016 to 62 as of 15 February 2019, reflecting an 84% decline over the past year, 91% over the past two years and 97% over the past three years.

1.4 Initiatives in improving travel management

34. Over the past 2 years WHO has undertaken a number of initiatives to reduce its travel expenditure which have yielded good results. In March 2018, significant changes were introduced to the duty travel policy to align route determination and class of travel entitlement with that of the UN Secretariat. This resulted in a 42% reduction in the number of business class tickets issued and a 14% reduction in the average ticket price. In addition, the introduction and expansion of the WHO preferred hotel programme over the last 2 years has resulted in a 30% reduction in accommodation expenses in the 19 cities included in the programme.

1.5 Measures to strengthen reporting of fixed assets

35. The following measures introduced during the past three years have resulted in a significant improvement in the accuracy and completeness of fixed assets data recorded in GSM, thereby strengthening the quality of WHO's financial reporting:

- Streamlined SOPs to provide clearer guidance to asset focal points, including simplified procedures for WHO offices to report fixed asset data within deadlines;

- A focus on continuous training within Regions (in collaboration with HQ) that has strengthened country capacity to record, track and report fixed assets data;
- Strengthened quality controls introduced in HQ before data entry into GSM; and
- Increased co-ordination and collaboration between asset and accounts/finance teams concerning the monitoring of fixed assets and financial data related to construction projects.

2. FINANCIAL MATTERS

2.1 Audit of financial statements

36. We concluded that the financial statements present fairly, in all material respects, the financial position of WHO for the financial year ended 31 December 2018, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. As such, we issued an unmodified opinion on the WHO's financial statements. The statements audited were as follows:

- (a) Statement I. Statement of Financial Position;
- (b) Statement II. Statement of Financial Performance;
- (c) Statement III. Statement of Changes in Net Assets/Equity;
- (d) Statement IV. Statement of Cash Flow; and
- (e) Statement V. Statement of Comparison of Budget and Actual Amounts.

37. We appreciate the efforts taken by WHO Management to address a number of recommendations issued in the course of the interim and year-end audits of the WHO 2018 financial statements in order to present fairly the balances of the affected accounts and improve the presentation and disclosures in compliance with IPSAS. The financial statements for the period ended 31 December 2018 reflect the adjustments on the balances of the accounts affected, as well as the corrections and additions to the note disclosures.

38. In addition, as required under WHO Financial Regulations, we concluded that the accounting policies were applied on a basis consistent with that of the preceding year. Further, we concluded that the transactions of WHO that came to our notice during the audit or that were tested as part of the audit of the financial statements, were in all significant respects, compliant with the Financial Regulations and legislative authority of WHO.

39. While we issued an unmodified audit opinion on the financial statements, we noted the following improvement opportunities which need to be made by Management to: (a) further improve financial transactions' recording, processing and reporting; and (b) ensure the fair presentation of the financial statements in the next reporting period.

2.2 Prepayments

2.2.1 *Error in recording payments made in 2019 as prepayments as at 31 December 2018*

40. The prepayments reports are generated through extraction of invoices using a data extract (an SQL). In generating the prepayments as at 31 December 2018, the SQL run took the report run date, which in this case was 11 January 2019, as basis for the payment flag rather than the invoice general ledger dates used as cut-off parameter for the report. As a result, six transactions with payment dates from 4 January 2019 until the report run date totaling USD 0.9 million were included as prepayments at year-end 2018, thereby causing the Prepayments and deposits and Accounts Payable accounts to be overstated by the same amount. No adjustment was recommended since the amount involved is below the materiality threshold.

41. Management indicated that the SQL will be amended to include actual payment date instead of payment flag for similar analysis in the future.

42. **We recommended that WHO fast track the implementation by GSC of the planned amendments in the SQL and include the review of the SQL-generated report in the scope of the year-end procedures to be performed, to ensure that adjustments correctly capture only prepayments made at year-end.**

2.2.2 *Deliverables on service contracts not submitted within stipulated period affecting the recognition of prepayments and accruals*

43. Further, we noted: a) eight prepayment transactions totaling USD 599 763 recorded as part of the year-end adjustments; and b) 19 payment transactions made in 2019 pertaining to Agreements for Performance of Work (APW) and non-grant Letters of Agreements (LOA) totaling USD 1 657 590, with contract periods and deliverable due dates on or before 31 December 2018. These were not accrued as at 31 December 2018 because the related deliverables were not yet received as of said date. WHO recognizes expenses based on the delivery principle in accordance with IPSAS.

44. The deliverables related to these contracts were received after the due date because of circumstances that were either the responsibility of the Organization or its suppliers. To enforce the timely submission of deliverables by the suppliers, there is a need to shift to active contract management by the responsible officers.

45. WHO requires responsible officers to conduct regular or timely communication with the suppliers as well conduct performance evaluation to assess the supplier's extent of fulfillment of contractual obligations. It was observed however that, although these suppliers were previously contracted by WHO, no documents were uploaded indicating that performance evaluation was undertaken. Accordingly, the conduct of the supplier's performance evaluation for the procurement of services was entirely left to the goodwill of the responsible officer.

46. There is a need to implement measures to enforce the timely submission of deliverables by the suppliers which include technical reports needed as inputs to the reports to donors. The enforcement of monitoring and evaluation of supplier performance is essential to ensure the timely submission of deliverables.

47. **We recommended that WHO enforce the timely receipt of the deliverables as well as the completion of Supplier Performance Report on service contracts (APWs and non-grant LOAs) above USD 50 000 to properly recognize prepayments and accruals at year-end.**

2.3 Receivables – Voluntary Contributions

48. We recognize the efforts of the Finance Department – Accounts (FNM-ACT) in intensifying its follow up policy for collection of receivables, especially those overdue. We noted however that receivables totaling USD 9.783 million remained uncollected due to delayed/non-submission of reports to donors. One of the causes of delayed submission of reports is the delayed completion of technical reports. Based on the Quarterly ‘reports due to donors’ published and circulated by the Finance Department as at 31 December 2018, there were 433 technical reports to donors which were overdue.

49. Our verification revealed that the delayed submission of technical reports were due to varied reasons: (a) requirement for inputs from various sources and several layers of internal clearances before release; (b) donor requires time to finalize the data/results and get approval from stakeholders; and (c) outsourcing to a professional copy editor or review by the Regional Office to improve report quality; and (d) specific report format being required by the donor. As a result, a total of 1016 reports to donors were overdue as at 31 December 2018 which represents a 34% increase from the 757 overdue reports in December 2017.

50. During the year, the Financial Management Council (FMC) was created within GMG consisting of the heads of FNM and PRP to achieve coordinated efforts on financial matters of the Organization. The FMC serves as a collaborative escalation and decision-making body on financial matters.

51. **We recommended that in cases of long overdue accounts receivables including cases of late reporting, a more personalized follow-up be sent by FNM to the Award Manager to supplement the regular reminders, and if warranted, to escalate to FMC and to WHO Senior Management.**

2.4 Travel expenses

52. WHO reported Travel expenses totaling USD 191.7 million for the year ended 31 December 2018. During the year, 111 204 Travel Requests (TRs) were processed, with 95% pertaining to duty travels. To reduce travel costs, significant revisions in the duty travel policy took effect on 26 March 2018.

53. Review of 3007 non-emergency staff duty travels booked in business class with ticket costs of at least USD 1000 with TRs approved starting April 2018 totaling USD 15.3 million showed that there were 539 TRs totaling USD 2.8 million which were approved late. Downgrade to economy was not effected on these TRs. Out of these TRs, for which the numbers are relatively limited, the highest percentages of late approval (above 20%) were from the Regional Offices for the Eastern Mediterranean (EMRO), Europe (EURO) and Africa (AFRO). Examination of 56 of these late TRs, on a test basis, disclosed that 19 TRs were approved with valid justifications, while 37 TRs did not have adequate supporting documents to assess justification because of the absence of request for exemption form and/or the reason for exemption was not specified. The 37 TRS are accounted as follows: 11 for EURO, 8 for HQ, 8 for EMRO, 4 for SEARO, 3 for AFRO and 3 for WPRO.

54. The initiatives of Management over the last 2–3 years resulted in the decline in the non-compliance with the 14-day advance TR approval policy. For staff duty travels tagged as non-emergency, there was a decline in the number of business class entitlements from 27% in 2017 and

2016 to 18% in 2018. However, there were still a number of TRs which were approved late but were entitled to business class tickets.

55. The current policy provides that non-compliant TRs which qualify for business class entitlement will be downgraded to economy class, unless justification is valid, and the reason is outside the control of the Organization, for which exceptional approval of the ADG/Director of Administration and Finance (DAF) is obtained. The staff and Travel Quality Specialists in major offices have responsibilities in ensuring that policies on travel are followed and that TRs are approved on time.

56. Travel Quality Specialists perform upfront checks of all TRs which include validation of TR compliance and verification of the exceptions requested. In case of non-compliance, the TR is returned to the requestor for appropriate action. If exceptions are requested, the Travel Quality Specialist verifies the approval by the assigned supervisor. The quality checks performed should not delay the approval of a TR by more than one working day.

57. Our review of TRs on a test basis disclosed that various exceptions requested were categorized as "Others". However, the supporting documents and the actions made on the exceptions vary from one region to another. Among the noted differences were the following: (a) not all requests for exceptions were supported with the required *Request for Exception Form*; (b) not all required data in the Request for Exception forms were filled out; (c) there were exceptional TRs approved through emails without complete details on the reasons for exceptions; (d) EMRO uses a standard form for the *Justification for Late Travel Request*; and (e) turnaround time in the verification of travel exceptions by Travel Quality Specialists vary from one region to another, contributing to the delay in the booking of plane tickets. Based on the difference in ticket costs for business class and economy class, savings could have been realized by the Organization on the 539 late approved TRs.

58. Due to the inconsistencies in the application of the downgrade of late TRs submitted with business class entitlement, the Organization had to pay more for air tickets. It is to be emphasized that Travel Quality Specialists in the regions are primarily responsible in ensuring that the policy regarding the downgrade of tickets is properly implemented.

59. **We recommend that WHO: (a) put in place mechanisms to ensure that travel quality checks and controls implemented in all regions are aligned with the Organization's travel policies; (b) harmonize key areas of control in travel quality management particularly in ensuring that exceptions are justified and properly documented and the turnaround time of Travel Quality Specialists in verifying TRs for approval is standardized to facilitate their prompt processing; and (c) subject travels in EURO to review by Travel Quality Specialist to ensure compliance with WHO travel policy.**

2.5 Global Service Centre (GSC)

60. The 2018 audit of GSC disclosed improvement opportunities to enhance the management and control of its key processes and ensure that the policies, regulations and rules are in place, and effectively working.

2.5.1 Improvement opportunities for efficient and effective GSC processes

61. We communicated the following issues to GSC Management as an added value to enhance management controls in its functional processes such as procurement services, travel services, award management services, payroll services, and human resource services.

- a. *Procurement services.* There were cost inefficiencies caused by: (i) rejected Service Requisitions and draft PO for Goods which were submitted in GSM by the Procurement Requestors and/or Work Plan Approvers; and (ii) cancelled POs for Goods and Services, after these were processed and approved at GSC. Thus, we highlighted the importance of ensuring that procurement transactions be entered in GSM correctly from the start by staff having certain level of skills and knowledge on the GSM or on the basic procurement system. We noted also requests for emergency procurement of goods which were in fact not emergency in nature.
- b. *Travel services.* No post-facto checking was currently being implemented within WHO for non-staff travels considering that its costs were comparable to that of staff travels, thus requiring equivalent attention to manage the risks of cost inefficiency, non-compliance with policies, and reputation. In addition, there were approved emergency TRs which were not compliant with the criteria and conditions set for emergency travel in the WHO eManual XVII.
- c. *Award management services.* There is need to formulate an internal memorandum to establish a pre-defined standard for exceptional emergency award creation as well as for hedging and revenue recognition purposes. Similarly, there is need to fast track the implementation of GSC's planned key performance indicators (KPI) and KPI dashboard to: (i) strengthen the monitoring of the turn-around-time in award management; (ii) make the dashboard available in the GSC intranet; and (iii) publish the result of monitoring in the quarterly accomplishment report, to provide the Technical Units with information to support decisions and plan of action in managing the awards.
- d. *Payroll services.* The current retroactive payroll process covers all staff including those without retroactive adjustment which results to inefficiencies. There is thus a need to enhance the payroll system to address the inefficiencies and mitigate the risk of delay in the completion of the payroll by improving the manner in which retroactive payroll processing is carried out. There is also a need to revisit the logic or system algorithm for re-generation of the Prepayment Report by providing a solution to the causes of variances between the regenerated Prepayment Reports from GSM discoverer module *vis-a-vis* the Prepayment Reports generated during payroll run. In addition, there was absence of back up skills to support the quality and timely delivery of payroll services in case of undesirable events or conditions.
- e. *Human resource services.* There is need to strengthen the GSC-Global Human Resource staffing requirements to accommodate the increased workload and sustain the quality and timely delivery of GHR services.

62. The foregoing control deficiencies highlight the need for action by GSC Management and other concerned WHO offices to enhance the controls in functional processes, and bring about operational efficiency and effective delivery of services.

63. **We recommended that WHO undertake the necessary action to enhance further the efficiency and effectiveness of management controls in the services delivered by GSC as well as improve compliance across the Organization with the existing policies, regulations and procedures affecting the GSC process delivery.**

2.5.2 Compliance and reporting functions across GSC services

64. WHO recognized the importance of instituting compliance management within the Organization with the establishment in January 2014 of the Office of Compliance, Risk Management and Ethics

(CRE). The GSC also recognized the value added of establishing compliance management offices for two service domains, namely: Compliance, Reporting and Technical Services under Global Procurement and Logistics, and Financial and Reporting Controls under Global Finance. We noted however, that no compliance management office was established for other services such as the GHR.

65. We noted that the Office of Internal Oversight Services (IOS) made a recommendation to implement a compliance and reporting function for GHR which we fully support because approximately 36% of the Organization's annual budget is spent on staff cost; GHR is a high-risk function within GSC which manages the master and foundation data of staff members; and existing internal control in place does not fully address or mitigate potential risks.

66. Considering the financial resources WHO is currently investing on other services, and the added-value that can be obtained from the delivery of quality and timely services, the establishment of a compliance and reporting function may ensure that potential errors in processing particularly in the capture of data to be processed, will be checked by the process owner. This will also provide an additional level of assurance and further enhance the quality of processing of GSC-related transactions. Hence, we support a dedicated compliance and reporting function across the GSC services.

67. We recommended that WHO establish a compliance and reporting function across all GSC services which should be independent from the teams processing the transactions to provide an additional level of assurance on the quality of the delivery of its services.

3. GOVERNANCE MATTERS

68. In line with our mandate to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the management and operations of the Organization pursuant to Regulation 14.3 of the WHO Financial Regulations, we reviewed the internal controls implemented in key areas of operations in seven offices at headquarters including the GSC, one regional office and four country offices. In addition, we assessed how the risk control mechanisms were put in place through policies and procedures, and influenced by the overall governance arrangements within an office or the Organization. The succeeding discussions highlight the results of our review.

3.1 WHO resource mobilization

69. We reviewed the current resource mobilization of the Organization to obtain reasonable assurance that the WHO resource mobilization structure, strategies, policies and processes are delivered in conjunction with the WHO transformation plan.

70. Driven by the Organization-wide WHO *Transformation*, resource mobilization (RM) plays a vital role in the WHO Transformation Plan and Architecture. The Plan's five areas of work include External Engagement and Partnerships which aims to transform WHO's approach to generating the resources needed to deliver the General Programme of Work (GPW) through a new external engagement model and internal transformation. This area of work among other initiatives will articulate the investment case for WHO and launch an associated partner's forum which replaces previous financing dialogues. In addition, it will consider changes needed to the external engagement model across the three levels of WHO to ensure sustainable support for WHO's work. The development of the resource mobilization strategy was taken forward by a temporary project team (including communication and advocacy professionals) brought together to work with the Resource Mobilization Department, under the direction of the Director of Strategic Engagement.

71. The Coordinated Resource Mobilization (CRM) unit was established in 2014 in response to the recommendation of the Task Force on Resource Mobilization and Management Strategies and at the request of Member States and partners, to strengthen coordinated resource mobilization. With the WHO transformation, the vision of CRM was aligned with the transformation's goal. RM activities commenced and were undertaken or in the process of implementation. The following key deliverables have been highlighted: (a) creation of a partner engagement and advocacy document, i.e. WHO's investment case, which was formally launched in September 2018; (b) preparation by CRM of action plans for key donors such as the governments of Australia, Germany, Japan, France, Italy, Saudi Arabia, Netherlands, Spain, Norway, Sweden, United Kingdom, United States, as well as the Wellcome Trust; (c) development of future RM processes and related systems to coordinate and manage pipeline funding through a donor relationship management system; and (d) planning for a partners' forum to take place in the first half of 2019.

3.1.1 High-level resource mobilization strategy framework and organizational structure

72. With the commencement of the WHO transformation and the current re-structuring, it is paramount that the purpose, authority, responsibility and fundamentally, the mission of CRM as a unit is formally defined and enshrined in a resource mobilization framework. Such a framework should include, among others, the principles underpinning WHO's RM approach under the operating model of WHO's Transformation.

73. The Resource Mobilization Strategy (RMS) was drafted to be a living document and is awaiting approval by senior management. It defines how WHO will achieve its resource targets through a greater variety of partnerships, both traditional and innovative with the aim of achieving more flexible and predictable multi-year resourcing. It considers the changing global economic, financial, political and partnership landscapes, while reflecting on opportunities to increase philanthropic support and the potential to leverage available domestic resources in middle-income countries. The document will evolve over GPW 13 and will be reviewed after two years.

74. We noted the four pillars of the RMS that were considered: (a) employ tailored approaches to maintain, grow and diversify discussed resources from government partners; (b) grow resources from philanthropic partners and build effective partnerships with the private sector; (c) maintain and grow funding from funds, banks and multilaterals; and (d) explore and leverage funding potential of revenue producing activities. In parallel, the following cross-cutting objectives will support each of the four pillars of the strategy: (a) advocate for increased flexibility and predictability of resources; and (b) leverage resource potential at the country level.

75. It is imperative for CRM to have a financially sustainable organizational model and structure. CRM is encouraged to explore ways to ensure adequate resources are dedicated across the Organization to RM.

76. The CRM organizational structure should ensure sufficient staff capacity with clear responsibilities to implement the RMS and operate the redesigned RM process. Unifying action across the three levels of the Organization and across HQ with various divisions, departments, partnerships, and conventions will be key in achieving RM objectives. Sufficient capacity should be dedicated to this task.

77. WHO Management informed us that the development of the organizational structure is ongoing and will include corresponding description and functions.

78. **We recommended and WHO agreed to facilitate the approval of the WHO resource mobilization strategy and the development of an organizational structure for the systematic implementation and coordination of the resource mobilization strategy and policies in line with the operating model that is being developed under WHO's transformation agenda.**

3.1.2 Implementation plan for the redesigned process of resource mobilization functions

79. Through an RMS framework, CRM identified and prioritized the core technical, corporate and business functions of resource mobilization in WHO across three levels to ensure participation of the whole Organization. As a result, activities, processes and systems across the three levels of the Organization related to acquiring funding for furthering the strategic priorities were mapped, evaluated against best practice, and enhanced, and where possible, donor vulnerability assessment was undertaken. Hence, to ensure effective and efficient implementation of the RMS framework, development of an implementation plan is deemed crucial.

80. While the draft RMS encompasses the need for effective implementation, it does not provide details on specific tactics, programmes, projects, timelines or responsibilities. These important considerations should be elaborated in an implementation plan. Management should take cognizance of the fact that the next most important requirement in the area of resource mobilization is to translate the RMS framework into a detailed three-level-implementation plan, as well as the related system of implementation. Management described that the implementation plan will be based upon the strategy's four objectives; contain specific activities, outputs and expected outcomes; and include clear key performance indicators and timelines. The plan will articulate an appropriate division of labor across all three levels of the organization, which breaks down resource mobilization silos to create a coordinated and comprehensive approach. An implementation system that includes oversight, management, monitoring, evaluation and reporting could be established, including a dedicated yet modest project team to ensure effective coordination and implementation across the organization on a day-to-day level.

81. The redesigned end-to-end RM process includes strategy formulation as a key activity. In that sense, the CRM needs to put in place a clearly recognizable plan with primary responsibility for resource mobilization for the efficient implementation of its strategy and activities which likewise facilitate monitoring, and where day-to-day RM activities and procedures are anchored. With the continuous flow of RM activities that touch base with the WHO transformation, having a plan for its implementation is vital which will subsequently ensure that RM will be taken forward inclusive of the four pillars and two cross-cutting objectives of the RMS framework.

82. As highlighted by the Joint Inspection Unit (JIU) in its report *An analysis of the resource mobilization function within the United Nation System*, a plan avoids in-house competition for resources, circumvent fragmented efforts, prioritize the need to enhance resource mobilization capacities and initiatives at all levels of the Organization and to create a sense of joint ownership and accountability which leads to better-planned resources.

83. Having an implementation plan therefore ultimately leads to comprehensive delivery of RM initiatives and the RMS framework. It serves as a roadmap for RM which assists in the identification of strategic priorities where all subsequent operational and resource allocation are based and; significant milestones are evaluated.

84. **We recommended and WHO agreed to consider the development of a detailed implementation plan to operationalize the RMS, in line with the operating model under the WHO transformation.**

3.1.3 Change management strategy in resource management

85. The activities for the redesigned process for RM across the Organization are under way. The RMS framework was drafted and it is now under review for approval. There is also a focus on developing an implementation plan to take forward the redesigned RM model. Currently, initial steps were on-going for the Contributor Engagement Management system (CEM) which is envisaged to cover the funding opportunity (currently WHO does not have a corporate tool to support this process), award management and reporting. WHO currently uses an Oracle eBusiness suite solution (GSM) for award management and reporting, however, it does not provide the Organization with the necessary reporting dashboards and intelligence to effectively manage this part of the end-to-end RM and GM processes. External Audit welcomes this initiative to secure a new corporate system to manage RM and GM processes.

86. All these initiatives require change from the three levels of the Organization as well as all the entities under the WHO organizational umbrella. We further noted that the core work of the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases (TDR) is supported by programme funding from long-term contributors and has its own partnership criteria, thus clarity may be needed on TDR's part in the WHO's redesigned resource mobilization process. In the same manner, the Global Polio Eradication Initiative (GPEI) and WHO Framework Convention on Tobacco Control (WHO FCTC) require clarity on their involvement in the RM initiatives. The GPEI fundraising depends on a unique partnership model with integrated advocacy and communications, while for WHO FCTC, the funding predominantly comes from Member States (COP) as an assessed contribution. The Alliance for Health Policy and Systems Research (The Alliance) on the other hand, commented that they do not seem affected by the recent model of Resource Mobilization that is now centralized since they are responsible for mobilizing funds for their own operation.

87. The different Partnerships and Convention have their own business model as far as resource mobilization is concerned and the RMS framework is construed to be centered on the three levels of the Organization: Headquarters, Regional and Country Offices. Therefore, a change management process should be articulated so that the different perceptions are addressed and thus, create a coordinated and comprehensive approach.

88. The whole of the Organization should be involved with the ongoing transformation, the Regional and Country Offices as well as the Partnerships, Programmes and Conventions are no exception. While we agree with the redesigned RM process which centralized the resource mobilization strategy as it would be beneficial to all units in the Organization since they can avail of the specialized skills of resource mobilization experts from CRM, it should be supported with a change management strategy to better address possible impediments in its implementation. Change management strategy would define the approach needed to manage RM process changes. This will enable CRM to obtain clearer and complete perspectives and decision trajectories as it progresses to embed completely the redesigned RM process in the Organization's operations.

89. We recommended and WHO agreed to adopt a change management strategy to support the implementation of the redesigned resource mobilization process and related systems along with a sustainable organizational structure to ensure effective delivery of the new RM model.

3.1.4 Resource mobilization for polio

90. The Global Polio Eradication Initiative (GPEI) under POL has developed a strategy for maintaining a polio-free world after global certification of the eradication of polio. The strategy defines the global technical standards for functions that are essential to keeping the world polio-free,

USD 3.27 billion will need to be mobilized to fully finance the strategy with a new multi-year (2020–2023) budget of GPEI.

91. The Polio Advocacy Group, set up in 2001 and currently named the Polio Advocacy and Communication Team (Team) includes the two implementing partners WHO and UNICEF in cooperation with the donor partners the U.S. Centers for Disease Prevention and Control, Rotary International, the Bill & Melinda Gates Foundation, and other advocacy partners. The Team ensures that the combined strength of the partnership – and not only that of a single agency – is used for fundraising. From a GPEI perspective, this multiplies many times the effectiveness of all external relations, which focus the combined strengths to create an enabling environment to secure political and financial support.

92. Considering that CRM is in the initial stage of implementing the redesigned WHO resource mobilization strategy; and until its gradual entrenchment in the Organization's operation, GPEI is in a better position to be primarily responsible for mobilizing USD 3.27 billion thus, raising funds to offset declining GPEI support from polio free countries over the next four years.

93. **We recommended that GPEI under WHO POL to take the lead in its resource mobilization activities for the 2020-2023 funding requirements with the technical support of CRM until the redesigned RM strategy is harmonized and embedded in the Organization's operations.**

3.2 WHO Health Emergencies (WHE) Programme

94. The WHE Programme came to being as a major reform measure, when Member States mandated its creation as a new Programme, to put in place the basic structures and systems to help guard against catastrophic failure similar to the West Africa Ebola outbreak; to build operational capacities and capabilities that would enable WHO to respond more effectively to outbreaks and emergencies; and to provide a package of essential services to populations in times of need, but in turn learning lessons from these responses to best remedy underlying vulnerabilities. In a nutshell, the WHE Programme was launched as a determined effort to reposition WHO as a United Nations (UN) specialized agency.

95. From the official launch of the WHE Programme in July 2016 to date, significant progress in the implementation of the Programme came to fore. The Programme continued to provide technical and normative support for the Member States, complementing its traditional technical and normative capacities with new operational capabilities to enable it to work across the breadth of the emergency-management cycle in outbreaks and humanitarian emergencies. On 6 March 2019, the Director-General announced the new structure of the Organization, and appointed a new Executive Director of the WHE as well as new Assistant Directors-General for Emergency Preparedness and International Health Regulations (IHR), and for Emergency Response.

96. The audit focused on the review of policies, procedures and processes involving existing governance mechanisms across the Programme, with special emphasis on operating procedures, fleet management, emergency travels, emergency procurement, human resource management, contingency fund for emergencies and risk management. The significant observations are as follows.

3.2.1 Formulation of clear policies, processes and guidelines for WHE

97. For WHE, Part XVII – Health Emergencies in the eManual is exclusively devoted to matters concerning the new WHE Programme. It has 10 different sections, all of which are paramount and crucial to the Programme, and to the World Health Organization as a whole.

98. We noted that while a number of policies and guidelines are already incorporated therein, major sections that supposedly treat on subject matters that are at the very core of the Emergencies Programme, are still under “Content Development” stage, as clearly indicated in the WHO eManual. Among the more salient sections that are vital to the WHE Programme but whose contents are yet to be developed are:

- Section 2.4 Incident Management System
- Section 3.1 Strategic Planning
- Section 4 Resource Mobilization
- Section 9.1 OSL
- Section 9.3 SCM Principles

99. Management commented that for some of the aforesaid sections, draft materials are already in various stages of development. In light of the unavailability of clear policies, processes and guidelines customized and tailor-fit to the present structure and processes of the WHE as a separate and specific programme, it is highly likely that staff responsible are not properly guided by consistent and cohesive set of rules and processes in carrying out their respective tasks.

100. It bears stressing, therefore, that through the period of its existence as a Programme, from its inception in 2016 to the present, the formation, establishment and standardization of policies, rules, regulations and guidelines that cut across the various levels of the Programme have yet to be fully and completely realized. Notwithstanding the gains already reaped from its efforts and experiences, the urgent need to speed up the formulation of operating procedures and tools for incorporation in the eManual remains apparent and should be prioritized.

101. We recommended that WHO consider with utmost urgency the immediate development and completion of the contents that are the core of Emergency Operations in the eManual for Health Emergencies (Part XVII), complete with SOPs, to ensure transparency, consistency and uniformity in interpretation and application of pertinent policies.

3.2.2 Institutionalization of an effective fleet management

102. We reviewed the fleet management in the case of the Ebola crisis in North Kivu Province, Democratic Republic of the Congo (DRC), where on 1 August 2018, the Ministry of Health of the said country declared a new outbreak of Ebola virus disease.

103. Section XVII.9.2.6 of the WHO eManual provides an overview of the procedures related to the management of a fleet of rented vehicles for use in an emergency. It states that it is usually more cost-effective for WHO to use rented vehicles during the initial phase of emergency operations, and the objective is to have a first phase fleet management system in place within seven days and to be fully operational within 21 days. As aptly enunciated in the WHO Fleet Services (WFS): Fleet Management Handbook, the ultimate purpose of fleet management is to identify opportunities for improving the efficiency and effectiveness of the fleet. The challenge for fleet management for a humanitarian organization is to reconcile three competing and sometimes conflicting priorities: (a) the achievement of programme objectives both in normal operations as well as during health emergencies; (b) safety and well-being of WHO personnel and other road users; and (c) cost-effectiveness or the most effective use of resources.

104. An SOP for Fleet Management in Emergency had been developed by WHE in order to improve program delivery during and after the onset of an emergency. It is designed to align with the objective

of WHE transportation and fleet management on readiness during the first onset of an emergency within 21 days. Said SOP, though, is still in draft form as the WFS is still in the process of publishing a Road Safety and Fleet Management Policy in the WHO eManual, and there is a need to ensure that the SOP and guidelines are in line with policy before they are finalized.

105. The Ebola outbreak which suddenly occurred in North Kivu Province, DRC triggered the activation of the WHO's IMS which supposedly included the rapid assessment of the transport needs and the operationalization of a fleet management system within 21 days.

106. We were given tentative access to the pilot run of the Tracpoint system which supposedly shows the entire fleet of vehicles used for the Ebola response. We noted that data in the Tracpoint system, were apparently incomplete and thus relatively unreliable. This observation was confirmed by the Logistician taking charge of the Ebola response system.

107. Access was likewise given to the Transport Management System (TMS) database for DRC Ebola as of 16 March 2019, which is basically a test-run version with the same purpose of tracking and monitoring transport needs and other matters related to fleet management. From the database, we noted a huge fleet of 723 vehicles, consisting of 59 WHO-owned vehicles and 664 rented vehicles. Management explained that the number of vehicles required is much greater than WHO staff on the ground as it includes all partners who operate under WHO's guidance and support. For example, the Ministry of Health relies on WHO for transport related to vaccination and dignified burial work. We performed a preliminary analysis of the TMS data and observed evidence of unutilized vehicles, as follows.

(i) Unutilized vehicles

108. We noted vehicles that appeared to be unused, underused and some additional rental vehicles were engaged. This signals that there is a need for regular review of the existing fleet before entering into new rental contracts, to include close monitoring to ascertain if there are unutilized vehicles in some bases which could be immediately relocated to other bases needing additional cars, before deciding on whether to enter into new rental contracts.

109. Interview with the Logistician from WHE/Operations Support and Logistics (OSL) disclosed that, indeed, it is the practice to enter into additional rent contracts despite the lack of an assessment of the transport needs, or any review made on the existing fleet. Hence, new cars were rented without determining existence of unutilized vehicles in other bases/localities.

110. The absence of regular review of the fleet to adjust the number of vehicles based on the need of each base resulted in unnecessary rental expense for the Programme.

(ii) Rented vehicles with high fuel consumption

111. The TMS database also showed some rented vehicles with higher fuel consumption as compared to the other rented vehicles with the same type/make/model. For instance, two Mitsubishi Canters registered fuel consumption of more than 46 liters per 100 kilometers (km) as compared to 15 other Mitsubishi Canters in the fleet with recorded consumption ranging from 10.61 to 32.08 km.

112. Had there been proper monitoring and assessment of vehicle fuel consumption, this condition would have prompted the review of the data collected and verification on the seemingly excessive consumption of the said vehicles.

(iii) Vehicles with no tracking system

113. We also observed that a significant number of vehicles were without tracking device, and were therefore not tracked. A tracking system provides visibility of each vehicle's movements; provides alerts when vehicles are outside permissible areas; and send specific alerts on the performance of the drivers. It also captures data on fuel consumption and distance traveled. The system can significantly reduce road safety risks and will help facilitate the investigation of any road safety incidents the vehicle may be involved in.

114. We were informed that 357 trackers are installed in the vehicles and 34 trackers are being shipped as at 11 April 2019. The 756 trackers should all be installed by the end of April 2019.

115. In the absence of a tracking system, a vehicle could be used for trips which are not related to the emergency response. Also, incidents of over-speeding and other misuse of vehicles could not be captured.

116. The Logician from WHE/OSL disclosed that the gaps and lapses in procedures could be caused by a number of factors, among which is the absence of an operational fleet management unit and the lack of the necessary human resources to man the unit. Moreover, personnel for the positions of Central Fleet Monitoring Officer as well as for Dispatcher in Mangina were still for recruitment. On the other hand, the contracts of the Fleet Managers in Butembo and Beni were about to end and both had reportedly expressed that they do not intend to renew their contracts. The Logician also said that nearly all the filled positions of the OSL Fleet unit are manned by locally-hired staff that are not competent to handle fleet management tasks.

117. Another point stressed by the Logician which could have contributed to the lapses in procedures is the lack of coordination among staff in the field and the Fleet Coordinator particularly in planning the number of assets needed to carry out their mission. While he proposed a revised Transport Management System (TMS) specific to the DRC-Ebola Response with the objective of establishing a system for efficient analysis of transport management data in order to make the right decisions and operate economically, the said proposal remains a mere proposal still subject to approval by authorities.

118. Alongside the proposal on the revised TMS, the following incident-specific SOPs were proposed:

- (a) Vehicle Rental Procedure – prescribes the detailed process on how to request a leased vehicle for the emergency operation;
- (b) Vehicle Rental Billing Procedure for Ebola Response – prescribes the detailed process on how to charge leased vehicles for the emergency operation; and
- (c) TMS – prescribes the detailed process on how to update the TMS for the emergency operation.

119. Pending however, the issuance and dissemination of strategies and measures that are officially prescribed for adoption by all, there will always be uncertainties in the processes, as well as in desired results.

120. The aforementioned conditions indicate that an effective fleet management system is necessary not only for the DRC-Ebola Response, but also for other emergencies currently being responded to by the WHE.

121. Absence of an effective fleet management system backed up with clearly defined and prescribed processes and procedures poses a risk that the Organization may be spending too much resources for excess vehicles resulting to depletion of scarce funds while not achieving the objectives of its emergency response activities.

122. We recommended that WHO consider the urgency of institutionalizing an effective fleet management system with clearly defined and prescribed processes and procedures. We also recommend that other perceived gaps and observations on the fleet management operations in the Ebola response in DRC be further looked into by IOS in their audit of WCO DRC.

3.2.3 Enhancement of policies on emergency procurement

123. Section XVII.9.3.4 of the WHO eManual sets the policies for Procurement for Emergencies which states that when an emergency is graded, the regular procurement process may be modified so as to respond to the urgency of the situation. In such situations, a procurement process for emergencies is automatically triggered wherein: (a) competitive bidding is recommended but is not mandatory; and (b) approval is not required from the Contract Review Committee (CRC) for award of a contract above the applicable threshold and for the waiver of competitive bidding.

124. The need to specify the conditions wherein emergency procurement procedures may be applied is essential as it will contribute in minimizing wastage of resources. The application of emergency procurement procedures all throughout the duration of the emergency may result in increased costs as it means waiving competitive bidding and prior approval of the CRC, two important procedures to ensure that best value for money, which is the overall guiding objective for all WHO procurement.

125. While it is true that during an emergency, urgent action is necessary to ensure that the affected population's needs are met thus requiring emergency procedures, it cannot be denied that there are other logistical requirements that can be reasonably forecasted and planned during a protracted emergency. In fact, the Emergency Response Framework (ERF) itself includes as one of the WHO Performance Standards for Emergency Response, the development of OSL and procurement plan by the Country Office within 10 to 30 days from the time of grading (Table 4, Chapter 4, ERF), based on detailed assessment of supply chain, health logistics and field support needs (Table 9, Chapter 5, ERF).

126. Therefore, based on the needs identified during the detailed assessment, Country Offices can already define the types of goods and services that need to be acquired and the time these goods or services need to be available, to prepare the procurement plan with timeframes taking into consideration the time necessary to undertake a competitive process to ensure that the highest-quality goods are obtained for the lowest cost.

127. In the WCO Nigeria at least three Purchase Orders were created in 2018 for the procurement of anti-malarial drugs which were flagged as emergency as the need for the anti-malarial drugs were considered urgent. In the Adjudication Reports (ARs) for this procurement, the justification for application of the emergency procurement process was the Grade 3 Protracted Emergency.

128. We noted, however, that malaria is not a new health issue in Nigeria. In fact, Nigeria registered the most number of malaria cases and deaths in the past several years. The World Malaria Reports for 2016, 2017 and 2018 showed that Nigeria accounted for the highest proportion of 26% of the global total of estimated malaria deaths in 2016, 27% in 2017 and 19% in 2018. Thus, WHO Nigeria has all the relevant information to properly prepare the vulnerable population in the country for the malaria

season by the procurement at the appropriate time of the needed anti-malarial drugs to be used in the Mass Drug Administration (MDA).

129. The WHE Supply Chain Manager explained that it is generally under the regular malaria programme to ensure proper planning and support to the ministries of health. The predictable part of recurring malaria season is something that, generally, is taken care of by the Member State and when the outbreak level is reached, there is a need for emergency response from WHE and it becomes a completely different level of need which cannot be easily planned in advance.

130. It should be emphasized, though, that the mission of WHE includes helping countries to prevent and prepare for outbreaks and emergencies. As stated in the ERF, the Organization takes a comprehensive approach to all aspects of emergency management, embracing prevention/mitigation, preparedness/readiness, response and recovery. It also states that the successful implementation of the ERF requires sufficient risk reduction and preparedness of Member States.

131. Hence, it is expected that WCO Nigeria already has preparedness plans that should include, among others, the procurement of needed anti-malarial drugs at the right time and quantities with consideration of the estimated lead time for the processes, approvals and other factors, so that there is no need to apply emergency procurement procedures.

132. Moreover, we noted that despite the supposed urgency of the procurement of the anti-malarial drugs, with the required dates for the needed drugs already entered in GSM, the dates the goods are required to be ready for shipment were adjusted to later dates in the PO consistent with supplier capacity. For items tested, there were delays of 54, 12 and 11 days from the required receipt dates for the items, and 18, 3 and 9 days from the dates of shipment provided in the PO. This gives the impression that the drugs may not be urgently needed or, if they were, the need therefor was not timely met to the detriment of the affected population.

133. Another example is the WCO Syrian Arab Republic which considers all its purchases as emergency because the country is Graded 3 emergency. This is the practice in said WCO despite that it purportedly plans its procurement needs every year taking into consideration the delivery lead time to the Syrian Arab Republic. To illustrate, PO 201957778 for procurement of 35 kits of noncommunicable disease medicines to replenish the warehouse stocks to ensure continuity of health service delivery to the population in need, was flagged as emergency procurement with 1 April 2018 entered in GSM as the required date. Said PO however, provided 24 April 2018 as the date the goods were required to be shipped. Partial receipt of the items on 23 April 2018 was entered in GSM for 29.6 kits while the remaining 5.4 kits were received on 13 September 2018 or 142 days from the required date per PO and 165 days from the required date entered in GSM.

134. Similarly, PO 202036356 of WCO Yemen for 60 000 hemodialysis sessions was flagged as emergency with 15 July 2018 entered in GSM as the date items were required, while the required shipment date per PO was 19 July 2018. As per Delivery Table provided by the WCO, the items were delivered and received in several installments starting from 7 July to 23 October 2018. Hence, it took 100 days from required date in GSM and 96 days from required shipment date in the PO before actual delivery of the materials were completed.

135. These procurements in WCOs in the Syrian Arab Republic and Yemen likewise indicate that the medicines may not be urgently needed or, if they were, the need therefor was not timely met to the detriment of the affected population.

136. The WHE HQ Supply Chain Manager explained that there are two aspects of the emergency procedures: (a) “procedure waivers” which entails waiver of competitive bidding and CRC approval; and (b) “fast track” with processing and approval of draft PO for catalogue goods from a standard six working days to one working day for emergency, and for request for price estimates (RPE) from a standard of 40 working days to 3-15 days for emergency. He cited that the aforementioned PO of WCO Syrian Arab Republic was for catalogue items for which fast tracking procedures were applied, whereas the PO of WCO Yemen which was flagged as emergency in GSM, did not use the waivers of competitive bidding and CRC approval, and instead used 40 days for Request for Price Estimates (RPE), ten days for drafting PO and six days for PO issuance, or a total of 56 days.

137. In summary, we observed that there were different procedures applied by WCOs in their procurement during emergencies which indicate lack of awareness and adequate training among staff on emergency procedures. This condition does not conform to the operating principles of WHE provided in WHO eManual XVII.1.2, particularly, on operating with “one set of processes and systems, and one set of benchmarks” which calls for standardized, streamlined set of tools, SOPs and performance standards to facilitate day-to-day management of operations during emergencies.

138. Moreover, the policy in WHO eManual XVII.9.3.4 and ERF concerning the application of emergency processes without any exception for the first 12 months of the grading period for Protracted 1 and 2, and for the whole duration of the grading period for Protracted 3, affords too much flexibility in undertaking procurement. This may result in procurement of unnecessary or excessive quantities/amounts of goods and services leading to waste.

139. The WHE HQ Supply Chain Manager, acknowledged that: (a) standard procedures can be applied in protracted emergencies with proper planning; (b) procedure waivers should not be applied for all purchases except for cases where human lives are at stake thus requiring fast track mechanisms; and (c) there is need to clearly distinguish the two aspects of emergency procedures. He also recognized the need for the regional offices to provide trainings to WCO staff re: operations support and logistics which includes supply chain management and procurement planning.

140. **We recommended that WHO:**

- (a) enhance with urgency the existing policies/procedures for emergency procurement to clearly define the conditions/circumstances when to apply emergency procedures so that funds spent during emergencies will constitute effective use of resources;**
- (b) support regional offices in providing training/capacity building on OSL, SCM and procurement; and**
- (c) revisit the provisions of the WHO eManual and ERF on the application of emergency procedures during protracted emergencies, to include the exception of conditions/circumstances that do not require urgency.**

3.2.4 Emergency travel requests not within the context of emergency

141. The policy on Operational Support and Services SOP Travel Quality provides the detailed instructions to the Travel Quality Specialist (TQS) on factors to be considered in reviewing TRs to validate their compliance with policy. If the purpose of emergency travel is not to provide direct operational support for public health events or graded emergencies, it should be considered regular duty travel, thus emergency TR need not be raised.

142. For the period 2016 to December 2018, there were 2025 WHE TRs raised globally flagged as emergency. Review of the sampled emergency TRs, however, showed that 60 TRs out of the 116 randomly selected samples were processed under emergency, but the various purposes of the travels were not within the range and context of emergency.

143. Assessment of the TRs, including documentation and email correspondences disclosed that the travels were mainly for missions, training, workshops, speaking or presentation engagements and joint external evaluations, while in other instances, the destination was not affected by any emergency, or was subject to penalty charge since the traveler was on leave. For all of these 60 TRs raised, it was apparent that the travels were not related to situations within the context of emergency.

144. It should be mentioned that in the third quarter of 2018, WHE put in place a guide to initiators and approvers on the use of emergency TRs. This guide was put in place as a result of a similar audit observation of External Audit at the Global Service Centre in October 2018. Despite the new guide that would have addressed this concern, some TRs were still raised under emergency, notwithstanding that their purposes were not within the context of emergency. We see therefore a culture of non-compliance by staff involved in emergency operations.

145. Our Focal point on the matter agreed with our observation that the initiators and reviewers (Travel Quality Specialists) seemed not aware of the instances and criteria when the use of emergency TRs is warranted.

146. Raising a TR as emergency, even if it is not compliant with the criteria for emergency travel, shows a breakdown in controls and result to waste of resources, considering that required control processes are dispensed with, such as the approval of the ADG/GMG and Management Officer/Director MGA. Management explained that there can be many instances for emergency travel, for example, when an emergency backup is required for someone who leaves on emergency travel. Management agrees that a better definition would be helpful.

3.2.5 Late approvals of TRs flagged under Emergency Travel

147. Travel SOP on Emergency Travel provides that travel requests to cover emergency ticket costs and per diem will be issued by the technical unit involved no later than the next working day after the ticket has been issued by the travel agent. Whether the ticket is issued during or outside the travel agent's working hours, the technical unit involved is responsible to raise and approve the TR for ticket payment and per diem on the next working day after ticket issuance.

148. Review of the TRs flagged under emergency from 2016–2018 showed that there were TRs approved 3 days to 53 days after travel start date. Management commented that approval of a number of TRs was delayed because of connection issues, technical problems with GSM travel module, or pendency for 3 to 4 days with the approving authority.

149. Although there are offline approvals to ensure that the travel is authorized, creating TRs beyond set timeline, defeats the purpose of flagging them as emergency, and may even result in possible unauthorized travel.

3.2.6 Need for WHO eManual provisions and for an updated SOP on emergency travel under WHE

150. The noted deficiencies on Emergency Travel Requests and late approval of TRs were apparently brought about in part by the absence of clear-cut procedural guidelines on Emergency travels. Under

Section XVII.8.6 of the WHO eManual, a link is provided on the SOP for Emergency Travel which is supposedly for HQ travel agent processing alone. There are no WHO eManual provisions on emergency travel which would guide the requestors and reviewers on the use of emergency travel compliant with the definition and context of emergency in Section XVII.I (10) of the WHO eManual.

151. It was also noted that the SOP on emergency travel processing is limited only to the ticket issuance process during and outside the agents working hours. Upon our inquiry, Management stated that they are still in the process of updating the SOP on emergency travel.

152. The absence of clear and specific provisions in the WHO eManual and of an updated SOP on emergency travel may result in inconsistent interpretation and application of emergency travels throughout the Organization.

153. **We recommended that WHO:**

(a) consider the urgency and importance of updating the WHO eManual and TRV.SOP.VII.018, to include the specific circumstances when emergency TRs may be resorted to, as well as the acceptable timelines for WHE approval process of emergency travels; and

(b) adopt stop gap measures while awaiting the issuance of the specific guidelines on emergency travels which will require the initiator to be more cautious in flagging travels as emergency and will capacitate the TQS to ensure that only those compliant with the context of an emergency are flagged and processed as emergency travels.

3.2.7 Enhancement of policies on human resource management – selection and recruitment

154. As at 31 December 2018, the WHE Programme had 1191 Staff, with total female staff of 511, or 43%. To validate the declarations made by the Management that the selection process is objective, transparent and diverse; an evaluation was made of the selection process of thirty-nine (39) newly-hired staff in Regional Office for Africa (AFRO) in 2017 and 2018.

155. We noted that while enhancements were made in the recruitment process through the updated harmonized selection policy of the HR and the Stellis platform, some areas still needed some enhancements.

a. Limitation in the extension of Vacancy Notice and posting of notices

The latest policy on the Harmonized Selection Process for Longer Term positions provides that Vacancy Notice for positions from P1 up to D2 grade levels are to be published internally and externally using the corporate recruitment platform for a period of 3 weeks from the date of issuance. It further provides that the publication period may be extended beyond 3 weeks when required. This was confirmed by an HR Officer who explained that *in the system, the vacancy notice closes automatically on the appointed time, but the option to extend the VN exists*. The External Auditor is of the view that a guideline should specify the limits in the VN extension.

b. *Approval of Selection Report for and in behalf of the Regional Director/authorized approver does not indicate the name of the authorized signatory*

The eManual, under Section III.4.2, provides that the selection panel makes its recommendations to the Regional Director or to the person with the delegated approving authority. Our examination disclosed that some SRs were approved by the delegated staff.

The approval of the SR was “for and in behalf” of the Regional Director, without indicating the name and position of the signatory on the face of the SR, thus resulting in difficulty and time-wasting effort of verifying with the specimen signature and the DoA of the delegate, to know the level of authority and timeline, and to establish accountability.

Although there was a directive on the delegation of authority, it would have been appropriate if the delegated person’s name was printed on the SR and the corresponding signature affixed on the face of the SR since it is the final output in the selection process. This will be in harmony with the accountability framework where the obligation of the Organization and its staff members is to be answerable for delivering specific results through a clear and transparent assignment of responsibility.

c. *Reckoning dates vis-a-vis the timelines in the Selection Process not clearly indicated in Selection Reports*

The Harmonized Selection Process provides that within 3 working days of the last interview, the Selection Report should be signed by the Panel, while the Selection panel’s recommendation shall be signed/approved within 10 working days from receipt of the recommendation.

Examination of the approved Selection Reports however, showed that the date it was signed by the Selection panel and the date of receipt by the Approving Officer is not indicated therein; hence it will be difficult to point out the delays in the process if there is no reckoning point for the timelines. It is very important to ensure that the 15 weeks or 76 days’ timeline in the completion of selection process is consistently adhered to, as all transaction processes should be transparent and documented. Management claimed that dates are recorded in Stellis system. We maintain however the importance of placing the dates in the approved Selection Report to ensure transparency of the proceedings.

d. *Enhancement of the Letter of Regret*

The policy states that the documents are confidential but some feedback can be provided upon request. The tone of the letter to the unsuccessful candidate however, merely expresses regret for the unsuccessful application. Information to the candidate after the mandatory interview, on the availability of feedback upon the latter’s request to HR will demonstrate the Organization’s transparency in the selection process.

156. We emphasize the critical importance of effective controls over recruitment and selection actions, particularly if attracting talent at the right time is of primordial interest to the Organization. In this sense, the selection process must ensure that required controls are delivered throughout the recruitment process, to avoid possible damage to reputation. The observed gaps in the selection and recruitment may not occur pervasively, but even just one weakness in the process, if not corrected, can set negative precedents for succeeding recruitment actions.

157. With the right policies and procedures in place that are properly communicated, the Programme is expected to attract and retain effective, efficient and highly motivated people to carry out its work and to implement its global strategy in a timely and successful manner. As a result, it will be able to efficiently hire the right people with the highest standards of efficiency, competence and integrity, taking into consideration the gender and geographical diversity.

158. **We recommended that WHO enhance the current policies on the recruitment and selection process, building on lessons learned through the following measures:**

- (a) **Specify the limit of the extension of posting of the Vacancy Notice and reconcile the eManual with the related SOPs;**
- (b) **Indicate on the face of the Selection Report the name and position as well as the signature of the person delegated by the approving authority;**
- (c) **Require the date the Selection Panel signed, as well as the date of receipt by the Approving Officer of the latter's recommendation, to be indicated in the Selection Report; and**
- (d) **Include a paragraph informing the interviewed applicant on the availability of feedback upon request to HR.**

3.2.8 *Financing the Contingency Fund for Emergencies (CFE)*

159. WHE funding includes the WHE Core Budget, WHE Outbreak and Crisis Response (OCR) Budget and the CFE. WHO eManual XVII.6.1 states that the CFE is established to fill critical gaps in financing at the beginning of an emergency while the requesting office is mobilizing resources from other financing mechanisms, to enable immediate action and prevent or minimize the escalation of health consequences of the emergency.

160. WHO eManual XVII.6.2 (30) provides that the CFE is replenished through donor contributions outside of the WHE core budget, either directly or through reimbursement from donations against country response plans. Contributions to the CFE are not earmarked for specific activities but are pooled and flexible. This enables the CFE to rapidly fund the initial response to the broadest possible range of health emergencies.

161. For the period 2016 to 31 December 2018, available records showed CFE contributions and releases, as follows:

	2016	2017	2018	Total (USD)
CFE Contributions	18 275 660	12 802 427	39 985 272	71 063 359
CFE Allocation	19 426 895	19 265 088	35 957 635	74 649 618
Balance	(1 151 235)	(6 462 661)	4 027 637	(3 586 259)

Figures based on February 2019 updates on contributions and 19 December 2018 updates on allocations emergencies/funding/contingency fund allocations.

162. As can be gleaned in the above table, while the contributions steadily increased, the corresponding allocations were also increasing. In the three-year period illustrated, the target CFE funding of USD 100 million was not attained.

163. We noted that WHO formulated the Contingency Fund as a robust replenishment strategy that is sustainable for health emergency financing. Central to a sustainable replenishment strategy is the reimbursement of CFE allocations by donor contributions to WHO country response. WHO is building its capacity to mobilize resources for response at country level through the country business model, which will enable the WCO to repay the CFE grants by having dedicated resource mobilization officers assigned in WHE priority areas.

164. In its October 2018 Health Emergencies Programme update, WHE priority countries (Democratic Republic of the Congo, Ethiopia, Nigeria, Somalia, South Sudan, Syrian Arab Republic and Yemen) were reported to have dedicated resource mobilization officers, while Afghanistan, Iraq and Mali have temporary resource mobilization arrangements. These are efforts towards helping sustain the CFE.

165. Further, WHO engaged in various financing campaigns, such as: CFE Pledging Conference, broadening the donor base by drawing support from foundations and the private sector; exploring opportunities around Islamic Humanitarian funding; and work with the UN Foundation and other partners to explore partnership opportunities.

166. In the October 2018 Programme update, it was stated that in 2017, only about a third of allocations was reimbursed and returned to the CFE, an indication that funding donor contributions for the emergency response is not proactive. It should be noted that we could not validate and evaluate the extent and timing of the actual reimbursements of the allocations/releases made from 2016 to 2018 because data was not made available to us.

167. It is apparent that despite having resource mobilization officers and financing campaigns, the CFE funds available as of December 2018 was only USD 27.2 million, which is way below the targeted amount since the inception of the Contingency Fund in 2015.

168. In the WHE funding and implementation documents provided by the focal person, the CFE had a 47% shortfall from its USD 100 million target. With continuous outbreaks and health emergencies, WHE is faced with challenges in resource mobilization which should be addressed immediately.

169. It bears stressing that in its risk management identification and prioritization, the Programme has identified that one principal risk it is faced with, is the possible failure to adequately finance the programme and its emergency operations, resulting in inadequate delivery of results at country level. The CFE is certainly part of this identified risk, which has been classified as Severe in terms of risk significance/impact. As a risk response action, the Programme resolved to resort to targeted resource mobilization efforts for the emergency programme, including allocation of additional flexible resources.

170. Given the disturbing status of the CFE funds, if efforts are not intensified enough, it is highly probable that the benefits derived from this replenishment strategy may no longer be reaped, thus sustainable emergency financing through the CFE may no longer be a possibility.

171. **We recommended that WHO:**

- (a) Intensify its ongoing financing campaign and strengthen support from donors so that resource mobilization shall be a continuous process; and**

- (b) **Strengthen the resource mobilization efforts at country level to sustain reimbursements of CFE through donor contributions.**

3.3 WHO Framework Convention on Tobacco Control

172. The WHO FCTC as a hosted entity makes significant contributions to the global health agenda and architecture by advancing global health priorities, maximizing outreach and advocacy, informed policy-making and facilitating broader stake holder engagement. The WHO Framework Convention on Tobacco Control has a functioning Convention Secretariat whose administrative operations abide within the context of the WHO Constitution, WHO Financial and Staff Regulations and Rules, eManual provisions and applicable policies and procedures, which provide a strong foundation that contributes to effective and efficient operations management.

173. In the general assessment, there is reasonable assurance that controls are in place and operating effectively, although we brought to the attention of management the following improvement opportunities for the Convention.

3.3.1 Corporate governance and hosting agreement

174. Our audit emphasized the conclusion of a hosting agreement between Convention Secretariat and WHO. The Convention Secretariat is in its final stage of finalizing its hosting agreement with WHO for the first time since 2006 when the COP decided to establish the permanent Secretariat of the Convention which implies that the Convention Secretariat now has its corresponding primary document for corporate governance. From year 2006 to 2018, the hosting agreement with WHO had been elusive which took a long time to finalize. The draft hosting agreement must be concluded and made to work with the top management needing to keep strong links where the change is supposed to happen to commence effective and efficient corporate governance.

175. Corporate governance refers to the structures and processes within a framework for the direction and control of the entity. This framework drives the distribution of responsibilities to those who participate in an entity. Hence, corporate governance explicitly for WHO FCTC concerns the responsibilities and relationships amongst the Secretariat, Conference of the Parties (COP), Meeting of the Parties, Bureau, stakeholders and WHO as the host organization.

176. These frameworks within the corporate governance allow the Convention Secretariat of the WHO FCTC to work efficiently due to the existence of a clear level of accountability and communication amongst the WHO FCTC as a treaty body hosted within WHO, and WHO as the host Organization in understanding what their roles and responsibilities are. In this regard, the primordial document that propels corporate governance of WHO FCTC is the Hosting Agreement between the Convention Secretariat and WHO.

177. We recommended that WHO FCTC Convention Secretariat take the lead in engaging the COP through the Bureau, to facilitate the process of review of the draft Hosting Agreement with WHO relevant departments, including LEG with the aim to finalize the document without unnecessary impediments within the first semester of 2019 thereby assuring implementation and execution of the hosting agreement within the current year.

3.3.2 Convention implementation reporting

178. Our audit highlighted the need for a quality assurance in reporting the implementation and compliance with the Convention. Conducting quality assurance for information or data regarding implementation of the Convention is a way forward of preventing errors or blunders in reporting as part of quality management. It is focused on providing confidence that quality and validated information will be reported. It ascertains whether the implementation did indeed transpire, and has been reported accurately, if not, it can provide a starting point for developing future lessons learned and improvement to the reporting mechanisms.

179. The United Nations Development Programme (UNDP) Data Privacy, Ethics and Protection Guidance Note in the achievement of the 2030 Agenda stated that *all data – related activities should be designed, carried out, reported and documented with an adequate level of quality and transparency. More specifically, to the extent reasonably possible, data should be validated for accuracy, relevance, sufficiency, integrity, completeness, usability, validity and coherence, and be kept up to date.*

180. WHO FCTC Reporting Platform is a vital web-based tool developed to allow the Parties of the Convention to report on the implementation of the WHO Framework Convention on Tobacco Control in a structured and transparent manner that feeds the Global Progress Report (GPR). The Focal Points of the Parties provide their (self-assessment) implementation report through the WHO FCTC Reporting Platform by responding to the core questionnaire of the WHO FCTC reporting instrument which features 370 questions that all Parties to the Convention have to complete and submit to the Convention Secretariat every second year (Article 21 of the Convention and relevant decisions of the Conference of the Parties).

181. The GPR represents the full biennial global progress report on the implementation of the Convention, and has been prepared by the Convention Secretariat in accordance with decision of the COP which requested that GPR be prepared based on the biennial implementation reports of Parties and submitted to each regular session of the COP. With our inquiry, Management bare that the reporting process to check veracity and quality of information (quality assurance) submitted by the Parties is wanting of a standard procedure.

182. Management opened that the process for reporting and the reporting instruments have evolved, with a trend of adding or amending/editing questions in both the core questionnaire (mandatory) and additional questions (optional), when appropriate. Thus, with the evolution, guidelines to act as assurance parameter in responding to the questionnaire are therefore suggested to be included to exact veracity, consistency and completeness of information.

183. The quality assurance guidelines for reporting and information is a tool that can complement the WHO FCTC reporting platform and arrangements as whole, hence, assist the Secretariat's implementation and accomplishment reporting, which is the GPR, deliver the highest possible quality and validated data within committed resources and timelines for all its intended users.

184. The Convention Secretariat for their part commented that through the working group on quality assurance and the planned pilot studies for this year of the Implementation Review Mechanism the Convention Secretariat can already advance the quality assurance guidelines. In addition, the Convention Secretariat will also conduct a scoping study of other treaties' experience with quality assurance guides and frameworks.

185. We recommended that WHO FCTC Convention Secretariat craft quality assurance guidelines that: (a) establish clear criteria for specifically defining quality and validated information in each Article of the Convention or key checkpoint for each deliverable; (b) outline roles and responsibilities for the key data quality assurance evaluators; and (c) obtain agreement on the points and time that quality reviews will occur and how and to whom findings will be reported.

3.3.3 Workplan and budget

186. In view of the adoption of the 2019–2025 *Global Strategy to Accelerate Tobacco Control* (the Global Strategy) as contained in Annex 1 of document FCTC/COP/8/11, the corresponding workplan and budget for 2019 should be aligned to the said Global Strategy. It is through an updated, aligned and responsive workplan and budget where the initial year of the implementation of the Global Strategy can gain strong foothold in forecasting future workplan and budget. This is crucial to any subsequent workplans and budgets of the Convention Secretariat and its alignment to the multi-year Global Strategy.

187. For WHO, a workplan represents a set of products and services, with associated activities and related costs, to be delivered by a budget centre. The Workplan and budget for the financial period 2018–2019 submitted by the Convention Secretariat contained in document FCTC/COP/7/25 was adopted by the COP in November 2016.

188. On the other hand, the Global Strategy was developed in 2018 following a decision of the Parties at the seventh session of the COP to the WHO FCTC. It represents the continued effort to strengthen the operations and implementation of the Convention.

189. The strong commitment of the Convention Secretariat to foster greater accountability and more effective internal controls for the Convention and Protocol implementation clearly suggests that this should be demonstrated particularly in the delivery of its main mandate. The Workplan and Budget provides an umbrella framework that coordinates multiple, interdependent tasks, not just with each other, but with other critical components that solely contribute to the WHO FCTC goals and objectives.

190. The importance of an aligned Workplan and Budget to the Global Strategy cannot be over emphasized, as every Party to the Conference would want to know the result of implementation of the Workplan and Budget in the initial year of implementing the Global Strategy. Therefore, a responsive results-based 2019 Workplan and Budget that serves as a primary operational tool for Secretariat engagements has to be recognized as a necessity.

191. The Convention Secretariat ensures alignment of the 2018–2019 work plan and budget to the 2019–2025 Global Strategy with a concrete arrangement to follow.

192. **We recommended that WHO FCTC Convention Secretariat take the lead in the updating the 2018–2019 Workplan and Budget to be aligned to the 2019–2025 Global Strategy.**

3.4 Review of management controls in regional and country offices, partnerships and convention

193. For the financial year 2018, we reviewed the design and operating effectiveness of embedded controls across critical processes in the WHO Regional Office for Europe, WCOs in Bangladesh, Kazakhstan, Madagascar, WHE, AHPSR, WHO FCTC, PMNCH, TDR and POL. The review was carried out primarily to determine the sufficiency of the delivery of front-line controls within these

processes, how these impact operational efficiency and effectiveness; and how policies and procedures are adhered to. The delivery of these front-line controls, also known as management controls, reflect the effectiveness level of control environment pervading within the offices. The offices' representation on the state of their internal controls eventually is reflected in an attestation document that comes in the form of self-assessment internal control questionnaire, prepared on an annual basis. Thus, pivotal to the representations is the ability of the offices to ensure that what was reported was a direct reflection of their internal control operating realities.

3.4.1 Project/programme management

194. Results based management (RBM) is a key element of the WHO managerial reform agenda and is supported by a clear accountability framework and performance management system. Relative thereto, performance monitoring and assessment are considered essential in the proper management of the programme and in the consequent revisions of policies and strategies. In view of this, programme management strategies and processes should be within the framework of RBM aligned with the Organization's results chain, and in accordance with applicable frameworks/policies.

195. In the WCOs that we reviewed, we identified inconsistencies in the reported status of the project/programme. There were tasks with encumbrances and expenditures exceeding their award budget as well as tasks with award budget that exceed the planned costs. In addition, our review on the implementation of awards and workplans including encumbrances disclosed that there were expired awards with unexpended balances and there were awards that were about to expire yet with low rate of implementation. In POL, we noted control gaps in the aspect of due diligence because of the absence of subsequent review of entries in the GSM after the top task monitoring was performed. Thus, there was a need for comprehensive programme results monitoring and reporting activities to ensure that results are fully reflected in the system.

3.4.2 Award management

196. An award is a contribution to support an activity or set of activities that commences with confirmed funding (normally a signed donor agreement) and ends when the award is reported, and the objectives are accomplished according to the agreed, pre-defined responsibilities, within the given time frame, resources and budget.

197. It was observed that there were awards near their end dates yet with low implementation and unbudgeted amount, as well as awards with balances after their end dates. In addition, we noted that submission of donor reports were delayed/overdue either because of lack of permanent technical officer, or that the WCO technical officers were not aware, or have no GSM right to update information in the system.

3.4.3 Direct implementation

198. Direct implementation (DI) arrangements are used when a WCO implements activities on behalf of the Government or Ministry of Health (MoH) and when a standard Direct Financial Cooperation (DFC) contract cannot be used. DI activities are subject to the same standards of health programme accountability and evaluation in terms of relevance, efficiency, effectiveness and impact as any WHO technical cooperation programme, project or activity at the country level. In 2018, total DI expenditure was USD 265 million which is USD 7 million (3%) more than in 2017.

199. In our review, we noted that overdue and delayed submission of DI reports was still evident in the WCOs visited. We highlighted the need to improve the monitoring on the timely submission of DI reports by addressing the causes of delays. It was also noted that in the WCO, the use of DI modality was not justified and found no reason why the use of other procurement types was not possible. Moreover, we observed the low ratio of implementation against the approved funding.

3.4.4 Direct Financial Cooperation (DFC)

200. Under the DFC arrangements, payments are made by the Organization to cover the cost of activities that would otherwise be borne by governments, in order to strengthen the latter's health development capacity and ability to participate more effectively in or to meet their commitments to WHO technical cooperation at the country level. DFC contributes directly to the achievement of WHO's Programme of Work and proposals must therefore clearly show how DFC activities contribute to key Programme deliverables/results. In 2018, total DFC expenditure was USD 116 million which is USD 36 million (24%) less than in 2017.

201. Our review of corresponding DFC reports showed that although there were significant improvements on the submission of DFC reports across the Organization, there remained some overdue and/or delayed submission and uploading of reports. We also observed that the justification document for DFC did not include a brief description of assurance activities to be conducted on the activity processes. We also noted instances where DFC POs were signed by the WHO Representative and/or contracting partner several days after the planned start date or completion date.

3.4.5 Procurement management

202. Procurement is a critical function in support of the effective discharge of the WHO mandate. The procurement function at WHO is complex and wide-ranging in scope. It is organically linked to the success of the delivery of WHO's programme priorities and requires close and constant collaboration with various technical and administrative disciplines within the Organization.

203. We observed that in the WCOs there were delayed deliveries of goods purchased as well as delayed recording of receipt of delivered goods in the GSM. We also noted procurement in excess of the delegated authority on advance payment and consultant contract duration. Further, the preparation and completion of the procurement plan was still a challenge in the visited offices.

3.4.6 Travel management

204. Our review of travel management was aimed to determine the timeliness of submission and approval of Travel Requests, Travel Claims and Reports and their compliance with the existing WHO travel policies, regulations and procedures including ascertaining whether duty travels were duly authorized and included in the travel plan.

205. We determined that the WCOs either had inadequate or no travel plans or their travel plan was not updated. We also observed non-adherence to the prescribed 14-day approval period for travel requests as well as delayed submission of travel reports upon return to station. Other gaps were also observed such as delayed or non-submission of travel claims within the prescribed period.

3.4.7 Human resource management – Performance evaluation

206. In managing human resource, the Electronic Performance Management and Development System (ePMDS) is the basis for assisting the staff members to make the most effective contribution to the Organization, and for decisions concerning the staff member's status and retention.

207. We observed in our review of WCOs that there were instances of: delayed and incomplete ePMDS reviews; and inadequate alignment of stated objectives in the ePMDS with the Specific, Measurable, Attainable, Realistic, Time-bound (SMART) objective criteria. These gaps were also noted in our review of POL and TDR.

3.4.8 Asset management

208. Accurate and reliable fixed asset data are an essential component of the Organization's accountability and control framework. They serve as an indicator of the accuracy and administrative rigor of WHO's administrative procedures. Detailed and accurate records on fixed assets must be kept and maintained by each office. Responsibility for assets must be assigned throughout the lifetime of the asset, from receipt to disposal. Compliance with established procedures will reduce the risks of undetected thefts or losses, shortages or failure of critical items, and unnecessary purchases.

209. In our review, we noted that there were obsolete or unserviceable fixed assets that were still reflected in the Asset Register as well as lost assets pending Property Survey Committee (PSC) decision. Further, we noted some delays in the registration of fixed asset items in the fixed asset module which were already reported in the Asset Register. These indicate the need to maintain accurate and reliable fixed asset data because this impacts on the timely depreciation of assets and on the risk of loss of the assets due to non-monitoring.

3.4.9 Cash management – Imprest system

210. The WHO eManual defines Imprest System as a form of financial accounting system mainly used for country office bank accounts and petty cash. The base characteristic of an imprest system is that an imprest ceiling amount is established, and replenishments to the level of the ceiling amount are made by the controlling office at the end of a period or when the circumstances request it. Moreover, WHO e-Manual states that bank reconciliation should be performed for each bank account on a monthly basis.

211. We noted an eImprest account that exceeded the ceiling for the month as well as instances of negative balance because the surplus balance was not transferred to the main bank account and the fund transfer from eImprest account to the main bank account was more than the ceiling amount. Likewise, we observed discrepancies between bank account reconciliation balance per cashbook and the balance per general ledger.

3.4.10 Internal Control Self-Assessment

212. WHO introduced the Internal Control Framework (ICF) internal control self-assessment checklist as a management tool that provides a structured set of questions based on the key components and the WHO Guide to the ICF. The information therefrom will feed into the Annual Letters of Representation that the Assistant Directors General and the Regional Directors need to submit to the DG on an annual basis and eventually contribute to the Statement of Internal Control, which the DG appends to the annual financial statements of the WHO. Furthermore, it will be used to identify recurrent, systemic weaknesses in controls, thereby complementing other assurance mechanisms, such as compliance reviews or audits.

213. Our review disclosed inconsistencies in the results of the internal control self-assessment checklist against the results of our audit; thus, we raised the need to objectively assess the effectiveness of the internal controls and reflect the actual condition of the same. We also highlighted the need for appropriate and continuous training to reinforce knowledge in assessing the effectiveness of internal control.

214. Based on the results of our audits of the critical operational processes, we deemed it vital that we highlight the importance of controlling as a management function. Specifically, the controls that we have tested as part of our audit were all management controls or controls that occupy the first line of defence against the offices' business risks. The efficacy of treating these risks at source relies mainly upon the design and operating effectiveness of the controls that were currently in place. While we have seen some controls that were working as expected in several processes of the offices, we considered it critical for these offices to install better designed controls and make them function as expected.

215. Essentially, what we have noted relates to that need for WHO to make its oversight or monitoring controls work more effectively. In some observed instances, supervisory controls were non-existent. This scenario would cause a certain control activity to under-deliver finally resulting in inefficiency and non-compliance with required rules and regulations. To make this process and monitoring controls work effectively, they must be performed at a level where the risks involved are mitigated. Making the controls work more effectively also necessitates sustained assessment by all levels of WHO management.

216. We recommended that WHO further strengthen its supervisory and monitoring controls over critical processes by regularly reminding the Budget Centres to improve their compliance with regulations, rules and policies, and to reflect in the ICF Self-Assessment Checklist the actual status of internal control in their respective offices.

3.5 Risk management

217. Risk management is perceived in WHO as a management process and approach that involves identifying, assessing, prioritizing and controlling risks across the Organization, with a coordinated and cost-effective application of resources to minimize, monitor, and control the probability and/or impact of adverse events or to maximize the realization of opportunities. As an integral part of the process, a Risk Register is utilized by Budget Centres to document, assess and manage the identified risks. To facilitate a more uniform global practice, the on-line Risk Management Tool (RMT) was introduced to facilitate the formal incorporation of risk considerations into Budget Centres' management decisions.

218. We noted in our review in the different country and regional offices, programmes, partnerships and convention, that the risks identified and reflected in the risk registers were rather incomplete and need updating. We noted the need to improve the formulation of high-quality risk statements, response actions and the preparation of the corresponding action plan for critical risks. There was also a noted need for capacity building exercises to equip and strengthen staff capabilities in the risk management processes. Likewise, we determined that risks which are required to be brought forward to the concerned authority to facilitate decisions as to whether to tolerate the risk or to formulate a risk response action were not escalated.

219. The specific cases of improvement opportunities on risk management for each of the offices audited are summarized as follows.

a. In WHE, there is a need to adhere to the standards and desired qualities in the formulation of the risk response action, where timelines are established; action plans are prepared to give assurance that critical risks are brought to acceptable levels; and clear and concrete information and statistics on the status of mitigation/risk response actions taken vis-à-vis the principal risks identified are indicated, to avoid vague statements on the courses of action taken. CRE noted our concern and will work with WHE to ensure that mitigation actions are clearer, concrete and precise.

b. In WHO FCTC there is a need to comply with the formulation of the risk statement as required in the WHO risk management policy; and the incorporation of a well-structured risk communication arrangement to facilitate complete and accurate risk inventory, and efficient and effective escalation of information, that will expedite evaluation or establishment of control. Also, there is need to formulate the risk appetite statement to effectively communicate the acceptable level of risks and thus, provide a basis for evaluating and monitoring the amount of risk confronting the WHO FCTC to determine whether the risks are within tolerable levels. CRE confirmed that the FCTC Secretariat has not submitted risks through the risk management tool.

c. In TDR and APHSR there is a need to reflect better root cause analysis of the identified risks aligned with the WHO Risk Management policy and guidelines, and ensure that there is clear descriptive information provided for the development of an appropriate risk response. CRE informed us that TDR updated and improved in early 2019 the quality of many of their risk descriptions. The risk focal point of TDR, with guidance from CRE, also worked to ensure that each risk includes a “cause, risk, impact” formulation at a more realistic risk level. For AHPSR, CRE agreed with our audit recommendation on the improvement of the risk descriptions, based on a root cause analysis, to make the risk response actions more precise and time bound. CRE will follow up with the respective risk focal point.

For both the WCOs of United Republic of Tanzania and Madagascar, there is a need to: update the risk register for biennium 2018–2019 via the RMT web tool; make the necessary correction for identified risks with incomplete description; and strengthen capacity building of staff involved in the risk management practice, in order to contribute effectively to the corporate risk management process of their respective WCO.

CRE noted that the risk register for WCO in the United Republic of Tanzania was updated in late 2018 and the concerned regional office (AFRO) moved quite far in the development of online training in risk management which will be made available to all budget centres by the third quarter of year 2019. While the training is being developed, the regional office is sharing additional materials with country office colleagues and holding briefing sessions with the local compliance and risk management committee members via video conference.

d. Similarly, the Madagascar country office updated its risk register via the RMT tool in late 2018, and improved the quality of the risk descriptions and risk response actions. The aforementioned AFRO training is being developed to improve the capacity of staff involved in the risk management practice to contribute effectively to the office’s risk management activities.

e. For WCO Bangladesh, there is a need to coordinate closely with the Regional Office as regards the risks identified as moderate in risk level, to facilitate decision of whether to tolerate

the risk or to formulate a risk response action; and update on a regular basis the Risk Register to include new risks that may be identified in the delivery of WCO's projects.

CRE noted that a Country Programme and Administrative Management review took place in 2018 in the Bangladesh office with the participation of the regional risk and compliance focal point. The reviews, observations and action plans are recorded on the Monitoring and Evaluation System platform of the Regional Office for South East Asia (SEARO), and the recommendations of the review are being implemented. CRE further noted that the country office's risks were updated in January 2019 and reflect the guidance on risk description and risk response action formulation.

220. The preceding observations bring to fore the need to monitor the risk management activities of the departments, offices and entities. The existing network of Risk Officers in the different offices organization-wide can be tapped for this purpose. Moreover, there should be a validation from CRE that the work being done by the offices is correct and aligned with risk management policy of the Organization, with the end view of addressing the gaps and challenges encountered by the WHO offices, departments and entities in embedding risk management in their operations.

221. The CRE welcomed the audit findings and confirmed that under the leadership of the new Director-General, CRE has committed to further enhance the systematic implementation of the Organization-wide risk management system. CRE further informed that as noted in an external review undertaken in 2017–2018 on the function of risk management, WHO has a strong risk management framework that is in the process of being further strengthened. The foregoing observation pointed out the need to monitor the risk management activities of the offices. There must be a confirmation from a higher level that the work being done by the offices is correct and aligned with risk management policy of the Organization.

222. We recommended that WHO through the CRE consider the enhancement of the monitoring mechanism to determine the extent, quality and status of risk management activities in the three levels of the Organization including hosted entities, and provide capacity building activities to staff to further strengthen the systematic embedding of risk management in the processes of the Organization.

C. DISCLOSURES BY MANAGEMENT

223. **Write-off of cash:** Management reported that in accordance with Section 13.6 of the WHO Financial Regulation XIII, a total of USD 413 678 was approved for write-off in 2018 (USD 453 915 in 2017). This amount is comprised of: (i) USD 2982 pertaining to travel advances from former staff members; (ii) USD 365 837 relating to old cases of supplier advances and credit memos where the balance was deemed impossible to recover; and (iii) USD 44 859 affecting missing pension contributions or other miscellaneous expenses from former staff members which was also deemed impossible to recover. We noted that the appropriate procedures for write-off were observed.

224. **Ex-gratia payment:** There was an ex-gratia payment of USD 1422 made in 2018.

225. **Frauds and presumptive frauds:** In accordance with International Standard on Auditing 240, we plan our audit of the financial statements so that there is reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with Management. Management confirmed that there were no cases

of fraud or presumptive fraud that they are aware of that impact on the financial statements. The Internal Auditor raises all cases of fraud in his report to the World Health Assembly.

D. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

226. We validated the implementation of External Audit Recommendations contained in prior years' audit reports. We noted that of the 21 recommendations, 14 (67%) have been implemented, one (5%) was closed as it was updated and included in this report, six (28%) were still in progress. The status of the six recommendations which are in progress will be validated and reported in the next financial reporting period. The expected dates of implementation are provided by Management. The **Appendix** presents the detailed analysis of the implementation of the recommendations.

E. ACKNOWLEDGEMENT

227. We wish to express our appreciation for the cooperation and assistance extended to our staff during our audit by the Director-General, the Deputy and Assistant Directors-General, Regional Directors, HQ Directors, the Comptroller a.i., Country Representatives and members of their staff.

228. We also wish to express our appreciation to the World Health Assembly for their continued support and interest in our work.

**Commission on Audit
Republic of the Philippines
External Auditor**

8 April 2019
Quezon City, Philippines

Appendix

**STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS
FROM PRIOR YEARS (DOCUMENTS A71/32 AND A70/43)**

Ref.	Recommendations	External Auditor's Validation
Document A71/32 (2017)		
1	<p>Award management requirements responsibilities Strengthen the award management requirements responsibilities to ensure that receivables are collected from donors on a timely basis.</p>	<p>Closed This topic has been extensively covered in the current audit. A new recommendation was raised due to the additional information that we noted during the audit.</p> <p>We will continue to monitor the action of Management on this area.</p>
2	<p>Regular review of expenditure coding Establish regular review of expenditure coding to ensure that the correct expenditure type is selected for fair presentation of the expenditure accounts in the financial statements.</p>	<p>Implemented The expenditure team regularly examines the accuracy of expenditure, and corrections are made as required. In addition, the system has been enhanced to 'hard code' expenditure originating from services procurement through the use of 'service categories' to ensure correctness of expenditure coding at source.</p> <p>In our review however, we still noted miscoding of expenditure type from account 555 – Equipment purchased for third parties, to 514 – Medical supplies and materials amounting to USD 2.3 million, and from 514 – Medical supplies and materials to 513 – Contractual services amounting to USD 2.0 million. These have been addressed during the audit.</p>
3	<p>Development of adjudication report template Develop and implement a standard adjudication report template and enforce use of the template across the Organization to ensure transparency in procurement.</p>	<p>Implemented Standard adjudication report template(s) have been developed and shared across the organization. These templates are now regularly used.</p>
4	<p>Verification of staff payment requests Strengthen the review and verification process for payment requests made by staff, and revisit the respective SOP to consider revision thereof to include the newly developed templates/checklists developed by the GHR which will strengthen the controls in processing rental advance transactions.</p>	<p>Implemented Internal processes and the checklist used by GHR have been revised to strengthen accuracy of calculation of rental advances. In addition, any advance exceeding USD 30 000 or more must be reviewed by the GHR Coordinator/OIC.</p>

Ref.	Recommendations	External Auditor's Validation
5	<p>Improvement of overdue DFC reporting Continue the noted improvement in DFC policies and monitoring of the overall reduction in outstanding DFC reports, by addressing the root causes of overdue DFC reporting to ensure that these are mitigated through more effective strategies and interventions which enhance related accountabilities.</p>	<p>Implemented The policy and processes relating to DFC monitoring have been updated. The related provisions within the manual and SOPs have been revised and shared. The main changes include implementing partner assessment, additional assurance activities, updated Funding Authorization and Certificate of Expenditures (FACE) and justification forms.</p>
6	<p>Improvement of the SOP for inventory and asset management Enhance the design of its SOPs for Inventory and Asset Management to increase their control value by clarifying accountabilities and ownership of the SOPs with the end-view of establishing distinct roles and responsibilities; reviewing and enhancing the roles and responsibilities of process owners; and incorporating asset/inventory management operational risks into the SOP.</p>	<p>Implemented OSS.SOP.XIII.002B on Fixed Assets (Equipment), Life Cycle and Quality Control has been exposed to the External Auditor in March 2019 and finalized in April 2019. The SOP now incorporates these areas and has been revised and shared with the regional focal points.</p>
7	<p>Functions of the Asset Management Group Clarify the functions of the Asset Management Group (AMG) and improve controls through the separation of incompatible functions.</p>	<p>Implemented Under SOP XIII.002B, procedures were included to clearly define the responsibilities of the Head, Accounts and Financial Reporting and AMG. The segregation of duties between AMG and ACT is an important control risk that was addressed by the updating of the SOP.</p>
8	<p>Capacity of the AMG and other offices Assess the current capacity of AMG and that of the other offices on the management of assets and inventory in all offices to ensure that they deliver their respective roles and responsibilities more effectively.</p>	<p>Implemented The role of regions and headquarters has been clarified in the respective SOPs. The HQ AMG group is responsible to coordinate and compile data for IPSAS and other reporting requirement and are also custodian of HQ assets.</p>
9	<p>WFS project on vehicle management Assess the WHO Fleet Services (WFS) project collaboration barriers particularly its dependency with other internal delivery partners, and address any gap to ensure that the project proceeds without unnecessary impediment thereby assuring that vehicle management within the Organization is enhanced.</p>	<p>In progress The WFS project was endorsed at the Director of Administration & Finance (DAF) meeting in April 2018 and country pilots started in Q2 2018. Currently, pilots are conducted in 7 WHO offices (AFRO, Republic of Congo, Democratic Republic of the Congo, Nigeria, Jordan, Iraq and Pakistan) and support provided to the Ebola response. Evaluation is planned for the third quarter of 2019. Road safety and fleet management policy to be integrated in eManual in March/April 2019.</p> <p>The WFS project has now been formally moved under General Management Cluster (GMG) and is receiving full organization support. A Fleet Management position has been created under GMG. Fleet management institutionalization is in progress.</p>

Ref.	Recommendations	External Auditor's Validation
<p>10</p>	<p>Enhancement of WHO end-user IT equipment Enhance WHO's end-user IT equipment management, through the Department of Information Management and Technology, AMG and the Corporate Procurement and Policy Coordination by:</p> <ol style="list-style-type: none"> a. incorporating a requirement for justification and IMT approval for IT equipment procured outside of the standards set for better transparency and accountability; b. providing regular updates to business units on the age of IT equipment to support acquisition planning and decisions on IT replacement and purchases; c. standardizing the global software desktop configurations which shall be done at the manufacturer's site to further speed up the acquisition to delivery cycle time; and d. providing AMG with access to IMT mobile device management tools such as the System Center Configuration Manager (SCCM) and AirWatch to speed up the equipment verification. 	<p>In progress The new Department of Information Management and Technology (IMT) Director has joined the organization in December 2018. A new policy is under development and is expected to be implemented in 2019.</p>
<p>11</p>	<p>Misclassification of reported Fixed Assets Investigate further the reasons for the exclusion from the 2017 reported fixed assets of some fixed asset items, as well as the inclusion of retired/disposed/donated items in the list of serviceable fully depreciated assets; and applies appropriate remediation strategies on the root causes identified.</p>	<p>Implemented The control and verification processes has been strengthened and incorporated in the SOPs. A physical verification exercise is conducted annually, and the records are checked against GSM records to avoid any misclassification or other reporting issues.</p>
<p>12</p>	<p>Preparation of a sound Statement of Internal Control (SIC) policy and guidance Prepare a sound policy and guidance on the preparation of the SIC that: defines its scope, framework and process to assess internal control effectiveness; provide the basis for conclusion and those charged to prepare the Statement; and ensure that it is communicated to those concerned and is appropriately monitored.</p>	<p>Implemented A new SOP has been prepared and shared to provide necessary guidance to prepare SIC.</p>

Ref.	Recommendations	External Auditor's Validation
13	<p>Enhancement of WHO travel policies Enhance WHO's travel policies and procedures by:</p> <ul style="list-style-type: none"> a. aligning the provisions of the SOPs and Information Notes with the eManual to improve clarity of authority on staff travels; b. providing electronic link of the SOPs with all relevant travel policies to communicate guidance more efficiently; c. incorporating environmental considerations in its travel policy aligned with the United Nation's Climate Neutral Strategy of 2007 to demonstrate its commitment and contribution to the reduction of UN climate footprint; and d. incorporating a provision in its travel policy of what constitute emergency travel to ensure application uniformity across the Organization, enhance transparency and clearly define the related accountabilities. 	<ul style="list-style-type: none"> a. Implemented: All SOPs have been updated and posted under "related content" on the relevant pages of the eManual. b. Implemented: See (a) above, and in addition, the SOPs have been shared with travel focal points in HQ and Regions. c. Implemented: The initial recommendation was changed. A new guideline will be provided for all approvers clearly outlining their responsibilities in lieu of the recommendation provided. A grid/guideline outlining the responsibilities of approvers was included in the updated SOPs. d. Implemented: A definition of 'emergency travel' has been included in the eManual (VII.1.4.100).
14	<p>Travel module upgrade Upgrade WHO's travel module infrastructure through better information technology support, from the point of travel planning and the monitoring of preconditions for official travels, through clear responsibilities for approvals to achieve optimal travel planning process and more effective travel plans.</p>	<p>Implemented The system has been enhanced to ensure better compliance with policies and enforce preconditions for official travel. Furthermore, the LSS team sent a reminder, to clusters to submit their travel plans according to policy.</p>
15	<p>Identification of BC with operational risks Endeavor to prioritize the review and identification of Budget Centres with operational risks and take mitigation measures to ensure the adequacy of the supervisory and monitoring activities, thereby establishing that the specific control activities embedded therein function as expected and support the overall operating objectives of the offices.</p>	<p>In progress The risk identification and mitigation framework has been adjusted to allow for adequate supervisory and monitoring activities and same has been communicated to all risk management tool users in 2018.</p> <p>In addition, within the Internal Control Framework self-assessment users are encouraged to draft action plans for management areas that had been rated to need strengthening or weak. Our review however, still uncovered Budget Centres with control deficiencies.</p> <p>We still noted the same challenges in the offices we visited in 2018</p>

Ref.	Recommendations	External Auditor's Validation
Document A70/43 (2016)		
1	<p>Evaluation of existing inventories Further address inventory issues across the organization through the evaluation of existing inventory control mechanisms on valuation and reporting, followed by the development of a Global Policy for Supply Chain and Inventory Management which would provide the basis for the development of the SOP on the management of expired inventories.</p>	<p>In progress As a part of WHO Transformation initiative, supply chain and procurement end-to-end process are being re-designed. Implementation of these deliverables is anticipated as a part of GPW 13 implementation.</p> <p>In addition, under new organization structure, a new Supply Chain department has been established under Business Operations Division.</p>
2	<p>IMT strategic plan Develop a concrete and formal Information Technology (IT) Strategic Plan (i) with definite time frame as the product of an institutionalized strategic planning process to provide shared direction for all initiatives to be developed and for those currently underway; (ii) that contains the minimum requirements such as IT Strategic Directions and Guiding Principles, Goals and Objectives, Key performance metrics, IT Investments, and Delivery milestones; and (iii) that ensures that the delivery and prioritization of core business solutions through the employment of dedicated resources and management of constraints are based on formally-established strategies.</p>	<p>In progress New IMT Director has joined the organization in Dec 2018. A new plan in under development and will be available in 2019.</p>
3	<p>Creation of an IT Board Establish an (i) IT Board with clear roles and responsibilities to provide oversight function over IT projects from a cross-functional perspective to ensure that the IT strategy is aligned with the strategic goals of the organization and (ii) IT Performance Management framework with IT performance metrics for the proper measurement of the quality of IT services to provide effective information for decision-making; and re-define the GSM Transformation Project governance structure to provide clearer roles and functions as basis for the composition of the members of the Steering Committee and Project Board.</p>	<p>Implemented The revised Governance Charter was adopted by the IT Board in Sep 2018. It clearly states roles and responsibilities and composition of sub-committees where required.</p> <p>The IT Board meets regularly to review the work planned and align IT strategy with goals of the organization.</p>

Ref.	Recommendations	External Auditor's Validation
4	<p>IMT Risk Identification Activities Enhance its risk identification activities by infusing better root cause analysis of the identified risks to avoid assumptions and logic traps and ensure that remediation strategies result in the application of more effective risk controls within the appropriate context.</p>	<p>Implemented WHO has established the Project Management Centre of Excellence (PMCoE) with the main objective to help select, prioritize, sequence and implement projects, control risks, optimize resources and to establish a consistent, fit for purpose project management methodology framework imbedded in WHO's business processes.</p> <p>PMCoE worked on enhancing the Risk Management process in collaboration with the Compliance, Risk Management and Ethics Office. Risk Management has been integrated into the WHO PM Framework as one of the core 5 activities. A mandatory task is required in the planning phase to Conduct Risk Assessment by identifying risks and planning risk responses. A Risk Management standard template is used to identify, log, track, monitor and mitigate project Risks.</p>
5	<p>Responsibilities of IMT PMO Ensure that the Project Management Office (PMO) bear responsibility for all major projects or initiatives of the IMT to include the Global Management System Transformation (GSMT) Project, to guarantee a more streamlined and authoritative delivery of the mandated function, and make the prescribed accountabilities and responsibilities more stable, which may eventually result to more effective governance and project quality assurance process.</p>	<p>Implemented The PMO is managing all Global IT fund, the submission, and monitors all projects. A dashboard has been set in place and is being reviewed weekly. Also, the PMO meets all Project Managers (from all areas) every 2 weeks to discuss the status of projects, dependencies amongst projects, and any issues and escalations.</p>
6	<p>Control framework on IT management Formalize the control frameworks on the critical processes of IT management, giving priority to (i) outsourcing arrangements, (ii) criteria for classification of critical IT assets, and (iii) IT Performance Management Framework, and ensure that these control frameworks are documented and shared across the Organization for effective management and monitoring. Also align the control frameworks with the risk identification activities that need to be enhanced focusing on the defined key result areas.</p>	<p>In progress New IMT Director has joined the organization in Dec 2018. A new plan in under development and will be available in 2019.</p>

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