# Report of the External Auditor

## Report by the Director-General

The Director-General has the honour to transmit to the Seventy-third 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 2019 (see Annex).

ANNEX

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



# Report of the External Auditor
# to the Seventy-third World Health Assembly
# on the Financial Operations of the
# World Health Organization

# For the Financial Year Ended
# 31 December 2019

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## LIST OF ABBREVIATIONS

| | |
|---|---|
| ADGs | Assistant Director-Generals |
| AFRO | Regional Office for Africa |
| AMG | Asset Management Group |
| AMRO | Regional Office for The Americas |
| AP | Accounts Payable |
| APW | Agreements for Performance of Work |
| AR | Adjudication Report |
| AWB | Air Way Bill |
| AWD | Income, Awards and Donor Reporting |
| BC | Budget Centres |
| BCP | Business Continuity Plan |
| BFO | Budget Finance Officers |
| BL | Bill of Lading |
| BOS | Business Operations Division |
| CEM | Contributor Engagement Management System |
| CFE | Contingency Fund for Emergencies |
| CIG | Continuous Improvement Group |
| CN | Category Networks |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CRE | Compliance, Risk and Ethics Office |
| CRM | Coordinated Resource Mobilization |
| CSO | Centre Support Office |
| DAF | Director of Administration and Finance |
| DFC | Direct Financial Cooperation |
| DG | Director General |
| DI | Direct Implementation |
| DOA | Delegation of Authority |
| DOI | Declaration of Interest |
| DRC | Democratic Republic of the Congo |
| EB | Executive Board |
| EMRO | Regional Offices for Eastern Mediterranean |
| ePMDS | Electronic Performance Management and Development System |
| ERF | Emergency Response Framework |
| ERM | Enterprise Risk Management |
| ERS | Evaluated Receipt Settlement |
| eTR | Travel Report |
| EURO | Regional Office for Europe |
| ExDs | Executive Directors |
| F&F | Freight Forwarder |
| FACE | Funding Authorization and Certification of Expenditure |
| FAR | Fixed Asset Register |
| FCTC | Framework Convention of Tobacco Control |
| FMC | Financial Management Council |
| FNM | Finance Department |
| GFI | Global Finance |
| GHR | Global Human Resource |
| GIMS | Global Inventory Management Inventory System |
| GL | Green Light |
| GOE | General Operating Expenses |

| | |
|---|---|
| GPAY | Global Payroll |
| GPEI | Global Polio Eradication Initiative |
| GPG | Global Policy Group |
| GPL | Global Procurement and Logistics |
| GPM | Global Payroll Manager |
| GPTP | Global Procurement Training Program |
| GPW | General Programme of Work |
| GSC | Global Service Centre |
| GSM | Global Management System |
| GSMC | Global Staff and Management Council |
| HIV | Human Immunodeficiency Virus |
| HM | Hiring Manager |
| HQ | Headquarters |
| HR | Human Resource |
| HRD | Human Resource Department |
| HRT | Human Resources and Talent Management |
| IAASB | International Auditing and Assurance Standards Board |
| IARC | International Agency for Research on Cancer |
| ICC | United Nations International Computing Centre |
| ICF | Internal Control Framework |
| ICSC | International Civil Service Commission |
| IEOAC | Independent Expert Oversight Advisory Committee |
| IMT | Department of Information Management and Technology |
| IOS | Office of Internal Oversight Services |
| IPO | Imprest Purchase Order |
| IPSAS | International Public Sector Accounting Standards |
| ISA | International Standards on Auditing |
| IT | Information Technology |
| JIU | Joint Inspection Unit |
| LEG | Office of The Legal Counsel |
| LOA | Letters of Agreements |
| LoR | Letter of Representation |
| LTA | Long-Term Agreement |
| MAB | Mobility Advisory Board |
| ML | Management Letter |
| MO | Major Offices |
| MoFA | Ministry of Foreign Affairs |
| MOH | Ministry of Health |
| MTR | Mid-Term Review |
| OMB | Ombudsman and Mediation Services |
| OSL | Operations Support and Logistics |
| PAHO | Pan American Health Organization |
| PAN | Programme Area Networks |
| PB | Programme Budget |
| PBAC | Programme, Budget, and Administration Committee |
| PBPA | Programme Budget Performance Assessment |
| PFI | Packing, Freight and Insurance |
| PO | Purchase Order |
| POL | Polio Eradication Department |
| PRP | Planning, Resource Coordination and Performance Monitoring Department |
| PTAEO | Project, Task, Activity, Expense, Organization |

| | |
|---|---|
| QA | Quality Assurance |
| RD | Regional Director |
| RM | Resource Mobilization |
| RMS | Resource Mobilization Strategy |
| RMT | Risk Management Tool |
| RO | Regional Office |
| SCCM | System Center Configuration Manager |
| SCM | Supply Chain Management |
| SDG | Sustainable Development Goal |
| SEARO | Regional Office for South-East Asia |
| SHI | Staff Health Insurance |
| SHW | Staff Health and Wellbeing |
| SIC | Statement of Internal Control |
| SLA | Service Level Agreement |
| SMART | Specific, Measurable, Attainable, Realistic, Time-Bound |
| SMG | Senior Management Group |
| SMT | Separation Master Tracker |
| SOP | Standard Operating Procedure |
| SP | Selection Panel |
| SR | Service Request |
| TB | Tuberculosis |
| TC | Teleconferences |
| TF | Task Force |
| TOR | Terms of Reference |
| TQS | Travel Quality Specialists |
| TR | Travel Requests |
| UGG | Umbrella Grant Grouping |
| UHC | Universal Health Coverage |
| UN | United Nations |
| UNAIDS | Joint United Nations Programme On HIV/AIDS |
| UNEG | United Nations Evaluation Group |
| UNITAID | International Drug Purchase Facility |
| VC | Videoconferences |
| VfM | Value for Money |
| VMCC | Voluntary Medical Male Circumcisions |
| WCO | WHO Country Office |
| WFS | WHO Fleet Services |
| WHA | World Health Assembly |
| WHE | WHO Health Emergencies Programme |
| WHO | World Health Organization |
| WR | WHO Representative |

## 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-third World Health Assembly (WHA).

2.    This is the eighth and final report to the World Health Assembly by the Chairperson of the Commission on Audit of the Republic of the Philippines, under his mandate as the External Auditor of the WHO from 2012 to 2019.

3.    The general 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 (IAASB).

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 2019, and its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. Based on our conclusion, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2019.

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.

7.    In addition to the audit of financial statements, we also conducted audits of the Regional Offices for Africa, Eastern Mediterranean, and South-East Asia, and the WHO Country Offices (WCOs) in Nigeria and Uganda. Moreover, to add value to WHO's financial management and governance, we reviewed the human resource management, fraud risk management, and programme monitoring and reporting. The results of these audits were communicated to WHO Management through management letters and are incorporated in this Report.

### Key audit findings

8.    Since this is our final report to the WHA, we highlighted the management tools, systems and policies adopted by the Secretariat during the term of our mandate as External Auditor as actions taken in implementing our recommendations, which enhanced accountability, responsibility, and transparency. These include among others: (a) IPSAS as financial reporting framework; (b) Accountability Framework; (c) Internal Control Framework; (d) Statement on internal control;

(e) Corporate Risk Management Policy; (f) Evaluation Policy; (g) Corporate Resource Mobilization Strategy; (h) Procurement Strategy; (i) Human Resource Management Strategy; (j) Information Technology Strategic Plan; (k) Global Inventory Management System; (l) Fleet Management System; and (m) Innovations at the Global Service Centre.

9.    For financial year 2019, the more significant observations resulting from our audit are briefly summarized as follows:

*Financial transaction processing and recording*

10.    Expenditure codes need to be captured correctly at the procurement registration stage by those responsible for managing the relevant funds/budget to correctly classify the expenditure in the financial statements. The completion of the relevant sections of the procurement iLearn curriculum by those staff members handling procurement processing transaction functions will be a significant step towards achieving this objective.

11.    There is a need to enhance reporting controls, in so far as the accounting treatment on prior period errors is concerned, in order to achieve compliance with the provisions of IPSAS 3 to ensure the correctness of the balance of revenue account and have a fair presentation of the account in the reporting period.

12.    There is a need to enforce compliance with the requirements of the standard operating procedures (SOPs) requiring exceptional approval from the Comptroller whenever a budget centre provides financial support to another budget centre's activity, until those requirements are amended. Similarly, there is a need to consider the value of a quality assurance check upfront to Direct Financial Cooperation (DFCs) and Direct Implementation (DIs) so that DFC and DI Purchase Orders (POs) requirements are fully adhered to.

13.    There is a need to address the recurring condition on the incorrect procedures in processing DFC refunds. The Division of Administration and Finance (DAF) in the regional offices should ensure that country offices follow the policy requirement on refund processing provided under FIN.SOP.XVI.001.

*Global Service Centre (GSC)*

14.    The delays and other issues related to green light requirements are critical to GSC as they impede it from achieving efficiency gains, and need special attention to address the challenges.

15.    The volume of transactions and the complexities of the processes within the domains of Global Procurement and Logistics (GPL) and Global Finance (GFI) necessitate a performance tracking system to manage workload through dynamic work allocation which will further provide realistic productivity and real time reporting with customized dashboard for improved monitoring.

16.    There is a need for a feasibility study/analysis with a view to developing an automatic work flow system for separation payment process that will be able to perform functionalities which will not only increase the efficiency in the process chain at GSC but add value to the process owners (local HR assistants in countries and regions) and management (DAFs, regional personnel officers, GSC coordinators and managers) in terms of access to relevant information.

*Human resource management*

17.    WHO's human resource policies, frameworks and procedures should define the goals and objectives of human resource management within the context of the WHO transformation agenda. Hence, we noted the need to revise the HR strategy and the framework for learning and development. There is also a need to institutionalize a governance mechanism in the implementation of the WHO Global Mobility Policy. Further, we noted the need to review the harmonized selection process in terms of screening questions, removing redundant activities and providing feedback on final selection decisions. We also noted overlap in the roles and responsibilities of different offices in the administration of justice. And finally, the staff satisfaction survey is not being conducted every other year as practiced in the United Nations system.

*Programme monitoring and reporting*

18.    The Organization had not recognized the risks to programme implementation, monitoring and reporting on the Programme budget (PB) 2018–2019 caused by transformation, to the extent that appropriate change management strategies had not been considered in a comprehensive and inclusive manner.

19.    The Mid-Term Review (MTR) did not present the statuses of the outputs that were financed out of the PB, the Organization's accountability for the PB implementation, and how it contributes to/influences the desired outcomes.

20.    The templates used for MTR reporting required the contributions or key areas of progress of the programme areas in line with the Thirteenth General Programme of Work (GPW 13) but the MTR prepared is on the implementation/performance for PB 2018–2019 under GPW 12. The performance assessment conducted had altered the focus of the assessment of progress from the desired results of GPW 12 to concentrate on the three billion targets of the GPW 13, which are still to be addressed starting in 2020 under a new PB. Hence, the readers of the MTR and the Organization's stakeholders did not stand to be completely apprised of the overall assessment of the outputs delivery at mid-term under the PB 2018–2019 and GPW 12.

21.    Workplan monitoring in WHO, as a programme implementation activity, needs to be made more robust, and workplan information necessitates constant review and monitoring by programme officers. The delivery of products/services or the top tasks contributing to outputs need to be assessed.

22.    The current monitoring arrangements among programmes may not ably support subsequent decisions and learnings from the monitoring results; and will not strengthen organizational culture in terms of results documentation and dissemination of lessons learned.

*Fraud Risk Management*

23.    WHO must improve in establishing the best-fit fraud risk governance arrangements including the individual accountabilities. WHO needs also to anchor its fraud risk management activities, including its current related policies, on a well-established fraud risk governance policy to concretely demonstrate its commitment to zero-tolerance policy against fraud.

24.    There is a need to commit to and perform fraud risk assessments, and the need to make fraud risk assessment process more visible and communicated throughout the Organization. The increasing incidents of fraud and substantiated fraud cases reported by the Internal Auditor is a compelling factor

for WHO to enhance its fraud risk assessment process and consider new tools or approaches in the assessment of fraud risk.

25. Fraud awareness training is not made part of WHO's mandatory training for all staff. Exit interviews are not conducted systematically and there is inadequate monitoring on the compliance of signing the annual declaration of interest.

26. The current fraud reporting mechanisms to support the fraud response need enhancement. A central repository for allegation and complaints is vital to support the deployment of a coordinated approach to investigation and corrective action to address fraud appropriately and in a timely manner.

27. There is a need for WHO to perform the important activity of policy *implementation* monitoring to assist the Organization in continuously improving its fraud control activities and in identifying deficiencies, input for corrective action and proper oversight to ensure that timely actions for improvements are carried out.

*Control environment in regional and country offices*

28. Control gaps were noted in the critical processes in the WHO Regional Office for the Eastern Mediterranean (EMRO), Regional Office for Africa (AFRO), Regional Office for South-East Asia (SEARO) and the WCOs in Nigeria and Uganda, which all needed intensified supervision, comprehensive results monitoring and robust enforcement of regulations and policies.

## Summary of recommendations

29. We provided recommendations which were discussed in detail in this report, and summarize as follows:

**a.** **Encourage those staff members handling procurement processing functions, as well as project approvers at HQ, regional and country offices, to complete the relevant sections of the procurement iLearn curriculum, and to periodically revisit the curricula to refresh themselves and fully appreciate the processes to minimize, if not eliminate, the possible processing errors resulting in the misclassification of the accounts in the financial statement.**

**b.** **Account and report the effects of the prior period errors in accordance with IPSAS 3 to ensure the correctness of the balance of revenue and ensure the fair presentation of the account in the reporting period to which they relate.**

**c.** **Apply in the newly developed feature in GSM a quality assurance (QA) check up-front to DFCs and DIs; and adopt the same practice in all regions so that DFC and DI PO requirements are fully adhered to.**

**d.** **Give importance and strictly follow at the country office level as well as at GSC level (the unit assigned to process and issue the DFC POs and DI IPOs) the relevant provisions requiring the exceptional approval from the Comptroller.**

**e.** **Ensure that the country offices follow the policy requirement on refund processing provided under FIN.SOP.XVI.001.**

f.      Establish clear-cut guidelines as to the number of days the supplier is responsible to hold the shipment in their possession pending green light clearance, and address the challenges observed in the shipment of goods and green light requirements to fast track delivery of goods.

g.      Establish a robust performance tracking system within Global Procurement and Logistics and Global Finance for a comprehensive picture of the performance of key services that would provide insights for management to make more informed decisions and identification of key areas for improvement and further improve the quality and timely delivery of the services to WHO and partner organizations.

h.      Conduct a feasibility study or analysis with a view to developing an automated workflow system for the separation payment process that will provide relevant users, both within and outside GSC the necessary functionalities.

i.      Update the Human Resource Strategy aligning it to the WHO transformation agenda.

j.      Revise the Framework for Learning and Development in the light of transformation as it relates to human resource strategy so as to optimize staff capacity and talent.

k.      Facilitate mobility policy implementation by prioritizing the establishment of the MAB and CIG and drafting the policy's corresponding terms of reference (ToR).

l.      Review the harmonized selection process to allow further customization of screening questions to improve the utility of the preliminary screening procedure.

m.      Consider the review and, moving forward, the possible revision of the evaluation parameters comprised in both the preliminary screening and in-depth evaluation steps of the process, with the goal to reduce redundancy.

n.      Provide feedback on the final selection decision results to Staff representatives and other Selection Panel members, and that it be consistently applied and provided for all completed recruitments in which they are involved.

o.      Establish a registry/coordinator to receive, maintain, refer and coordinate staff concerns to the respective office in the internal justice system.

p.      Devise a mechanism to monitor the conduct of all staff surveys and the corresponding after-survey activities and initiatives. Moving forward, conduct staff satisfaction survey every other year, bench marking on the United Nations system practice especially with regards to the policies introduced and revised through the Organization's transformation agenda.

q.      Clarify and streamline programme accountabilities and coordination in relation to WHO transformation as the Organization transitions into the new General Programme of Work and Programme budget, to ensure that programme outputs are delivered as planned and support programme results reporting.

r.      **Include outputs reporting in its MTR as these are the results for which WHO has full accountability in the implementation of the PB, for better transparency and measurement of results accountability.**

s.      **Enhance the PB implementation performance reporting by providing more focus on progress of outputs delivery and ensuring that related activities are closely monitored to exact better accountabilities and improve PB implementation reporting process.**

t.      **Harmonize programme-level monitoring mechanisms to establish specific responsibilities and mechanisms to track and monitor programme deliveries for more streamlined information management in support of organizational learning and future decisions.**

u.      **Re-define WHO's overall fraud risk governance structure and provide specific roles and responsibilities to its key players to better clarify fraud risk management accountabilities and set the tone for future fraud-related policies.**

v.      **Conduct a concrete and formally-documented fraud risk assessment exercise, through the CRE, at periodic intervals and at appropriate levels to obtain better traction in forwarding the Organization's commitment to manage its fraud vulnerabilities.**

w.      **Include in the fraud risk management policy, the mandatory training requirement for all staff on fraud awareness and prevention, and for the HRD to include the same in its mandatory training programme; and monitor staff compliance with the declaration of interest and to systematically conduct exit interviews noting any fraud-related issues that may arise.**

x.      **Streamline WHO's fraud reporting mechanisms and coordination in support of the creation of a central repository for all reported fraud allegations and complaints to ensure that the IOS case data include those reported through the integrity hotline and other mechanisms, all to enhance the fraud deterrence value of the Organization's fraud response.**

y.      **Undertake comprehensive monitoring of the application of WHO's Fraud Prevention Policy and Fraud Awareness Guidelines and related policies, to establish prerequisites for enhancing the Organization's fraud risk management mechanisms and further improve its risk awareness culture.**

## Implementation of the External Auditor's recommendations in prior years

30.    We validated the implementation of external audit recommendations contained in prior years' audit reports. We noted that of the 27 outstanding recommendations, 19 (70%) have been implemented, and eight (30%) were still in progress of implementation. The details are provided in the **Appendix**.

## A.    MANDATE, SCOPE AND METHODOLOGY

### Mandate

31.    The Sixty-fourth World Health Assembly through resolution WHA 64.23 appointed the Chairperson of the Commission on Audit of the Republic of the Philippines as External Auditor of WHO for the four-year period from 2012–2015. A new mandate was granted by the Sixty-eighth World Health

Assembly through resolution WHA68.14 (2015) for another 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 regards to Regulation 14.3 and the Additional Terms of Reference.

## Scope and objectives

32.     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 2019 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.

33.     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. This year we focus on the review of human resource management, programme monitoring and reporting, fraud risk management and control environment in regional and country offices.

34.     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); the International Drug Purchase Facility (UNITAID); and the Staff Health Insurance (SHI) Fund. A separate report was issued to the governing body of these entities.

35.     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

36.     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.

37.    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.

38.    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.

39.    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.

40.    During the financial year 2019, aside from the audit of the financial statements at headquarters (HQ), we also audited the office of the GSC; the Regional Offices for Africa, Eastern Mediterranean, and South-East Asia; and the WCOs in Nigeria and Uganda.

41.    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 24 March 2020. The National Audit Office of the United Kingdom informed us that their audit of 2019, 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 2019 financial statements is fully concluded and has been certified. An unmodified audit opinion was also given on the 2018 annual accounts.

42.    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.

43.    We continued to report the audit results to WHO management through audit observation memoranda and management letters containing detailed observations and recommendations. We issued 15 audit management letters to the WHO heads of offices and entities during the financial year 2019. The practice provides a continuing dialogue with management.

## B.    RESULTS OF AUDIT

44.    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 MANAGEMENT TOOLS, SYSTEMS AND POLICIES IMPLEMENTED BY WHO DURING OUR MANDATE AS EXTERNAL AUDITOR

45.    We recognize and commend WHO for introducing important management tools and systems consistent with our audit recommendations to enhance accountability, transparency, and improve

operating efficiency and effectiveness in the Organization. These are the results of our reviews in compliance 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. All were adopted during the term of our mandate as External Auditor from 2012 to 2019.

## 1.1   IPSAS as financial reporting framework

46.    WHO has successfully implemented IPSAS for financial accounting and reporting starting 2012. Before its implementation, we reviewed the WHO IPSAS accounting policies to ensure that they are aligned with the IPSAS promulgated by the IPSAS Board. WHO received unqualified opinion for the eight-year period that we audited the financial statements. IPSAS improves comparability, harmonization, transparency and accountability in financial reporting of United Nations (UN) system organizations. The major benefits to WHO include: (a) use of best practices to bring comparability and transparency; (b) improved senior management decision-making; (c) increased transparency; and, (d) annual audits and reporting; and enhanced financial and resource stewardship.

## 1.2   Accountability Framework

47.    The WHO Accountability Framework was updated in March 2015. We recommended that WHO update its 2006 framework to make it aligned with current governance, structure, and operating reality. The Framework acts as an enabler by providing the overall architecture for accountability in the Organization and defining what it entails. It is guided by seven core principles of accountability, which form its foundation and provide the basis for implementing accountability policies, processes, and tools.

## 1.3   Internal Control Framework

48.    The WHO Internal Control Framework was adopted in November 2013. We recommended that WHO adopt an internal control framework that is aligned with the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The policy framework is to strengthen WHO's internal control system in response to risks to the Organization's mandate and objectives and to delineate precisely what the internal control system consists of within the WHO context. It is designed to guide the development of policies, procedures and systems that could be applied to all levels of the Organization. It will support managers in assessing and enhancing the performance of their organization/area of responsibility. WHO affirmed in the policy that an effective internal control system helps an organization to: (a) promote orderly, economical, efficient and effective operations and use of the Organization's resources; (b) deliver programmes and services consistent with the Organization's mission; (c) safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud; (d) promote adherence to statutes, regulations, policies and procedures, and ethical values; and (e) identify risks and develop effective strategies and procedures to control or manage them.

## 1.4   Statement on internal control (SIC)

49.    WHO started supporting its financial statements with a statement on internal control in 2016. The SIC, as an accountability and guidance document that communicates the state of internal control in WHO, affords the Director-General an opportunity to make assertions on the soundness of internal control within the Organization, and enables the decision makers and oversight bodies to make meaningful assessments of the assurances contained therein. The SIC also presented the most critical risks the Organization is currently facing for the information of its stakeholders. This provides an

Organization-wide view of the state of accountability practices and performance, and an assessment of the Office's capacity to handle risks.

## 1.5 Corporate Risk Management Policy

50. WHO adopted the risk management policy in November 2015. The policy seeks to establish a robust risk management system that supports decision-making when setting objectives, prioritizing strategic alternatives, selecting and managing the appropriate course of action, and evaluating results. The policy also serves to improve the quality of management and to calibrate WHO internal controls in the context of continuous improvement of operational processes, instructions, guidance, tools, and management information systems. Moreover, the policy is rooted in a systematic and consistent approach to risk management across WHO, fostering a culture that encourages open dialogue about risk, based on a common language that articulates how staff are expected to approach risk, and strike an adequate balance between treating, tolerating and exploiting risk. It outlines a structured and transparent process that will ensure coherent and complete risk reporting to inform decision-making. We have reviewed the implementation of risk management in the Organization continuously since 2013.

## 1.6 Evaluation Policy

51. WHO adopted a new Evaluation Policy in 2018. We reviewed the institutional arrangement for evaluation in WHO in 2013 and recommended the alignment of the 2012 WHO Evaluation Policy to the United Nations Evaluation Group (UNEG) norms and standards as the evaluation function then was under the mandate of the Internal Auditor. The adopted policy defined the overall framework for evaluation at WHO, to foster the culture and use of evaluation across the Organization, and to facilitate conformity of evaluation at WHO with best practices and with the norms and standards for evaluation of the UNEG. The WHO policy considers that evaluation is an essential function, carried out at all levels of the Organization. It ensures accountability and oversight for performance and results and reinforces organizational learning in order to inform policy for decision-makers and support individual learning.

## 1.7 Corporate Resource Mobilization Strategy

52. WHO finalized its Corporate Resource Mobilization Strategy (RMS) in 2019 in line with transformation. The RMS 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. There are 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. The WHO resource management strategy change management plan is undergoing development.

## 1.8 Procurement Strategy

53. WHO adopted a Procurement Strategy in 2015. We audited the procurement systems and processes in the three levels of the Organization extensively and recommended measures to improve the gaps noted and mitigate the identified risks. With the strategy document, WHO has crafted its vision

and mission for procurement function. WHO developed its procurement strategy centred on three pillars that will address three identified risks facing the WHO procurement function. These three pillars are: (a) Strategic pillar 1: enhancing risk mitigation and compliance – to reduce the financial and reputational risks associated with procuring services by limiting the opportunity for fraud or misconduct and preventing deficiencies in quality through a risk-mitigation model; (b)Strategic pillar 2: increasing cost–effectiveness – to further reduce costs and manage supply risk in the procurement of goods and in logistics through product category management; and (c) Strategic pillar 3: enhancing operational excellence – to enhance operational capability by developing and improving systems and developing staff.

## 1.9    Human Resource Management Strategy

54.    WHO revised its human resource (HR) strategy in 2013 to set a clear direction and align it both with current programmatic needs and fiscal reality. The strategy highlighted the shared responsibility and accountability of its implementation among management at all levels, staff and the HR professionals in WHO. The main objectives are to ensure that the revised HR strategy supports WHO's strategic direction and priorities and responds to HR needs at all three levels of the Organization, taking into account WHO's financing model. To achieve these objectives, WHO needs a workforce that is more flexible, more mobile, highly performing, and fully trained and ready to take on new professional challenges. We reviewed human resource management in WHO in 2012 and 2019. The strategy will be updated to align with transformation.

## 1.10   Information Technology Strategic Plan

55.    WHO developed an information technology (IT) strategic plan during 2019. The strategic plan aligns the vision, mission and strategic outcomes with the Organization's GPW 13. The strategic plan was endorsed in September 2019 by the IT Steering Committee. EB/PBAC was provided an update in January 2020.[1] On the basis of our recommendations WHO has developed a concrete and formal 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.

## 1.11   Global Management Inventory System

56.    WHO rolled out the Global Inventory Management Inventory System (GIMS) in 2016–2017. We recommended the automation of the management of inventories in view of the global operations of WHO. The system includes: (a) global managements system (GSM) based tool to record inventory transactions; (b) readily available global stock situation report; (c) harmonized master items across the Organization; and (d) calculation of global weighted average cost to align with WHO IPSAS reporting policy. With GIMS installation and implementation, WHO is assured that inventory transactions are recorded as they occur to ensure that stock levels are always up-to-date. It provides transparency of transactions to technical units and asset management group (AMG) as well as real-time visibility of stock levels across the Organization. Warehouses can check stock levels in other warehouses, which facilitates the exchange of items between warehouses and thus more efficient use of existing stocks.

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[1] Document EB146/40.

## 1.12  Fleet Management System

57.     WHO considered 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 which we recommended in 2017 and 2018. Accordingly, in 2019, a new unit (Fleet Management) under Business Operations division was established to strengthen fleet management operations across the Organization. A standard WHO fleet management system (Tracpoint) and related tools (tracking devices, SOPs, training materials) have been developed by WHO Fleet Services and are included as a requirement for all WHO vehicles (including rentals) in the WHO policy on road safety and vehicle management.

## 1.13  Improvement in policies, systems, and processes through the audit of the Global Service Centre (GSC)

58.     We perform an annual audit of the Global Service Centre in Cyberjaya, Malaysia. The Centre is a key user of the GSM, the enterprise resource planning system of WHO. Throughout the process, we provided significant improvement opportunities which were implemented by respective business owners during the term of our mandate, thereby improving, among others, significant transactional policies, systems, and processes, such as:

- **On policy.** Throughout our mandate, we have reviewed key areas of operations and the governing policies surrounding a wide array of GSC services. There were a range of opportunities for improvement which we recommended that were implemented by the Secretariat, such as: (i) policy on long-term agreement (LTA) that incorporates the relevant provisions of the eManual as well as best practices to establish, monitor, manage and evaluate LTAs; (ii) clear-cut policy on receipting of goods in GSM to ensure compliance with accrual accounting; (iii) standard policies and procedures on the selection of samples for post-facto travel claim quality checks, incorporating the design of the sampling methodology to be adopted that includes setting of tolerable error rate and evaluation of the sampling results; (iv) formulation of a supplier data maintenance policy with an objective to avoid unauthorized or inappropriate activity in the database, duplicate payments and system inefficiencies; (v) expedite the crafting and formulation of the global implementation plan of the Procurement Strategy; (vi) policy on the regular and periodic dependency verification exercise; (vii) updating of HR SOPs and incorporate checklists to ensure efficient and effective processes and delivery of clear-cut guidelines for process owners; and (viii) systematic approach for the quality review and updating of the SOPs when policies and procedures are changed.

- **On system.** Enhancement on the validation of workplan funding request against approved award distribution to ensure that funding does not exceed award distribution. Further, we recommended the enhancement to payroll system to address the inefficiencies and mitigate the risk of non-completion of payroll on time, by improving the way retroactive payroll processing is carried out. We also prioritized the development of an automated workflow system that will provide the relevant users, both within and outside GSC, the following functionalities: (a) secured access to real-time information on the status of the processes; and (b) facility within the system to record feedback on the cases processed. Enhancement of the receipting and evaluated receipt settlement (ERS) invoice validation and approval processes in GSM by installing a system lock that will prevent multiple receipts for the same deliverable under a purchase order was also prioritized. Further, we recommended systematic validation to ensure consistency of currencies of POs and supplier bank accounts earlier in the PO approval process, thus avoiding or significantly reducing the manual intervention. Moreover, we highlighted the

importance of a detailed rejection analysis which generate reports to measure performance and capability to analyse exceptions.

- **On process.** We recommended and WHO implemented the following improvements to achieve efficient and effective delivery of GSC services: (i) ensure that all financial transactions are supported by required documentation as prescribed in the relevant eManual and SOPs; (ii) formulate guidelines to have a pre-defined standard in exceptional award creation particularly on the award graded as emergencies; (iii) enforce the recovery of educational grant advances for which final claims have not yet been received after the prescribed period; (iv) initiate action to ensure that the use of emergency procurement modalities be confined only to those transactions that are strictly within the context of emergency as per WHO regulations and rules; (v) implement compliance and reporting function across all GSC services which should be independent from the teams processing the transactions; (vi) share rejection analysis report emphasizing the major causes of rejection with GSC processes and limit the users with GSM procurement requestor responsibility to a reasonable number to limit rejections; (v) streamline the PO closure process to a dedicated unit within GSC which has the strategic capacity to perform the process effectively and efficiently; and (vi) develop and implement a standard adjudication report (AR) template, and enforce use of the template across the Organization.

59.    With the foregoing management tools, systems, policies and innovations adopted during the term of our mandate, we are confident that WHO has the necessary safeguards and frameworks to achieve its operating objectives and deliver its mandate.

## 2.    FINANCIAL MATTERS

### 2.1    Audit of financial statements

60.    We concluded that the financial statements present fairly, in all material respects, the financial position of WHO for the financial year ended 31 December 2019, 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 (clean) 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.

61.    We appreciate the efforts taken by management to address several recommendations issued during the interim and year-end audits of the WHO 2019 financial statements 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 2019 reflect the adjustments on the balances of the accounts affected, as well as the corrections and additions to the note disclosures. The transactions where errors or misclassifications or additional disclosures were noted and have been adjusted by the Secretariat include:

a. application of prepayments requiring adjustments to the relevant expenditure accounts (i.e. 514 – medical supplies and literature, and 519 – general operating costs) to correct the overstatement of expenditures and the understatement of the prepayment account;

b. reclassification of the receivable and deferred revenue accounts from non-current to current to comply with IPSAS 1 which provides that an asset shall be classified as current when it is expected to be realized within 12 months after the reporting date. Likewise, a liability shall be classified as current when it is due to be settled within twelve months after the reporting date;

c. recognition of the in-kind and in-service contributions in the proper period; and

d. additional note disclosures on the: (i) material difference between budget and actual amounts in Statement V; and (ii) Nature of the accumulated packing, freight and insurance (PFI) amounts; among others.

62. 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.

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

### 2.1.1 Miscoding of accounts due to erroneous selection of service category

64. In the processing of procurements, the expenditure codes are captured at the requisition/procurement registration stage by those responsible for managing the relevant funds/budget. Accordingly, the selection of service category, which automatically chooses the expenditure type used in charging of the procurement, is done by procurement requestors in the system and is checked by the country office level approvers.

65. Based on samples selected for testing, 37 POs processed from AFRO, and EMRO, totalling US$ 8.51 million were coded to the general operating expenses (GOE) account instead of appropriate expenditure accounts. Nonetheless, during the year, management have identified and corrected various transactions erroneously charged to 519-general operating cost totalling US$ 44.70 million for both imprest and non-imprest POs to different account (513-contractual services, general – US$ 40.30 million; 514-medical supplies and literature – US$ 0.78 million; 525-SSA Costs – US$ 0.38 million; and 527-Direct Implementation – US$ 3.26 million).

66. The head of Expenditure Analysis and Control informed that the possible cause of the misclassification was the erroneous selection of service category at the requisition/procurement stage by personnel managing the fund/budget due to lack of expertise in the processes. This could be attributed to a lack of training of the processor, which could be remedied through technical training in the global procurement training programme (GPTP) in *i*Learn.

67. In the first quarter of 2019, WHO introduced various curricula in the *i*Learn programmes for those who will be involved in the process of procurement and country-level approvers. This is mandatory for

procurement requestors; however, based on inquiry, not compulsory for managers or country office level approvers.

68.     The process of adjusting or reclassifying expenditures into the correct accounts is considered by management as a remedial measure to correct balances previously wrongly charged; however, this does not address the concerns in the processing of procurement requisitions that caused the misclassification of expense accounts in the financial statements. Given the fact that human discretion is used in the selected service categories, Management has no other control over the selections made by procurement requestors, except for the checking done by the country office level approvers, which still resulted in misclassifications in various expenses accounts.

69.     **We recommended that WHO robustly encourage staff members handling procurement processing functions, as well as project approvers at HQ, regional and country offices, to complete the relevant sections of the procurement *i*Learn curriculum, and to periodically revisit the curricula to refresh themselves and fully appreciate the processes to minimize, if not eliminate, the possible processing errors resulting in the misclassification of the accounts in the financial statement.**

70.     WHO management agreed that there should be mandatory enrolment in *i*Learn programmes for both the procurement requestors as well as the country office level approvers for them to fully understand and minimize the occurrence of an erroneous selection of service category and for the latter to monitor and correct occurrence thereof before uploading the same in the GSM.

## *2.1.2 Accounting for prior period errors*

71.     Review of the in-cash voluntary contributions revenue revealed that the account balance as at 31 December 2019 amounting to US$ 2.49 billion was after deducting the US$ 32.69 million pertaining to the following transactions:

| | Description | Amount (in US$) |
|---|---|---|
| i | Refunds to contributors | 12 729 912.55 |
| ii | Reductions in revenue recognized in prior years due to evidence arising in the current year that amounts will no longer be collected. | 15 391 418.34 |
| iii | Adjustment of payment terms for revenue recognized in previous years with the effect of increasing deferred revenue and decreasing current revenue. | 4 566 533.50 |
| | **Total** | **32 687 864.39** |

72.     However, detailed review on the nature of these deductions revealed that there were error adjustments made for six awards amounting to US$ 11.56 million in the current period which pertain to the prior year's revenue, which resulted in the understatement of the in-cash voluntary contributions revenue account in 2019 by the same amount.

73.     Income, Awards and Donor Reporting (HQ/AWD) justified that there are multiple controls in place to ensure that transactions are correct and in 2019 these controls revealed the errors listed above. WHO has already started to strengthen controls – namely, the review of all umbrella grant grouping (UGG) and associated billings under plug awards. As a result, an UGG review file working is being updated on a regular basis. We commend the Secretariat on conducting this review.

74.    In view of these error adjustments, we emphasize the provisions under Paragraph 47 of IPSAS 3 which prescribes that "an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a)restating the comparative amounts for prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented." In addition, Paragraph 51 of IPSAS 3 provides that "the correction of a prior period error is excluded from surplus or deficit for the period in which the error is discovered. Any information presented about prior periods, including historical summaries of financial data, is also restated as far back as is practicable."

75.    **We recommended that WHO, moving forward, account and report the effects of the prior period errors in accordance with IPSAS 3 to ensure the correctness of the balance of revenue and ensure the fair presentation of the account in the reporting period to which they relate.**

### 2.1.3 Exceptional approval for financial support to another budget centre

76.    The procedures for processing DFC contracts in compliance with the provisions in the WHO eManual (XVI.2 Direct Financial Cooperation) were described under FIN.SOP.XVI.001. While procedures for DI were described under FIN.SOP.XVI.002 in compliance with Section XVI.5 Direct Implementation of the WHO eManual. In our review of sampled DFC and DI transactions, we noted that exceptional approval was not obtained from the Comptroller when raising DFC purchase orders (POs) and DI imprest POs (IPOs) in cases where the funding is other than the country office's workplan.

77.    Under the existing SOPs, DFC and DI activities should be planned in advance and included in the country office budget and workplans for the next biennium to the extent possible. If another WHO budget centre provides financial support to a specific country activity, the funding must be distributed to the country office budget centre and award budgeted to the relevant country office workplan. A warning message will appear in GSM if a project, task, activity, expense, organization (PTAEO) from another budget centre is used to remind the user that any exception to using the country workplan must be approved by the Comptroller in advance.

78.    This observation was also confirmed by management where indeed the exceptional approvals obtained for DFC POs and DI IPOs raised did not come from the Comptroller, but were issued by the DAF, WHO representative (WR), incident manager, field coordinator or with no approval at all. We determined that in 2019, a total of 10 DFC POs and 100 DI IPOs amounting to US$ 3 million and US$ 8 million respectively, were sourced by the implementing country office from other budget centres.

79.    Management explained that the country offices felt that the correct authority to grant the exceptional approval is not the Comptroller, hence they only sought the approval from DAF, WR, incident manager, field coordinator, etc. It was further mentioned that despite the GSM warning message that it requires the approval by the Comptroller, still the user can continue to process the raising of the DFC POs and DI IPOs in GSM. The system lacks the capability to evaluate whether the attached supporting documents includes the approval from the Comptroller.

80.    In addition, management informed that at the beginning of financial year 2020, they implemented a quality assurance (QA) enhancement in GSM to improve the quality of DFC, DI and grant procurement requisitions in terms of administrative and documentary requirements. A staff member with special GSM responsibility for QA, by major offices (MO), will check that the PR is compliant with the administrative and documentary requirements before the PR is routed to project approver 1 through the workplan workflow. Currently, only HQ and SEARO implemented the QA enhancement. Implementing

the QA check in all MO will provide the following benefits: (i) if performed for all DFC, DI and grant letters of agreement (LOAs), very high compliance with policy requirements can be achieved; (ii) the QA staff would be at the regional office (RO) level, hence harmonizing practice and quality of DFC, DI and grants across the Organization; (iii) the QA check would be performed by specialists trained in this work; and (iv) project approver 1 can focus on other tasks including reviewing PRs for programmatic aspect instead of performing this QA check also.

81.    Moreover, management informed that this was already discussed with the regional office's budget finance officers (BFO) on several occasions and based on the discussion, the Finance Department (FNM) has agreed to amend the SOPs to specify that approval must be obtained from the DAF in regions or the Comptroller in HQ. It is also informed that this is in line with the norm policy for exceptional approvals where the DAF in the regions, and Comptroller in HQ has the authority to approve exceptions.

82.    **We recommended that WHO apply in the newly developed feature in GSM a quality assurance (QA) check upfront to DFCs and DIs; and adopt the same practice in all regions so that DFC and DI PO requirements are fully adhered to.**

83.    **Further, we recommended that WHO, pending the amendments to FIN.SOP.XVI.001 and FIN.SOP.XVI.002, the relevant provisions requiring the exceptional approval from the Comptroller should be given importance and strictly followed at the country office level as well as in the GSC level (the unit assigned to process and issue the DFC POs and DI IPOs).**

### *2.1.4 Procedures in processing Direct Financial Cooperation (DFC) refunds*

84.    In processing DFC refunds, upon receipt of the DFC funding authorization and certification of expenditure (FACE) report with a refund due, the responsible country office administrative assistant shall raise a service request (SR) by emailing GSC/AP, copying the BFO. Then the GSC/AP records the refund receivable as well as places a "hold" on the supplier to prevent any future payments to the supplier from being released automatically through the pay-on-receipt process.

85.    Review of the refunds made for the year revealed that of the total refunds of US$ 6.4 million in refunds, US$ 1.4 million or 22% of the total refunds were done through imprest, thus the receivable amount was not recorded by GSC/AP.

86.    Management informed that this is a recurring condition. To address this, management discussed the matter with the Budget and Finance Officers on several occasions and it is also included in the quarterly monitoring reports and it is emphasized with the inclusion of an action item for it. Despite the action taken by management, the latter agreed that additional actions should be done for process owners in the country level to abide by the rules and procedure for DFC refund as prescribed under the FIN.SOP.XVI.001.

87.    **We recommended that WHO, through the DAF in the regional offices, ensure that the country offices follow the policy requirement on refund processing provided under FIN.SOP.XVI.001.**

## 2.2   Global Service Centre (GSC)

### 2.2.1 *Green light (GL) requirements*

88.     Green light is the term used to indicate that the consignee countries are provided in advance with shipping documents for approval before proceeding with shipment. This process involves getting the approval from the government authorities such as ministry of health (MOH) and ministry of foreign affairs (MoFA), and tax exemption. GL approval must be obtained prior to shipment and this process will facilitate the custom clearance upon receiving the cargo. The nominated forwarder will send the shipping documents together with draft air way bill (AWB)/bill of lading (BL) to the focal contact from the regional office or country office to start the process. Basically, the GL term is used in the WHO context for seeking "prior import clearance" from the consignee country before the shipment is entered into the country.

89.     To date, a total of 73-member countries have made a conditional requirement to WHO that before shipment, GL clearance is imperative. Therefore, when the country is flagged as GL country as per GSC records, shipment should not be sent to the country unless GL clearance is ready. Shipping condition should be included in the PO that upon shipment readiness, the supplier must submit all shipping documents to GSC nominated freight forwarder (F&F). It is the responsibility of the F&F to forward the documents and seek GL from the consignee by email. Upon receipt of documents, the country office (consignee) then submits the documents to local authorities (MOH, MoFA, customs, etc.) to get approvals. Once the necessary approvals are obtained, consignee will release GL approval by email to F&F to ship. Forwarder informs supplier then to arrange and eventually hand over shipment to forwarder for onforwarding.

90.     We requested from GSC-GPL the green light pending report as at 17 September 2019 (status report of POs with pending GL approval) and we were able to verify that out of the 154 POs, 114 or 74% were emergency procurement while 40, or 26% were standard procurement. These POs have green light pending days which range from two to 169 days.

91.     Moreover, further verification disclosed the top 20 countries that experienced challenges with GL clearances wherein the maximum days spent waiting for the clearance ranges from 49 to 206 days (or an average of 12 to 63 days). The analysis made by the GSC procurement team revealed that EMRO have the most countries wherein ten countries had a maximum waiting time of 49 to 206 days, followed by AFRO for six countries with waiting time of 55 to 159 days, next is the Regional Office for Europe (EURO) for two countries which ranges from 77 to 203 days, and lastly, SEARO for two countries which ranges from 56 to 77 days.

92.     In our inquiry with the coordinator, GSC-GPL, it was highlighted that the impact of the challenges encountered when GL procedure is involved was delay in the delivery of goods to destination. Accordingly, the GL procedure varies from country to country and the waiting time is also different. It was also pointed out that in addition to delay and frequent follow ups with different parties involved, management also encountered shorter shelf-life on pharmaceutical products, risk of perishable goods, and sometime the delays lead to storage liabilities for the Organization. Likewise, for narcotic drugs, the limited validity of the export license means that sometimes a fresh license must be obtained leading to further delay.

93.     Delays and other issues related to the GL requirement is critical to GSC as this prevent it from achieving its objective of cost reductions and efficiency gains in the delivery of administrative services for WHO. Likewise, considering that the procurement with GL requirements account for an average of

23% of the total procurement and usually involve emergency procurements, delays in the delivery of goods will be counter responsive. Hence, the coordinator, GSC-GPL introduced to us the crafted supply chain process improvement (business and administrative process series). It is a supply chain architecture and business model that is aligned with WHO's GPW 13. This document outlines the analysis carried out on the supply chain and proposed initiatives/enhancement areas. Among the processes that were considered in the analysis is shipping/transporting of goods and GL requirement. Issues and concerns were identified and corresponding areas for improvements were laid down to address the conditions relative to GL requirements.

94. **We recommended that WHO consider establishing clear-cut guidelines as to the number of days the supplier is responsible to hold the shipment in their possession pending green light clearance, and address the challenges observed in the shipment of goods and green light requirements to fast track the delivery of goods.**

### *2.2.2  Performance tracking system within the GPL and GFI*

95. We assessed the volume of transactions under the services domain of GPL for the first and second quarters of 2019 and the total requests processed during the period detailed below:

| Volume trends (transaction processing) Q1-2019 to Q2-2019 | | | |
|---|---|---|---|
| Volumes by main transactions | Q1-2019 | Q2-2019 | Total |
| 1    Services requisitions | 15 964 | 14 341 | 30 305 |
| 2.   PO for goods | 2 912 | 3 295 | 6 207 |
| 3.   Processing and distribution of emergency services PO | 1 608 | 783 | 2 391 |
| 4.   Processing and distribution of emergency goods PO | 816 | 970 | 1 786 |
| 5.   Shipping POs | 77 | 96 | 173 |
| 6.   Goods shipping insurance coverage | 10 | 16 | 26 |
| **Total** | **21 387** | **19 501** | **40 888** |

96. During our assessment, we noted that the following transaction monitoring and/or reporting mechanisms were implemented by the GPL and GSC, as whole: a) service level agreement (SLA) tracking sheets (procurement of goods and services); b) GPL compliance and risk analysis; c) MyService report; and d) GSC quarterly performance report. These reports are uploaded in GSC SharePoint and WHO's procurement network and all DAF. It is pertinent to note that WHO's procurement network is responsible to use these reports as a measure of training to the staff who are frequently committing mistakes/errors. Also, reported instances are used for the behavioural change of the staff.

97. On the other hand, GFI processes transactions and related service requests, performs compliance checks in the following areas and generates various reports, such as encumbrance reports, invoices on hold and payment rejection reports to be sent to the concerned technical units for their appropriate actions. Currently, receipt of requests for above services including the communication of the exceptions are sent through various channels like GSM, emails and/or ServiceNow. The yearly work load based on 2018 data provided by GFI showed transaction volume of 1 127 909 and service request of 70 717 for the areas of common payment platform, travel operations, invoice processing, encumbrances, supplier data management, awards and financial reporting and compliance.

98.   In our discussion with the relevant GFI focal point as to the efficiency of these channels (GSM, emails and/or ServiceNow), it was highlighted that tracking and analysis of performance and operational efficiency of the GFI along parameters such as cost, timeliness, and quality under the various processes within payment services is a challenge. Email requests and communications between finance staff and clients in the form of emails pose an arduous task to search for communications for any reference and audit purposes.

99.   In addition, it was confirmed to us that GFI does not have dedicated IT system that automatically, continuously and consistently captures relevant input and output data to be used in the analysis and reporting of performance efficiency and effectiveness. A new system solution would be beneficial for the GFI. Hence, GFI needs a system to improve the audit trail for transactions, while also facilitating capture, retrieval and analysis of performance information that can be used to improve capacity management and monitoring, cut transaction time and cost, reduce dependency on individual processors and better tracking, monitoring and reporting SLAs and finance transactions.

100.   **We recommended that WHO consider establishing a robust performance tracking system within Global Procurement and Logistics and Global Finance for a comprehensive picture of the performance of key services that would provide insights for management to make more informed decisions and identification of key areas for improvement and further improve the quality and timely delivery of the services to WHO and partner organizations.**

### *2.2.3 Automatic work flow system for the separation payment process*

101.   In separation payments processing, the process steps as well as the risks associated to the processes including the mitigating risks are detailed in FIN.SOP.XII.09. It describes the three main areas namely: pre-financial clearance process; post-financial clearance process; and GSM online process.

102.   The full and final settlement is the last payroll for any separating staff, hence, there may be risk that the Organization cannot recover what is due from them. Nonetheless, despite the highly manual process and to address the risks, Global Payroll (GPAY) emphasized that compensating controls are in place, aside from the internal checklist, such as: (a) segregation of incompatible duties between maker and checker at each level (travel, pension, GHR and GPAY); (b) GFC authorization signed by each processor to confirm their input to GSM; (c) review of personal account record automatically by robot using GSM personal account report at the time of pre-financial clearance and manually by the payroll accounting team at the time of final payment to ensure staff indebtedness towards the Organization, if any is addressed; (d) three-way matching (authorization signed by each processor vs payroll processor check list vs payslip) is completed by payroll team lead for each case to verify accuracy of payment and recovery; (e) online approval in GSM worklist for all payment approvals; and (f) second layer of payment approval by the payroll manager/payroll officer in GSM worklist (for transactions more than US$ 50 000).

103.   Despite the internal controls as well as its mitigating controls as mentioned above, we noted during audit and the Global Payroll manager (GPM) agreed that there is an inefficiency in the process chain specifically the manual tracking of process. It will be more efficient if upon receipt of the local clearance certificate, the payroll focal point can trigger an action that can automatically initiate workflows to the relevant teams within GSC namely Global Human Resource (GHR), GFI and GPAY. Every team can record their feedback in the system, which can then mark their closure of the case. An online dashboard can be prepared to extract useful information like the real time statuses of each cases. It will also be available to all relevant users both within and outside of GSC, unlike the existing condition that only those who have access to the separation master tracker (SMT) (within GSC) have access. The

provided relevant information will prompt the latter to address the noted deficiencies to facilitate the completion of the process.

104.   Hence, it was agreed that there was a need for a system that will be able to perform the following functionalities which will not only increase the efficiency in the process chain at GSC but add value to the process owners (local HR assistants in countries and regions) and management (DAFs, regional personnel officers, GSC coordinators and managers) in terms of access to relevant information:

    a.   *Within GSC –*

        i.   for facilitating actions on the finalized cases (cases ready for processing);

        ii.   initiating follow-ups (where case was assigned but not done within the agreed SLA);

        iii.   generating SLA reports to measure GSC performance; and

        iv.   analysing exceptions (where a unit/team cannot finalize case pending action from the initiator); and

    b.   *Outside GSC –*

        v.   Process Owners can be given secured access to their dashboard and empowered to become self-sufficient for addressing client queries.

105.   The system will enhance the separation payment process thus, the Organization can enhance process efficiency. It is the capability of human resources to carry out a certain process in the way that ensures minimized consumption of effort and energy. In simple words, it is a situation when a process is implemented in a right way. The purpose is to simplify the implementation through getting more results with fewer resources used. Process efficiency enables to obtain the greatest savings and performance through minimizing waste and optimizing resource consumption.

106.   **We recommended that WHO consider conducting a feasibility study or analysis with a view to developing an automated workflow system for the separation payment process that will provide relevant users, both within and outside GSC, the following functionalities: (a) secured access to the real-time information on the status of the processes through online dashboards; (b) the facility within the system to record feedback on the cases being processed or rejected as well as automated follow-ups with focal points of cases assigned but not yet actioned within the service level agreement (SLA); and (c) generate reports to measure GSC performance and capability to analyse exceptions.**

## 3.   GOVERNANCE MATTERS

107.   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 at headquarters including the GSC, three regional offices and two 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. We focused this year on human resource

management, programme monitoring and reporting, and fraud risk management. The succeeding discussions highlight the results of our review.

## 3.1 Human resource management

108. In the rapidly changing world, the demands of the global health response are becoming increasingly complex. Human resource management should run parallel to ensure that staff at all levels of the Organization have the experience, knowledge and competencies required to deliver the objectives and core advocacy of the Organization. Numerous changes are underway across WHO to optimize the overall capacity to successfully deliver GPW 13 and to achieve its ambitious results and impacts. Members of the workforce therefore are driven to learn and adapt to new challenges while managing their own careers especially in the current WHO transformation.

### 3.1.1 Strategy and framework

#### 3.1.1.1 The need to update the human resource strategy

109. The Organization-wide human resources strategy was developed in the context of the 2013 WHO managerial reform. Information gathered that the implementation of the revised HR strategy would be in two phases: (a) the first phase (design and construct) would take place during 2013–2015; (b) the second phase (implement, operate and review) would cover the period 2016–2020.

110. With the advent of WHO transformation in 2017, the Organization needs to be more flexible in responding to this evolving environment. The current revised human resources strategy needs to be updated to reflect the initiatives of WHO transformation, specifically within the three pillars that comprises the human resource strategy, inter alia: (a) attracting talent, (b) retaining talent, and (c) an enabling working environment.

111. The human resource management is a vital part of the Organization-wide transformation agenda; under the workstream: Building a motivated and fit-for-purpose workforce, the corresponding HR strategy should be responsive to the transformation in achieving GPW 13 and with the goal of ensuring WHO has a meaningful, lasting and positive impact on people's health. For their part, management agreed that an updated human resource strategy is in order.

112. **We recommended that WHO update the Human Resource Strategy aligning it to the WHO transformation agenda.**

#### 3.1.1.2 The need to revise corporate framework for staff learning and development

113. A staff development policy is a key component of a human resource strategy where the various staff development programmes are anchored; it states how the workforce commits to achieving the mandate and the strategic objectives of the Organization hand in hand with their own professional development objectives. In addition, the International Civil Service Commission (ICSC): Framework for HR Management states that appropriate learning and development opportunities for staff and management are essential to enable organizations to engage staff, build capacity for delivering excellent results, overcome challenges and adapt to changing conditions. One of its indicators is that a staff development policy is in place.

114. Management indicated that the Corporate Framework for Learning and Development 2014–2020 was developed in the context of the WHO reform agenda of 2013. Hence, it is imperative that the

Framework be revised in response to the Organization's current transformation agenda. A new learning strategy for the Organization is currently under development.

115.   It is underlined that the learning strategy for the Organization is the framework where the mapped and reviewed WHO training programmes and digital learning platforms as well as the establishment of the WHO Academy, among others, shall be anchored. A fit for purpose learning strategy ensures that WHO is capacitated to have a positive impact on people's health. The intention is to create a culture of learning and constructive attitudes, by building a dynamic and adaptable workforce with the highest levels of competence and integrity to serve the evolving mandate of WHO.

116.   **We recommended that WHO revise the Framework for Learning and Development in the light of transformation as it relates to human resource strategy so as to optimize staff capacity and talent.**

> *3.1.1.3 The need to institutionalize governance mechanisms in the implementation of the WHO Global Mobility Policy*

117.   A task force (TF) was created to refine WHO's approach to mobility through a process of reviewing evaluations, recommendations of the Global Staff/Management Council (GSMC) and related entities, and internal/external benchmarking. Members of the TF were asked to lead and co-write sections of the guidelines which were used as input by the Human Resources Department to update the WHO Global Mobility Policy.

118.   The review of the draft WHO Global Mobility Policy is undertaken with reference to the directions established by WHO. The draft mobility policy is detailed with regards to procedures and governance mechanisms. It clearly specifies the establishment and mandates of (a) Mobility Advisory Board (MAB) which is established across the three levels of the Organization, and (b) Continuous Improvement Group (CIG), as well as the roles and responsibilities of: (a) human resources officers, (b) Global Policy Group and Director-General, (c) staff members, and (d) managers. The review noted that the MAB and CIG have yet to be established with the corresponding terms of reference (ToR) to be developed, wherein the estimated timeline for the first meeting of the MAB is second quarter of 2020.

119.   Equipping the MAB and the CIG with robust ToRs would facilitate optimal policy implementation and management of reputational risks. That therefore should be achieved as a priority before roll-out, with MAB and CIG roles clearly stated and explained in all communications concerning the Global Mobility Policy.

120.   **We recommended that WHO facilitate mobility policy implementation by prioritizing the establishment of the MAB and CIG and drafting the corresponding ToRs.**

*3.1.2 Recruitment and selection processes*

> *3.1.2.1 Screening questions*

121.   Timelines for the completion of the selection process is set per guideline at approximately 15 weeks (80 working days), which runs from the time the requisition is advertised to the moment of selection decision (as documented by the fully signed selection report). Such target was established through a recruitment pilot to test the feasibility of the period, in the context of WHO transformation. However, based on randomly selected samples selected for inquiry in both Stellis and in the GHR unit in the GSC, we noted that the number of days between the start of the publication period of the

requisitions to the date of the selection decision lasted beyond that of the prescribed 15 weeks or 80 working days of the guideline. Depending on the position level, such time can go between 126 to 158 days.

122.    Upon inquiry with focal points in HR, they disclosed that in practice they follow the 80-day target timeline for the selection process, which we notice is ambitiously lower than the 120-day standard utilized by the United Nations Common System.

123.    Also in the current harmonized process, only candidates determined during the preliminary screening to be meeting the essential requirements (education, language and experience) of the position stated in the post description and requisition, can be shortlisted and selected. Additional years of experience or a higher level of educational qualification may also be reflected in the position description under the desirable requirements. Both the essential and desirable requirements are described accordingly in the position description and adapted for the screening questions of the published requisition.

124.    As gleaned from the interview with the Stellis administration focal point, the automated platform has the capability to further hone the development of the screening questions, which may eventually lead to its further customization, applied in particularity to the position being requisitioned, thereby further reducing the number of applicants who will move on to the in-depth evaluation activity.

125.    Further customization may be significant to improving the utility of the preliminary screening procedure. For one, while Although WHO utilizes the services of ABC Consultants to manage voluminous, pre-screened responses, to further screen, validate and rate applications to produce the proposed long-list, the HR representatives nevertheless face the challenge of reducing the volume of applications to a level with which they can cope.

126.    In both instances, Human Resources and Talent Management (HRT) will benefit from the further customization which will strengthen the utility of the preliminary screening procedure. Time and effort will be saved, inasmuch as fewer applicants will need to be evaluated in depth to determine their worthiness to be included in the shortlist. The shortened time utilized for this step in the process will also serve as an advantage to achieving targeted due dates aimed for in the recruitment pilot.

127.    **We recommended that WHO review the harmonized selection process to allow further customization of screening questions to improve the utility of the preliminary screening procedure.**

  *3.1.2.2 Evaluation parameters in preliminary screening and in-depth evaluation steps*

128.    Evaluation parameters or screening requirements (such as education, language and experience, and the desirable requirements as described in the position description) used in both the preliminary screening and in-depth evaluation of candidate's steps of the process are substantially the same.

129.    To the extent that Stellis provides an automated preliminary screening of applicants (based upon the applicants answer to customized screening questions), supported by the services of ABC Consultants to screen, validate and fill in the rating table which allows an initial long-list to be presented to the Hiring Manager (HM), and the HM performs in-depth evaluation of that long-list, it may already be considered a redundant exercise or a duplication of effort when the two steps preliminary to producing the shortlist of applicants for further assessment, is based along the same parameters of screening requirements. Thus, it may be suitable for management to revisit the salient activities comprising these steps in the

process, and combine them into one workable efficient whole, which can rationally support the customization suggested in the previous observation.

130. **We recommended that WHO consider the possible revision of the evaluation parameters comprised in both the preliminary screening and in-depth evaluation steps of the process, with the aim of reducing redundancy.**

### 3.1.2.3 Feedback of final selection decision

131. A core element of the recruitment and selection process is the selection panel (SP), which is collectively responsible for evaluating and recommending a candidate who satisfies the highest standards of efficiency, competency and integrity suitable of being a WHO staff member. One of the members of the SP is a staff association representative (SR), nominated by the staff association.

132. Since the SP is accountable for their selection recommendations and the integrity and outcome of the process, up to the final selection decision, it is assumed that they are aware of the outcome resulting from their recommendations. A survey was conducted to solicit information regarding the presence or absence of feedback mechanisms in place to inform the staff representatives of the final results of the selections, emphasizing that this part of the process should be subject to even more transparency.

133. The survey results returned 42 responses. We noted no receipt of feedback on 23 out of 42 responses from SR's who served as SP members in the period between one to 20 years. And the 19 responses who confirmed that they had received feedback on the final results, were not also consistently able to obtain such vital information.

134. Explaining that though in most instances the most suitable candidate recommended by the SP is the one selected by the appropriate approving authority, we maintain that obtaining feedback on all the final selection decisions is crucial and a matter of necessity. Considering that recommendations are based on the order of suitability, (strong, suitable, suitable with improvements, or not suitable) which is somewhat subjective and largely based on an informed perspective – albeit founded on methodical assessment – feedback becomes even more crucial.

135. **We recommended that WHO provide feedback on the final selection decision results to Staff Representatives and other Selection Panel members, and that it be consistently applied and provided for all completed recruitments in which they are involved.**

### 3.1.3 Administration of Justice

136. An effective conflict prevention and resolution necessitates a system that takes into account the processes, the people, the rules, the physical environment, the control and grievance mechanisms as well as less visible attributes in the organizational culture, such as attitudes, beliefs and values. This enables all stakeholders to participate in the prevention, management and resolution of conflict in a comprehensive, systematic manner.

137. Under the existing structure of WHO, we noted the various offices involved in the internal justice system that can provide staff with advice and other assistance related to conflict prevention and resolution, physical and mental health concerns and conditions of work, i.e., HRT, WHO HQ Staff Association, Ombudsman and Mediation Services (OMB), Staff Health and Wellbeing (SHW), Staff Counsellor, Staff Psychologist, Office of the Compliance and Risk Management and Ethics (CRE), and Office of Internal Oversight and Services (IOS).

138. Upon scrutiny, we noticed some degree of overlap and duplication in their roles and responsibilities. Likewise, we noted ad hoc coordination among these offices, thus creating a situation wherein a problem referred to one office could be the same one pending in the other offices. They operate independently from each other, tending to work in parallel, rather than together.

139. It should be stressed that a systematic approach on the resolution of the work-related problem is effective rather than letting the different actors solve the problem independently. In a systematic approach, a mechanism is available where different components are interrelated and integrated. This is possible through a designated coordinator/registry in HRT that will refer the concern of the staff to the office concerned.

140. **We recommended that WHO establish a registry/coordinator that receives, maintains, refers and will coordinate the staff concerns to the respective office in the internal justice system.**

### 3.1.4 Staff Survey

141. Staff surveys establish a comprehensive two-way communication process and can facilitate overcoming barriers to effective communication. The surveys definitely provide the Organization a means to assess the staff feedback, understand their requirements, work on designing new policies and practices and commit to implement or introduce improvements after initial or pilot implementation.

142. The foremost aim of conducting a staff survey is to find out the factors that actually drive staff to perform their best and comply to policies or otherwise. It is important to establish harmony between what top management offers and what staff expect or vice-versa. A strong staff survey programme should be a built-in function to any organization – one that is repeated and acted upon on a regular interval – aligning on United Nations practice, which is two-year interval. Hence, underscoring the importance of measuring the impact and effectiveness of the policy/interventions because of the survey.

143. The WHO has concluded several staff survey inter alia; (a) the Organizational Culture survey in January 2018 which is designed to examine three key organizational effectiveness capabilities: alignment, execution and renewal; and (b) the harassment related survey, also in 2018, the United Nations Secretary-General called for a perception survey to obtain evidence-based information on sexual harassment across the United Nations system and related entities globally. The report provided details on the prevalence, nature and experiences of sexual harassment as indicated by respondents specifically from WHO.

144. Moreover, in 2020 staff members are invited to fill a questionnaire on career management through mobility. The survey replies provided were for knowing better the staff member's view on mobility, career aspirations and preferences, the management tool used for the revision the mobility policy and consequently, its implementation.

145. Mental health and well-being gained more recognition with the issuance of the Healthy Workforce for a Better World (United Nations system mental health and well-being strategy), which has been endorsed by the heads of management of all United Nations system entities and applies to the whole of the United Nations system. Hence, inquiry with Staff Health and Well-being (SHW) revealed that the corresponding survey on Staff Health and Well-being was conducted and issued a corresponding benchmarking report in January 2017.

146. However, information deduced from e-mails and discussion with Management revealed that HRT was unaware of the conduct of the survey regarding mental health and well-being. It is underscored that,

basically, staff survey is within the HR domain and an HR-led management tool inclusive of leading the evaluation and analysis and eventually the development of initiatives with the concerned units.

147. Further, best practice articulated that conducting staff surveys regularly can design or redesign the already established policies and implement key changes to increase efficiency, output, involvement, dedication, and productivity and improve well-being of staff. When an organization focuses on the development and impact, it can come up with effective solutions which significantly increase the number of engaged staff, resulting in a considerable increase in their productivity and the Organization's achievement of objectives. Thus, staff survey is foreseen to improve various policies regarding the initiatives introduced to deliver WHO transformation,

148. **We recommended that WHO devise a mechanism to monitor the conduct of an all-the-staff survey and the corresponding after-survey activities and initiatives. Moving forward, conduct staff satisfaction survey every other year benchmarking on the United Nations system practice especially with regards to the policies introduced and revised through the Organization's transformation agenda.**

## 3.2 Programme monitoring and reporting

149. The WHO eManual describes the MTR as a self-assessment exercise where major offices/programmes/clusters report on the progress of their outputs through the established performance indicators. Budget implementation is also reviewed during the exercise that allows for simultaneous consideration of technical and financial information. The review further includes monitoring of progress towards the achievement of expected results and their indicators according to established criteria, and the development of a narrative summary of impediments, problems, risks and actions required to improve progress in achieving expected results at the mid-term. This activity is done for all expected results at all WHO offices and is used as the basis for the preparation of the programme budget implementation-interim report presented to the Member States at the Health Assembly in May of the second year of the biennium. WHO acknowledges that performance monitoring and assessment are indispensable for the proper management of the PB and for providing inputs to the revision of policies, strategies and their implementation to ensure that the Organization is achieving the results that it has committed to deliver. The MTR and the programme budget performance assessment (PBPA) are two exercises undertaken by the Organization to assess the implementation of the PB and how the planned results are delivered.

150. We noted that as one of the functional elements of the WHO Accountability Framework, *assessing performance, monitoring and reporting* provides the Organization with indications of progress towards the achievement of results and the effective use of financial and human resources, builds trust in the Organization's relevance and ability to deliver. Monitoring programme performance thus becomes critical in this instance since it enables managers to ensure that operational actions and decisions are consistent with the objectives and priorities in the PB and follow WHO policies. As such, these managers are accountable for ensuring that the required monitoring and reporting processes are complied with to enable the reporting on the Organization's accountability for the PB implementation. For the MTR of the implementation of the PB 2018–2019, we noted that the Planning, Resource Coordination and Performance Monitoring Department (PRP) issued the high-level guidance note which presented the process overview of the MTR, the timelines, and the step-by-step review guidance for the budget centres (BCs), programme area networks (PANs) and category networks (CNs). The guidance note on GSM and business intelligence (BI) reports for outputs and top tasks provided the information on how to conduct mid-term monitoring of top tasks and outputs in the GSM.

151. Results-based reporting deals with the analysis and interpretation of programme/project's performance data gathered during monitoring and communicating progress on programme/project's implementation and achievement of results to key stakeholders. Monitoring and reporting on programme performance becomes even more critical if programme delivery takes place during big organizational changes. Such is the case of WHO when embarking on a major transformation initiative to *increase its impact at country level and to be fit-for-purpose in the era of the Sustainable Development Goals (SDGs) and a rapidly changing world*. Our review of programme monitoring and reporting at the mid-term is situated within this context and utilized Categories 1 and 4, as samples, in our test.

### 3.2.1 *Programme accountabilities under the WHO transformation initiative*

152. Aligned with GPW 13, we noted that the WHO Transformation Plan and Architecture detailed the integrated transformation process across the three levels of the Organization that was designed and directly led by the Global Policy Group (GPG), as well as the longer-term road map. The *HQ Transformation Implementation Guidance: Step 4: Operational Planning and Capacitating Critical Functions* explains that HQ's roles and functions *are* changing under the new WHO operating model. Programme departments will have an enhanced focus on delivery and impact, and corporate departments will increase their focus on optimizing, harmonizing and quality assuring its enabling functions.

153. We noted that on 6 March 2019, the Director-General (DG) announced the new senior leadership which will assist him in leading WHO to implement GPW 13 and the collective drive to the triple billion targets. In implementing the structural aspects of the new WHO-wide operating model, a new HQ structure at the division level was to take effect on 18 March 2019. In subsequent months, HQ structure at the department level which included establishing the major functions of each department and deciding which areas of work would move between departments to centralize key enabling functions and consolidate key technical functions and Team Level structure, was to be developed.

154. We were informed that some changes have already been implemented and changes are expected to continue until the transformation initiatives have been completed. Amidst the transformation activities occurring within the Organization, we have looked at the operational reality that was transpiring and the articulation of strategies to appropriately control organizational changes to ensure that established governance mechanisms hold up, all within the ambit of programme management. To deliver this, we have considered two programme categories, i.e., Category 1: Communicable Diseases; and Category 4: Health Systems for PB 2018–2019, as our test samples. As we were informed by the PRP that the PB was developed based on an HQ interim organigram. From our verification, we have gathered several changes in programme accountabilities for Categories 1 and 4 during 2019. We noted transfer of programme accountabilities from one cluster and/or department to another that also includes newly-created offices.

155. On how these changes were undertaken, we were informed by the transformation team that the strategies employed included a combination of change management strategies encompassing communications/awareness raising, capacity-building (e.g. through guidance notes and training on the new planning processes and operating model), senior leadership stewardship and the new process that is being used to plan 2020–2021. We were also informed that the existing programme management governance mechanisms, including the oversight role of the GPG and the category and programme area leadership responsibilities of Executive Directors (ExDs), Assistant Director-Generals (ADGs) and Directors, were to remain in place through the end-2019 to ensure implementation of the PB 2018–2019 and delivery of the planned outcomes and outputs while the overall monitoring of PB implementation remains with the PRP. In relation to the representation of the transformation team, we have engaged with the Directors/Programme managers under the categories and determined various

challenges and effects of the transformation on the overall programme implementation, monitoring and reporting for the PB 2018–2019.

156.   In the course of the MTR reporting process, we were informed that the PRP also encountered several challenges brought about by transformation, such as: (i) disruption of the CN functioning which arose from uncertainties in terms of structure, leadership of the programmes and changes in people managing the CNs; (ii) changes in leadership and management of programmes which involved transitional issues with the movement of people, including understanding of their roles and responsibilities in the CN especially on monitoring and reporting resulting to slowing down of the MTR process and missed deadlines, (iii) burden of work due to additional work especially for the programme leads and focal points who work on the MTR, and launching of many initiatives which required the time of the CNs and PANs which caused many deadlines to be missed; and (iv) limited capacity in PRP on monitoring and reporting with the deployment of members of the Strategic Planning and Operational Planning and Performance Monitoring Unit (SPM) team to support some CNs who lagged behind.

157.   In a related activity of PBPA, the PRP commented that for the PBPA at biennium-end, it saw challenges on (i) what to report in 2019 as it is both under the GPW 12 and GPW 13, and (ii) how to retain the GPW 13 principles of integration, breaking down silos, and focus on impact while addressing accountability issues in GPW 12 which is more programmatically aligned and very vertical. On the side of the programmes, we gathered that for Programme 1.1, there were no expected major challenges; for Programme 1.2, reporting is likely to be more challenging than before since it will require technical staff to be engaged in backwards looking category/PA reporting structure; for Programme 1.3, there may be challenges if there are changes in leadership for particular areas of work, but the Department will manage the challenges as needed; Programme 1.6 is concerned that the ongoing transformation processes could still impact the collation of information for reporting; and, for Programmes 4.1 and 4.3, there were no challenges on the technical aspect or major changes to operations while for Programme 4.4, the concern was the different roles of past PAN leads.

158.   Relative to the observed changes and challenges, we were informed by the transformation team that the responsibilities of the relevant ExDs/ADGs and Directors continued to include the monitoring and reporting of achievements through the CN and PAN mechanisms established for the purpose and there has been no change to these mechanisms in the current biennium. We were informed that changes to the governance mechanisms for PB implementation and monitoring will take effect from 1 January 2020 when the new *workplans* are initiated. Aligned to these, we have queried with the categories and were informed that the use of CN and PAN mechanisms were to remain for the biennium although Category 1 apprised us that the change of leadership, the retirement of CNs resulting from the transition from GPW 12 to GPW 13 and the creation of new divisions cutting across Category 1 in March 2019 had made the functioning of the CN 1 challenging.

159.   In addition, we were informed that the work on transformation and the on-going transition to the new structure were prioritized over CN-related work as it affects the same individuals and resources. In practice, CN is occasionally summoned for mid-term and end-of-biennium reporting. The coordination role for Category 1 had therefore been limited and primarily performed through programme area level. For Category 4, we gathered that there had been no discussions about the focal person continuing as the lead for the Category after being transferred to a different department. Programme 4.4 commented that when it was announced that the PAN structure would cease to exist, it seemed that there had been no interim planning for such mechanisms, other than establishing new output networks for the next biennium.

160.    Situating the above-noted changes and challenges within the context of an organizational change, a fact is made clear that even if a systematic approach is undertaken to manage the change, there are certain risks that would still be present that must be highlighted and managed to minimize the impact of the change itself. Most prominent of these risks generally relates to operational disruption. In more specific terms, disruption in operations can come as risks of inefficiency, incapacity, performance gap, and prolonged cycle time. While the challenges and effects of the WHO's transformation initiative may not have much impact on those programmes that have significantly remained intact under the new organizational structure, those that have undergone shifts or distribution of programme accountabilities to other or several departments under different/various ADGs/Directors could be severely disrupted in terms of programme implementation, monitoring and reporting.

161.    Consequently, the transition constraints would negatively impact the exercise of programme results accountability and the delivery of programme controls. Presented with this reality, the transformation team explained that since operations under PB 2018–2019 are continuing, there were no new accountabilities for the GPG, CNs, and PANs. Following the 6 March 2019 announcement, the transformation team indicated that communications were focused on areas and aspects of change rather than on those remaining unchanged. We gathered, however, that specific guidance/instructions to the ADGs or acting Directors on assumption of responsibility for coordinating the work of the PAN and its reporting for the PB 2018–2019, where HQ Directors have been reassigned to new areas, have not been issued. We were informed that this will be captured in the new delegation of authority (DOA) for ADGs and Directors going forward and will be fixed urgently before the biennium-end reporting.

162.    Taking into account all the gaps and challenges that we have noted, particularly the changes in accountabilities for the delivery of the programme results for Category 1 and 4 programmes under the PB 2018–2019, we have observed that since the WHO Transformation Plan and Architecture including the related policies had significantly been focused on how the transformation would be managed and implemented, more emphasis could have been accorded in the disposition of its on-going programmes under the PB 2018–2019, the budget period where the transformation started to take form that had a different programmatic structure and focus than that of the GPW 13 and PB 2020–2021. Caught during the transformation were the programmes under the current biennium that needed to be managed, monitored and reported on at mid-term and biennium-end, and for which explicit change management strategies are necessary in view of the ongoing changes in organizational structure and programmatic focus and the related risks.

163.    With the disruptions in programme delivery, the Organization had not recognized the risks to programme implementation, monitoring and reporting on the PB 2018–2019 caused by the transformation such that appropriate change management strategies had not been considered in a comprehensive and inclusive manner. Clearly, the changes that are and will be taking place in WHO brought about by the initiative are meant to achieve its renewed vision. However, every change initiative comes with associated risks and even resistance. When spearheading a change initiative, focus on acknowledging, anticipating, and managing risk related to implementing change management is imperative especially in the case of organizational change that directly affects institutional programmes and projects as well as the staff at all organizational levels. Although changes are often borne out of good intentions and desire for improvement, it can also be unsettling particularly due to the need to adapt and adopt. Proper management and appropriate change management strategies for the Organization to adapt, control, and effect changes make possible for smooth transition to the intended state. WHO must enhance its change management strategies in delivering the activities related to programme monitoring and reporting to mitigate the risks associated with transformation. In doing so, emphasis must be given to programme accountabilities and the constant attention to controls that support unbridled transition.

164.  **We recommended that WHO clarify and streamline programme accountabilities and coordination in relation WHO transformation as the Organization transitions into the new General Programme of Work and Programme budget, to ensure that programme outputs are delivered as planned and support programme results reporting.**

### 3.2.2  Reporting of programme output

165.  We observed that while the WHO results report is to report for the PB 2018–2019, MTR is to report on the performance for the said PB which is under the GPW 12, the key results are organized using the triple billion targets under the GPW 13. The report was presented by category per PB 2018–2019 and each category highlights the respective outcomes aimed to be achieved in 2018–2019, the key achievements of selected programmes, key figures, budget and implementation, top 10 contributors, and expenditure by level and staff vs activity. For each category, a link to the PBPA Web Portal was provided for the details on the PB funding and implementation. Comparison of the key achievements in countries in the results report with the country focus section by category and programme area for the MTR in the web portal yielded achievements in the MTR which were not in the web portal. Generally, more of the key achievements in countries reported in the MTR by programmes were not in the PB web portal country focus. For Category 4, we noted of key achievements in countries reported in the MTR which were not in the country focus section of the web portal. More significant, however, was the non-reporting of statuses of outputs for each programme area and category under the current PB in the results report and the PB web portal link supporting the said report although the updating of the status of the progress of outputs by the BCs, PANs and CNs was required for the MTR. Instead, the outcomes that WHO aimed to achieve for the biennium jointly with the Member States and partners, among others, were presented in the report.

166.  In the WHO results framework covering the GPW 13, WHO Secretariat accountability has redefined its results accountability for the better measurement of WHO's impact at the country level. However, the results framework also emphasized that the Secretariat is to measure the delivery of outputs as its contribution to the achievement of the outcomes and the country impact. An innovative way of measuring the outputs is also foreseen for more meaningful measurement. The non-reflection in the MTR of the outputs status, therefore, has curtailed the opportunity to be informed of the probability of the achievement of the planned outputs. As an immediate effect, the significant risks and mitigation strategies to improve progress, where necessary, were not presented although the analyses and updating of output progress, risk/s and risk response/s were required at mid-term, and the risks and recommendations were in the web portal.

167.  As the report did not present the statuses of the outputs that were financed out of the PB, the Organization's accountability for the PB implementation and how it works contribute/influence the desired outcomes, were thus not made apparent. In a results-based management approach, reporting on actual progress towards the achievement of results as in the MTR is correlated with actual financial implementation for the same reporting period. While the key financial figures on the budget, funds available and expenditure by programme were presented for each category and programme, a good analysis of the technical and financial implementation of the PB could not be made possible due to the exclusion of the outputs in the report. The articulation of programme results in accountability reports is always a reflection of programme governance delivery of end-products whether in the form of outputs or outcomes. In this regard, the objectivity, quality and reliability of the reports to account for the Organization's performance should be of utmost importance.

168.   **We recommended that WHO include outputs reporting in its MTR as these are the results for which the WHO has full accountability in the implementation of the PB, for better transparency and measurement of results accountability.**

### 3.2.3 Performance assessment process in the mid-term

169.   Under the High-level guidance note on the MTR 2018-2019, we noted that the BCs, regional and global PANs were supposed to accomplish the BC and PAN/global PAN review templates, respectively in the value for money (VfM), the performance assessment tool. The summary of findings and recommendations and budget centre review are supposed to contain the results in 2018 and contributions to GPW 13 outcomes and risks, among others. We observed further that the performance assessment for programme area and Organization-wide programme area required a summary of key areas of progress of the programme area, contributions made towards achieving universal health coverage (UHC), addressing health emergencies, or promoting healthier populations, in line with the directions set in GPW 13, output measurement and risks, among others.

170.   We also observed that for Category 1, the summary of findings and recommendations had been prepared for all programme areas except for Programme 1.3 and 1.4 while the performance assessment for programme areas at HQ were not prepared and submitted by the programme responsible officers. The performance report for Programme 1.6 was noted to be still in draft form and did not provide the required information although a rating of "On track" was provided for Output 1.6.1, even if it did not present the bases for the progress of the output. We noted that the performance assessments for all the Organization-wide programme areas under the category were prepared. For Category 4, we determined that the summary of findings and recommendations was not prepared and submitted for Programme 4.3. For the performance assessment of the four programmes, we have extracted a draft report only for Programme 4.2 with progress of "On track" for Outputs 4.2.1, 4.2.2 and 4.2.3 although not all the required information was presented. For the performance assessment for the Organization-wide programme area under Category 4, only Programme 4.3 was without the submitted assessment. As the MTR did not report on the outputs but highlighted key achievements on the programme areas, the non-submission of the summary of findings and recommendations by the BCs and the performance assessments for the programme area and Organization-wide programme area had not been emphasized. Consequently, there were no evidence was drawn from the review undertaken by the BCs, programme responsible officers/PAN and CN in the VfM upon which reported achievements in the MTR should have been based and could be validated.

171.   We also observed that all the templates used for MTR reporting required the contributions or key areas of progress of the programme areas in line with GPW 13. Thus, the Summary of Findings and Recommendations for Programme 1.1-HIV and Hepatitis, Programme 1.2-Tuberculosis (TB), and Programme 1.3-Malaria referred to contributions to the GPW 13 outcomes. The Performance Assessment for Programme areas 1.1-HIV & Hepatitis and 1.2-TB, and Organization-wide programme areas 1.1.2-TB and 1.3-Malaria also provided references to GPW 13 as required in the template. However, the MTR reporting is on the implementation/performance for PB 2018–2019 under the GPW12. The way in which the performance assessment was conducted had diverted the focus of the assessment of progress away from the desired results of GPW12, towards the three billion targets of GPW13, which are still to be addressed starting in 2020 under a new PB. In such a scenario, the readers of the MTR and the Organization's stakeholders did not stand to be completely apprised of the overall assessment of the outputs delivery at mid-term under the PB 2018–2019 and GPW 12, and how the same were influencing the attainment of the outcomes, with consideration to the constraints and challenges.

172.    As an accountability report, the MTR must provide the information, analyses, and other inputs required from the programmes to have effective bases for an objective and reliable assessment of the Organization's progress towards its planned results. As the MTR is a product of self-assessment exercise of WHO's work for the first year of the biennium, programmes should be keen on ensuring that the reported progress or achievements and related progress assessment processes are supported by easily retrievable and verifiable evidence presented in a manner to allow analysis, verification/validation. The transparency and accuracy of the MTR can be undermined by the lack of relevant documentation of reported accomplishments and effective assessment process that support verification/validation.

173.    **We recommended that WHO enhance the PB implementation performance reporting by providing more focus on progress of outputs delivery and ensuring that related activities are closely monitored to exact better accountabilities and improve PB implementation reporting process.**

### 3.2.4  Programme results monitoring mechanisms

174.    As informed by the PRP, WHO has a corporate process for programmatic monitoring by programme area, for each department and programme area globally and led by programme area leads, which are usually the directors. The category leads, which are normally the ADGs provide oversight. However, for the programme level monitoring at HQ, we observed that the six programme areas of Category 1 – Communicable Diseases and the four for Category 4 – Health Systems, employed varying monitoring mechanisms/tools for their respective programmes.

175.    Relative to HQ's terms of engagements with the ROs, we noted that for Programme 1.1, issues/problems were raised in HQ/Senior Management Group (SMG) meetings and minutes while for country support, there were weekly Country Support for Impact (CSI) meetings with or within ROs online and minutes are available as well. For Programme 1.2, programme issues/concerns were addressed through regular teleconferences (TC)/videoconferences (VC) held with a pool of defined individuals in HQ and across the regions. For the TC/VC approach, a note for the record is circulated while for ad hoc interactions to manage issues/concerns, actions taken are typically in emails. For Programme 1.3, we gathered that concerns were managed at team level through the quarterly planning meetings or ad hoc meetings with the Director, as needed. For Programme 4.3, issues/concerns were discussed at various levels of the divisions depending on the severity or complexity and are handled on a case-to-case basis.

176.    On lessons learned, Programme 1.1 informed us that these have been integrated into policy, strategy and guideline development processes. We were also informed that a repository of lessons learned was not systematic, but some components have best practices reports/publications, others have clearing houses where lessons learned are documented such as the case of the voluntary medical male circumcisions (VMCC). For Programme 1.2, the formal repository on lessons learned was found within the VfM tool, where the content was registered as entries in various fields within the reporting template made available during periodic reporting events. For Programme 1.3, lessons learned were documented through the mid-term reviews, annual reviews, malaria programme reviews, national malaria strategic plan support and World Malaria Report. Repositories of lessons learned include national, regional repositories and libraries of national programme data at HQ level. These show that the management and documentation of lessons learned and of their use in subsequent planning/programme design varied as well. Given these, the current monitoring arrangements among programmes may not ably support subsequent decisions and learnings from the monitoring results; and will not strengthen organizational culture in terms of results documentation and dissemination of lessons learned.

177. The need for a common monitoring framework was highlighted during our audit in 2015 and were informed by the PRP that a draft monitoring and performance framework was developed parallel to the operationalization of the PB 2014–2015. As a result, a draft Annex 1 GPW 13 results monitoring and reporting was provided to us by PRP noting that one of the objectives of the framework was to assess organizational performance against achievement of outputs, especially towards influencing outcomes and impacts at the country level. Another objective is its use for monitoring implementation of workplans, including risks, and to inform lessons learned and the needed course corrections. During the current audit, the executive management meetings on the results reporting initiative, dated 9 October 2019, was provided to us by the PRP. The document was intended to strengthen focus on results monitoring across the three levels by providing mechanisms that ensure that the Organization is on track in its workplan implementation and provide early indication of success or issues toward achieving impacts at the country level. The initiative was to cover three interconnected and mutually-reinforcing segments that would particularly highlight the monitoring progress in delivering workplans for which the PRP provided inputs and the accomplishments towards the achievement of SDGs and GPW 13 triple billion targets, among others. Under the workplan segment, we determined that departments and budget centres were to regularly monitor workplan implementation and track implementation based on certain key performance indicators, among others.

178. Given the current operating reality of programme results monitoring and recognizing the need to further improve the exercise, we noted certain initiatives of the PRP intended to harmonize programme monitoring across the three levels of the Organization through the: (a) development of the Organization-wide tool, the VfM for monitoring and results reporting as well; (b) web portal with facility for tracking and additional reporting open to the public; and, (c) common guidance notes. We were also informed that a new monitoring framework is expected to increase harmonization and standardization of monitoring. A key feature of the new framework is the output scorecard which standardizes what is being measured, and how to measure and report on outputs/progress. We were further told that relevant tools will accompany the methodology.

179. Results monitoring, and accountability do not solely rest with the PRP, it only takes a share of them. In fact, the revised WHO Accountability Framework indicated that it is designed to support the Organization's results-based management approach whereby delegated responsibility, authority and accountability exist in a decentralized environment at all levels of the Organization, and to underline its commitment to the shared values and culture of accountability and transparency. In this sense, everyone in the Organization is accountable for the results expected to be achieved at varying degrees and levels. Another important accountability principle adopted by WHO is the alignment of strategic direction and results with accountability, and within this principle we recognize the roles and responsibilities of each of the delivery managers within each programme and complemented by the PRP and the senior management. It will then take a harmonized effort within the Organization to improve programme-level monitoring activities.

180. **We recommended that WHO harmonize programme-level monitoring mechanisms to establish specific responsibilities and mechanisms to track and monitor programme deliveries for more streamlined information management in support of organizational learning and future decisions.**

### 3.3. Fraud risk management

181. An effective fraud risk management enables an organization to identify and anticipate potential fraud risk events and manage these events within the defined risk appetite and ensure that organizational operating objectives are not negatively affected. Vulnerability to fraud can have dire consequences that

finally and negatively impact upon the Organization's reputation. Subsumed within the strategic management issue of risk management, an effective fraud risk management enables better fraud deterrence which COSO clarifies as a *process of eliminating factors that may cause fraud to occur.* The deterrence value of fraud risk management, according to COSO, hinges on the ability of an organization to establish a rigorous fraud governance process, a sound anti-fraud culture, a thorough risk assessment activity done on a periodic basis, effective design of fraud control and appropriate fraud response activities that include investigation.

182. In the United Nations, the effective prevention, detection and response to fraud had been the subject of the Joint Inspection Unit (JIU) in its 2016 Report (JIU/REP/2016/4), which recommended a fraud management framework to provide a road map for addressing anti-fraud activities in United Nations system organizations and potentially provide an assessment tool for future benchmarking. The JIU Inspectors also highlighted eight pillars for a robust anti-fraud programme that are also found in other authoritative professional guidance. These include governance and leadership, risk assessments, strategies and action plans, fraud controls, complaint mechanisms, investigation and disciplinary measures and sanctions.

183. Based on the report of the IOS for calendar year 2018, there were 309 fraud cases reported for the period 2016–2018 including cases on corruption, harassment, failure to comply with professional standards. The number of cases increased from 79 in 2016 to 148 in 2018. In the reported fraud cases, 51% related to procurement, 22% to health insurance claims, 13% to travel claims, and others related to Direct Financial Cooperation, misrepresentation and fraud schemes against the Organization. Investigation activities of the IOS showed that out of the 248 cases for investigation in 2018, 81 were closed leaving a balance of 167 as at 31 December 2018.

### 3.3.1  Fraud risk management governance

184. We examined the Fraud Prevention Policy and Fraud Awareness Guidelines and determined several policy components such as: roles and responsibilities, commitment to manage fraud, fraud awareness and training, affirmation process, conflict disclosure, fraud risk assessment, reporting procedures and whistle-blower protection, investigation process and corrective actions. We also took note of other policies that define the senior management's expectations of staff behaviour and commitment to integrity and ethical values of staff and external providers. These include the Code of ethics and professional conduct, declaration of interest, Policy on whistleblowing and protection against retaliation, among others. The commitment of WHO to manage its fraud risks is also supported by its Accountability and Internal Control Frameworks and to deliver its fraud-related policies, instil a culture of accountability throughout the Organization and adhere to its zero-tolerance policy against fraud, the policies, procedures and processes must be made relevant and effective.

185. Although the responsibility for the implementation and review of the Fraud Prevention Policy rests with the high-level committee comprising the Comptroller, Compliance, Risk and Ethics Office (CRE), IOS, Legal Office (Legal) and Human Resources Department (HRD), our discussion with these offices pointed out that there has been no review of its implementation or update on the policy that was issued more than a decade ago. In this sense, the new corporate arrangements made after 2005 are not made clear in its Fraud Prevention Policy and Fraud awareness guidelines particularly on the roles and responsibilities of the key players pertaining to fraud risk management.

186. We also noted that the WHO Fraud Prevention Policy sets out the responsibilities of the Director-General, the Comptroller, IOS, HRD and Legal. The CRE, which was created in 2014, was included as part of the high-level committee as stated in the eManual. However, the specific

responsibilities of these Offices on how fraud risk management is carried out and made effective were not clearly defined. Although the WHO Corporate Risk Management Policy indicates that the CRE is responsible in ensuring the effectiveness and relevance of the corporate risk management framework, there is no clearly-established policy on the key roles of CRE in fraud risk management and the functional support it will provide to guide management and personnel. HRD, IOS and Legal Office have functions that partly execute anti-fraud activities, but the nature of assistance needed and services specific to the fraud risk management programme are still to be clearly established for the complete representation of roles and responsibilities relating to fraud risk management.

187. The CRE commented that the fraud policy was established in 2005. Therefore it does not articulate clearly how all stakeholders directly or indirectly involved in the fraud risk management process (which include today CRE) would contribute to the organizational effort to prevent/detect fraud. The eManual mentions the role of Comptroller, IOS, CRE and legal counsel in assisting the Director-General in discharging his responsibility on detection, prevention of fraud in the Organization, with limited delineating of the responsibilities. Further, the CRE informed us that having the responsibility for dealing with fraud-related matters dispersed across different parts of the Organization does not contribute to the effectiveness of the Organization's fraud management efforts. Having a governance arrangement for fraud management where one department is clearly tasked to coordinate fraud-related activities at all levels of the Organization would put the Organization in a better position to achieve its objectives of fraud prevention and management. CRE would welcome that this is appropriately addressed in the future policy.

188. Establishing clear and definite fraud risk management governance draws an organization's *actions* closely to more effective engagement and management of its fraud vulnerabilities. WHO still has improvements to undertake in establishing the best-fit fraud risk governance arrangements including the individual accountabilities. WHO must also anchor its fraud risk management activities, including its current related policies, on a well-established fraud risk governance policy to concretely demonstrate its commitment to zero-tolerance policy against fraud. With a more robust policy to manage its fraud vulnerabilities, WHO can then establish a more rigorous fraud governance process, a transparent and sound anti-fraud culture, a thorough fraud risk assessment, more effective preventive and detective fraud control activities and swifter action in response to fraud allegations.

189. **We recommended that WHO re-define its overall fraud risk governance structure and provide specific roles and responsibilities to its key players to better clarify fraud risk management accountabilities and set the tone for future fraud-related policies.**

### 3.3.2 Conduct of fraud risk assessment

190. The conduct of fraud risk assessment generally involves the identification, analysis and *evaluation* of risks. In WHO, risk assessment is defined as the systematic process of identifying and prioritizing risks where risks are identified from the bottom up and structured into six categories. The risk prioritization done by the Organization is delivered through risk level rating based on the risks' impact and probability of occurrence. In the whole risk assessment exercise, it is understood that such activity is documented to facilitate effective review and communication. Since the risk assessment process is iterative, it must be reviewed periodically particularly if changes within the Organization occurred. In the Organization's internal control framework, the CRE acts as the functional lead in risk assessment, working with the ADGs, Regional Directors (RDs), DAFs, the Comptroller and other functional leads. The CRE is also responsible in ensuring that the overall risk management framework is effective and relevant and applied Organization-wide.

191.   In 2016, the JIU issued a report on Fraud Prevention, Detection and Response in United Nations system organizations (JIU/REP/2016/4) recommended that the executive heads of the United Nations system organizations should, if they have not already done so, conduct a comprehensive corporate fraud risk assessment, as an integral part of their enterprise risk management system or as a separate exercise, addressing fraud risks at all levels of their respective organization, including headquarters and field offices, as well as internal and external fraud risks. Such assessments shall be conducted at least biennially at the corporate level, and more frequently, based on need, at the operational level. For its response, WHO indicated that the recommendation has been implemented, declaring that WHO's organization-wide risk management approach was rolled out in 2014, and fraud risks are specifically considered as part of the exercise. Top corporate risks are reported to the Executive Board on an annual basis, including fraud risks. However, as to the performance of specific fraud risk assessments, the CRE informed us that no centralized/holistic review was conducted. It also commented that there might have been dispersed efforts to review the implementation of the policies by different managers/departments in the context of their activities. It may be interesting to get the perspective of other colleagues on this. The CRE further highlighted that the audit of fraud risk management will be a very informative exercise which will provide a structured assessment on the maturity of the Organization on managing this topic and looks forward to seeing any lesson learnt to be incorporated into a structured fraud risk management programme.

192.   Taking the above representations, we ascertained that although the JIU recommended conducting a comprehensive corporate fraud risk assessment, the existing Organization-wide risk management approach of WHO still does not address the key elements of fraud risk assessment. However, we noted that efforts are being undertaken to improve on this activity. The development of the Risk Management Tool (RMT) in 2017 facilitated the establishment of risk register by budget centres, capturing the risks and related risk response actions to allow better oversight and quality control throughout the management process. We were also informed that an external work has been commissioned by the CRE to undertake a review of its approaches and the commitment of the Secretariat to improve its risk management practices globally through continuous innovation and evolution.

193.   Nevertheless, and all points considered, the results of our review of fraud risk assessment suggest two important aspects that must be communicated: (a) the need to commit to and perform fraud risk assessments; and (b) the need to make fraud risk assessment process more visible and communicated throughout the Organization. The increasing incidents of fraud and substantiated fraud cases reported by the Internal Auditor is a compelling factor for WHO to enhance its fraud risk assessment process and consider new tools or approach in the assessment of fraud risk. The key elements contained in the Fraud risk management guide aligned in the COSO model can be a significant tool in improving its practices and processes.

194.   **We recommended that WHO conduct a concrete and formally-documented fraud risk assessment exercise, through the CRE, at periodic intervals and at appropriate levels to obtain better traction in forwarding the Organization's commitment to manage its fraud vulnerabilities.**

### 3.3.3  Human resource management fraud controls

195.   HRD informed us that fraud awareness training is not made part of its mandatory training for all staff although it includes some courses related to fraud such as the United Nations course on prevention of harassment, sexual harassment and abuse of authority, among others. We were also informed that the exit interviews are not conducted systematically but we were not provided a response on our query if there is a monitoring on the compliance of signing the annual declaration of interest and the actual conduct of fraud awareness training outside of the mandatory training policy. However, the IOS

informed us that as part of each Regional Office and Headquarters major office audit, it reviews compliance with the DOI policy. The IOS also informed us that as part of its operational audits, it includes a test on DOIs including those of the external experts. Further, we gathered that the IOS conducts presentations on fraud awareness during its audit missions and some induction meetings with new staff at headquarters, which implies that not all staff receive training on fraud awareness.

196.  From a survey that we conducted, we determined that out of the 51 general service staff and professional staff respondents, 31.37% disagreed with or did not know the statement that there is a training programme*,* which includes orientation programmes for new employees and ongoing training for all employees that addresses the topic of ethics and compliance, including relevant corporate policies and procedures. It is also noteworthy that 29 to 35% of the respondents disagreed with or did not know the statement that employees or staff who circumvent controls or break laws, rules and regulations affecting WHO will be discovered, and employees or staff from WHO found stealing(physical property, money, information, time) will be discovered. Although most responses have positive tone indicating that there are policies and procedures that help ensure the prevention and detection of fraud, training on fraud awareness and fraud policy is an activity that needs further attention. About fraud risk assessment, we were informed by the CRE that it is developing training modules on risk management and had internally agreed to find a way to cover this important topic, and that some regions have some initiatives in this direction and it is in the process of engaging with them on this topic.

197.  Given that staff competency is a form of control, staff training must then be viewed as a key element in any *organization's* internal control environment. The effectiveness of controls, whether in the form of *hard* or *soft* control is always dependent upon the competency of the one delivering the said control. In terms of fraud risk management, training and competency build-up help reduce the likelihood of the fraud factors and indicators not being identified and managed. Training reinforces staff commitment as evidenced in work quality, work practices and efficiency. However, embedding fraud controls within human resource management process does not exclusively rest within the sphere of staff competency. It can also be found at the points of staff induction and exit. The preparation of the DOI by WHO staff at the point of employment commencement has a material fraud deterrence value. On the other hand, the conduct of exit interviews offers the Organization with an effective platform to identify fraud indicators and factors. Contextualizing all of these within the frame of effective fraud controls, there is therefore a material role that human resource management does to help eliminate the causes of fraud and prevent the same from happening. By deploying these fraud control activities through well-documented policies and procedures.

198.  **We recommended that WHO include in the fraud risk management policy, the mandatory training requirement for all staff on fraud awareness and prevention, and for HRD to include the same in its mandatory training programme; and monitor staff compliance with the declaration of interest and to systematically conduct exit interviews noting any fraud-related issues that may arise.**

### 3.3.4  Fraud reporting mechanism

199.  The COSO crafted its fourth fraud risk management principle which declares that the organization establishes a communication process to obtain information about potential fraud and deploys a coordinated approach to investigation and corrective action to address fraud appropriately and in a timely manner. The principle is further elucidated in the accompanying points of focus with emphasis on the first one, i.e., the organization establishes, formally documents, and maintains a process for the receipt, evaluation, and treatment of communications of potential fraud.

200. The IOS disclosed that it receives complaints through various channels including WHO integrity hotline, investigation email address, direct line reporting, internal audit and other sources. On the other hand, the CRE informed us that they do not receive reports of any suspected wrongdoings or fraud related issues that were directly received by the IOS since it investigates fraud cases. However, the Ethics/CRE is engaged by the IOS during investigation proceedings or whenever there is risk of retaliation. We also gathered that the CRE receives the reports or complaints submitted through the hotline, then forwards to IOS the cases related to alleged irregular activities and wrongdoings and that the CRE does not decide whether an investigation is necessary. After receiving reports of fraud suspicions, the next fraud response strategy is generally to establish an investigation team and formulate related procedures. As to the volume of fraud cases in the Organization, we ascertained that WHO has an increasing trend of cases that include corruption and fraud received by the IOS which stood at 79 in 2016, 82 in 2017 and 148 in 2018. The data does not include those that were received using the integrity hotline. As of October 2019, we determined that the total case load of the IOS for fraud and corruption cases alone stood at 188 cases covering the periods 2016–2019. With these statistics, it becomes obvious that fraud investigation, as a fraud response activity, must be supported with a clear fraud reporting mechanism, for this is the primary precursor to fraud investigation works.

201. We noted that currently there is no central repository for all allegation and complaints received by WHO, but the IOS mandate suggests that it needs to be informed of all fraud and corruption cases received by the Organization. We were informed that the IOS logs only the cases directly reported to them, through the IOS case log in SharePoint following the review by the intake committee that is done normally on a weekly basis, but there is no record of the cases which may be handled by the regional offices. One function that can impact upon the tracking of fraud complaints is the use of the WHO integrity hotline that is managed by the CRE. In this mechanism, the CRE receives the reports or complaints obtained through the hotline which then forwards to the IOS the cases related to alleged irregular activities and wrongdoings. The reports are not always received by the IOS on a timely basis and when engagement with complainant is needed, the IOS still must seek support from the CRE as it has the sole access to the hotline, a process that may not be efficient.

202. We concluded that the current mechanisms supporting the fraud response still need enhancement. For one, a central repository for allegation and complaints is vital to support the deployment of a coordinated approach to investigation and corrective action to address fraud appropriately and in a timely manner. In this regard, we gathered that the IOS systematically logs the reported fraud allegations in its case management database (SharePoint) that can serve as a central repository for fraud allegations, However, the repository can have completeness issues since IOS is not the mandatory first point of contact for fraud allegations and since these may be reported to supervisors or DAF and the IOS has no direct access to the WHO integrity hotline. Streamlining of coordination procedures between offices needs to be improved for better efficiency and communication. We gathered that in 2017, an independent external assessment of the WHO investigation function was performed and one of the recommendations that is still outstanding was that the "IOS and CRE initiate a modification of the integrity hotline design, whereby those incident types, which clearly constitute categories of misconduct, are directly transmitted to IOS", to which we align.

203. **We recommended that WHO streamline its fraud reporting mechanisms and coordination in support of the creation of a central repository for all reported fraud allegations and complaints to ensure that the IOS case data include those reported through the integrity hotline and other mechanisms, all to enhance the fraud deterrence value of the Organization's fraud response.**

### 3.3.5  *Monitoring of implementation of fraud policies*

204.  Of the 17 Directors and ADGs that we have surveyed, we noted that less than 50% of the respondents agreed that WHO provides training on the Code of ethics and professional conduct, the Fraud Prevention Policy and Fraud Awareness Guidelines to the senior management and personnel annually; has ethics-related metrics incorporated within performance evaluation process; and, timely responds to allegations of fraud and misconduct by triaging the issue into appropriate response mechanisms. The responses suggest that changes in certain policies and mechanisms must be made.

205.  On the other hand, from the 51 randomly selected general service and professional staff, less than 20% do not agree with the statements that WHO management complies with laws, rules and regulations affecting the Organization, demonstrates high ethical standards; managers and employees are sensitive to ethical considerations and the impact on, and the perception of, others when making decisions or taking actions; standards related to personal conduct are periodically discussed with employees by managers and/or supervisors; and Employees in my work unit are treated fairly and justly. The noted disagreements point toward the need for WHO fraud-related policies to be re-assessed. Moreover, a number of respondents commented that: continuous training is needed, to be fit to change management and environment; unfairness does exist in the Organization hence demotivation (rules on mobility); less than transparent decision making on key areas, disregard of appropriate use of contract types in favour of financial considerations, and lack of communication and sometimes respect to staff; and, certain people get away with things or are "given" things because of their "loyalty". The comments likewise indicate that there are events that allow fraud risk to be present due to opportunities.

206.  Given the respondents' representations, we highlight an important activity of policy implementation monitoring to assist the Organization in continuously improving its fraud control activities and in identifying deficiencies, input for corrective action and proper oversight to ensure that timely actions for improvements are carried out. The comments of the respondents also imply the need for an effective review of WHO fraud-related policies. On this, the CRE Coordinator commented that to the best of its knowledge, no centralized/holistic review was conducted but emphasized there might have been dispersed efforts to review the implementation of the policies by different managers/departments in the context of their activities. The CRE further informed us that this external review on fraud risk management will be a very informative exercise which will provide a structured assessment on the maturity of the Organization on managing this topic and CRE looks forward to seeing any lesson learned incorporated into a structured fraud risk management programme.

207.  As regard the WHO Corporate Risk Management Policy, we noted in the policy that it needs to be reviewed three years following its entry into force but the CRE stated that the review of the risk management policy is planned for the biennium 2020–2021 and reviewing the policy in this period will provide the Organization with the opportunity to build an enhanced enterprise risk management (ERM) system. Moreover, we observed that there are no specific provisions in the Fraud Prevention Policy and Fraud Awareness Guidelines on how their implementation is to be monitored. Nevertheless, we looked at the work of the IOS in relation to implementation of the said policies.

208.  Our discussion with the IOS showed its significant contribution in aiding WHO in evaluating effectiveness of controls. They also took the initiative of providing presentations about WHO's Fraud Prevention Policy and Fraud Awareness Guidelines starting in 2018 with topics on elements and indicators of fraud, fraud risks affecting WHO, and reporting fraud. This activity is conducted during audit missions and induction trainings of new staff at HQ. On the evaluation of the fraud risk management process, the Internal Audit explained that in the last years, IOS has not conducted a cross-cutting audit on "fraud risk management". However, as part of each audit we include fraud

considerations and testing designed to identify red flags or potential areas of internal control weaknesses. The Office also informed us that the risk management area, including fraud considerations, is reviewed in each audit. The IOS indicated that as part of the planning process of WCOs, IOS submits a standard fraud risk-self-assessment questionnaire to management, which is reviewed and validated by IOS through specific audit testing.

209.    While the IOS work forms part of separate periodic evaluations of fraud controls embedded into organizational processes within WHO, such only complement the comprehensive review of corporate fraud policies, particularly with the advent of new best practices in fraud risk management. In fact, the COSO fraud risk management principle of monitoring indicates that organizations must perform evaluations to ascertain whether its fraud risk management activities are functioning as expected. The process of monitoring of policy implementation is always a precursor to policy and process improvements. The varied fraud management policies of the Organization also highlight the need of policy implementation monitoring. It is worth mentioning that the report on anti-fraud activities within WHO through results of the internal audit and investigation work of the IOS may not give a complete picture of the implementation of the fraud risk management within the Organization. At this juncture, we highlight a provision in WHO's Accountability Framework which states that the consistent application of rules, formal delegation of authority, clearly defined roles and responsibilities, and the effective integrated management of the components will lead to a more accountable and transparent Organization which connotes that consistency of application of WHO's rules, including its fraud prevention policy, can only be ascertained if these are also comprehensively monitored.

210.    **We recommended that WHO undertake comprehensive monitoring of the application of its Fraud Prevention Policy and Fraud Awareness Guidelines and related policies, to establish prerequisites for enhancing the Organization's fraud risk management mechanisms and further improve its risk awareness culture.**

## 3.4    Control environment in regional and country offices

211.    For the financial year 2019, we reviewed the design and operating effectiveness of embedded controls across critical processes in the WHO Regional Office for the Eastern Mediterranean, and Country Offices for Nigeria and Uganda. 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 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.

212.    The control gaps noted in the review of critical processes in the WHO RO and COs with the corresponding specific audit recommendations were communicated by audit observation memoranda and management letter. We encourage WHO to improve supervision, comprehensive results monitoring and robust enforcement of regulations, policies and procedures.

## C. DISCLOSURES BY MANAGEMENT

213. **Write-off of cash:** Management reported that in accordance with Section 13.6 of WHO Financial Regulation XIII, a total of US$ 53 748 was approved for write-off in 2019 (US$ 413 678 in 2018). This amount is comprised of (i) US$ 32 985 pertaining to payments to former staff members due to delayed HR actions and travel related; (ii) US$ 2 310 relating to old cases of supplier advances and credit memos; and (iii) US$ 18 266 relating to rental security deposit; and (iv) US$ 187 relating to loss of cash from India country office. We noted that the appropriate procedures for write-off were observed.

214. **Ex-gratia payment:** There were three ex-gratia payments amounting to US$ 275 953 made in 2019 (US$ 1 422 in 2018).

215. **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

216. We validated the implementation of External Audit recommendations contained in prior years' audit reports. We noted that of the 27 recommendations, 19 (70%) have been implemented, and eight (30%) were still in progress of implementation. 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

217. 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.

218. We also wish to express our appreciation to the World Health Assembly for their continued support and interest in our work as External Auditor from 2012–2019.

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


3 April 2020
Quezon City, Philippines

Appendix

# STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PRIOR YEARS (DOCUMENTS A72/39, A71/32 AND A70/43)

| Ref. | Recommendation | External Auditor's Validation |
|---|---|---|
| | **A72/39** | |
| 1 | **Pre-payments made at year-end**<br>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 pre-payments made at year-end. | **Implemented**<br>The data extraction query has been amended to reflect actual payment dates (instead of only payment status). This will facilitate reporting of pre-payments based on accurate year-end cut-off. |
| 2 | **Timely receipts of deliverables on service contracts**<br>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 LOA above US$ 50 000 to properly recognize prepayments and accruals. | **In progress**<br>An electronic workflow was released in June 2019 to enforce the timely receipt of APWs (to companies) above US$ 50 000. This eReceipt is currently in use in HQ as a pilot. Management informed us that they would like to extend its use to other service types (non-grant LOAs, TSAs, GES) and to all major offices earliest in 2020. |
| 3 | **Personalized follow-up with award managers**<br>Require the 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. | **Implemented**<br>In addition to monthly messages sent by GSC to follow up AR, high risk items are followed up by FNM through WHO senior management. |
| 4 | **Travel quality checks in regions**<br>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. | **Implemented**<br>TQS teams have been harmonized across the Organization and the following additional measures have been taken:<br>• updated SOP;<br>• information was shared with Administrative Services Officer (ASO) network and further clarification provided in January 2020.<br>Since November 2019, TQS checks have been implemented in EURO, which was the only outstanding region with no such control in place. Now, all TQS checks are performed for all offices. |

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| 5 | **Efficiency and effectiveness of GSC services**<br>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. | **Implemented**<br>The creation of a new compliance unit in GSC is approved. The new compliance Unit to be established will deliver on the recommendation to improve efficiency and effectiveness of GSC services. |
| 6 | **Compliance and reporting function on GSC services**<br>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. | **Implemented**<br>The creation of a new compliance unit at GSC is approved. The new compliance unit to be established will deliver on the recommendation to improve efficiency and effectiveness of GSC services. |
| 7 | **WHO resource mobilization strategy**<br>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. | **Implemented**<br>Document EB146/29 – WHO's resource mobilization strategy, presents to the Programme, Budget, and Administration Committee (PBAC) and the 146th session of the EB WHO's resource mobilization strategy. After extensive review of internal resource mobilization processes – revised policies, a detailed SOP on resource mobilization has been developed and harmonization of roles and responsibilities across the Organization has been done. Development of a contributor engagement management system noted under point 9 will underpin this work. |
| 8 | **RMS Framework**<br>Consider the development of a detailed implementation plan to operationalize the RMS framework, in line with the operating model under the WHO transformation. | **Implemented**<br>The Secretariat has critically examined the effectiveness of several internal processes over the last 18 months and during 2019 has introduced some updated approaches to resource mobilization. Examples of this include the creation of partner engagement teams, which, according to the needs and funding profile of the respective contributors, brings together colleagues across all three levels of the Organization. |
| 9 | **Change management strategy for new RM model**<br>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. | **In Progress**<br>Having undertaken a rigorous request for proposal process, the Secretariat is investing in a contributor engagement management system (CEM) system that will allow the Organization to better manage the end-to-end resource mobilization and grants management processes. Work is under way across the three levels of the Organization to define SOPs. The Secretariat expects to begin rolling out the use of this new system towards the end of 2020. |

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| 10 | **GPEI – Resource mobilization activities**<br>For Global Polio Eradication Initiative (GPEI) under WHO Polio Eradication Department (POL) to take the lead in its resource mobilization activities for the 2020–2023 funding requirements with the technical support of Coordinated Resource Mobilization (CRM) until the redesigned RM strategy is harmonized and embedded in the Organization's operations. | **Implemented**<br>Staff in WHO POL working on resource mobilization continued to coordinate with CRM, as the new operational resource mobilization model. Specific concrete actions include participation in the CRM led donor engagement teams to ensure coherent donor approach, WHO polio fundraising targets included in the overall resource mobilization targets for WHO, participation in CRM meetings and annual planning meeting. GPEI partnership will continue to be responsible for resource mobilization, advocacy and communications for the entire GPEI budget, including the portion of polio included in the WHO base budget. POL participates actively in GPEI resource mobilization and advocacy through the PACT plan and the investment case. |
| 11 | **eManual for Health Emergencies and related SOPs**<br>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. | **In progress**<br>The new SOPs for the Health Emergencies programme are published and new sections within eManual are added relating to emergency operations, clarifying roles and responsibilities; working with partner organizations; team transportation and fleet management; procurement for emergencies. All remaining sections are in final draft form and will be published in 2020. |
| 12 | **Fleet Management**<br>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. | **Implemented**<br>To strengthen fleet management operations across the Organization, a new unit (Fleet Management) under Business Operations division. A standard WHO fleet management system (Tracpoint) and related tools (tracking devices, SOPs, training materials) have been developed by WHO Fleet Services and are included as a requirement for all WHO vehicles (including rentals) in the WHO policy on road safety and vehicle management. |

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| **13** | **Emergency procurement during declared emergencies** 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. | **Implemented** Related procurement policies were adopted and published in the Emergency (WHE) part of e-Manual. Collaborative work will be required between WHO/OSL and Supply, in the context of the development of a global policy for supply chain (pending transformation decision). In the interim, the WHO global procurement network decided during its annual face-to-face meeting to create a working group to explore possible solutions. |
| **14** | **Emergency travels** 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. | **Implemented** The emergency travel policy has been revised and uploaded to the eManual. It has also been shared with all relevant staff. In addition, a further criterion for emergency travel was informed to travel networks across the Organization. |
| **15** | **Recruitment policies** 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. | **In progress** Results of our audit of human resource management showed the occurrence of these conditions. |

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| 16 | **CFE financing campaign**<br>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 strengthen the resource mobilization efforts at country level to sustain reimbursements to the CFE through donor contributions. | **In progress**<br>Progress has been made in broadening support to the fund. Contributions averaged US$ 15 million per year from 2015–2017. This jumped to US$ 37 million in 2018 and US$ 54 million in 2019, with the overall donor base doubling to 22. The current replenishment model is heavily dependent on contributions from a few traditional donors. WHE is undertaking a review to look at ways to deepen existing partnerships, widen the pool of Member State donors, and explore alternative sources of funding, including the private sector, foundations and internal sources of revenue. In this regard a draft set of recommendations has been produced following a recent first round of internal consultations. |
| 17 | **Review of draft hosting agreement FCTC/WHO**<br>For WHO Framework Convention of Tobacco Control (FCTC), Engage the Conference of Parties through the Bureau, to facilitate the process of review of the draft hosting agreement with WHO relevant departments, including Office of the Legal Counsel (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. | **Implemented**<br>The WHO hosting terms for the secretariat of the FCTC and its Protocols was agreed, finalized and promulgated by the WHO Director-General. |
| 18 | **FCTC quality assurance guidelines**<br>For WHO FCTC, 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;<br>(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. | **Implemented**<br>WHO is in the process of piloting an implementation review mechanism for the WHO FCTC. Such a mechanism is foreseen in the Global Strategy to Accelerate Tobacco Control 2019–2025 and is likely to be established in late 2020 or 2021 in accordance with specific objective 3.1.2. As part of this process we currently have an expert panel that will formulate recommendations for COP9 not only on how to carry out an implementation review but also how to further adjust the reporting instrument to ensure quality assurance and include information on enforcement of the various measures required under the Convention. We keep the biennial reporting period as key checkpoints while the checkpoints for implementation review by a mechanism that is going to be established will fall between the reporting periods. The role and responsibility of data quality assurance will be assigned to evaluators that will form the implementation review mechanism (committee, expert panel, etc.) as per the forthcoming decision of COP9. |

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| 19 | **2018–2019 Workplan**<br>For WHO FCTC, update the 2018–2019 workplan and budget to be aligned to the 2019–2025 Global Strategy. | **Implemented**<br>A side-by-side alignment of the GS2025 to the adopted workplan and budget 2018–2019. While this does not change the workplan and budget, it already serves as the basis to kick off its implementation. |
| 20 | **Budget Centres compliance**<br>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. | **Implemented**<br>To further strengthen the supervisory and monitoring controls, CRE is currently implementing the following changes to the online ICF tool: Introducing an online workflow to the ICF tool to enhance the validation mechanism by the RDs and ADGs; and introducing a mandatory online follow-up mechanism for identified improvement areas. We close this recommendation as it is reiterated in the current report as a result of the review of risk management in some budget centres. |
| 21 | **Risk Management**<br>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. | **Implemented**<br>CRE has systematically worked with PRP on embedding risk management in the planning process, including the mid-term review and the results report, and the risk process is now fully aligned with the process for operational planning. Furthermore, the Office will launch a global iLearn training for risk management, which will improve the capacity of staff at all levels of the Organization with regards to risk management. We close this recommendation as it is reiterated in the current report as a result of our review of some budget centres. |
| | **A71/32** | |
| 9 | **WFS project on vehicle management**<br>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. | **Implemented**<br>The WFS project was endorsed at the DAF meeting in April 2018. Road safety and fleet management policy to be integrated in e-Manual in March/April 2019. The WFS project has now been formally moved under Business Operations division and is receiving full organizational support. |

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| 10 | **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: <br> a. incorporating a requirement for justification and Department of Information Management and Technology (IMT) approval for IT equipment procured outside of the standards set for better transparency and accountability; <br> b. providing regular updates to business units on the age of IT equipment to support acquisition planning and decisions on IT replacement and purchases; <br> 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 <br> d. providing AMG with access to IMT mobile device management tools such as the system centre configuration manager (SCCM) and AirWatch to speed up the equipment verification. | **In progress** <br> *Tasks Completed***:** A central stock is maintained for rapid delivery for urgent needs. Purchase of non-standard equipment is vetted by IMT for proper justification. AMG has been provided access to the IT tools to speed up verification. Business units are provided updates on aging equipment to plan purchases. <br><br> *In progress:* Development of end-user equipment policy and proposal for central procurement of equipment with standard configuration is in progress. |
| 15 | **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. | **Implemented** <br> 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 2019. In addition, within the ICF self-assessment, users are encouraged to draft action plans for management areas that had been rated weak or needing strengthening. |
| | **A70/43** | |
| 1 | **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. | **In progress** <br> As part of WHO transformation initiative, supply chain and procurement end-to-end processes are being redesigned. Implementation of these deliverables is anticipated as part of GPW 13 implementation. In addition, under the new organization structure, a new supply chain department has been established under the BOS. |

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| 2 | **IT strategic plan**<br>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. | **Implemented**<br>IMT developed a strategic plan during 2019. The strategic plan aligns the vision, mission and strategic outcomes with the Organization's GPW 13. The strategic plan was endorsed in September 2019 by the IT steering committee. EB/PBAC was provided an update in January 2020 (EB146/40). |
| 6 | **Control framework on IT management**<br>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. | **In progress**<br>(i) Outsourcing arrangements have gone through rigorous controls. Contract management team are active in reviewing all agreements. LTAs have been established for resource managements. Contracts are monitored for managed services.<br>(ii) IT performance management framework has only been included in the new 2020 structure (following HQ's transformation) and the drafting will be initiated in 2020. |

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