External and internal audit recommendations: progress on implementation

Report by the Director-General

1. This report provides an update of actions taken to ensure the implementation of external and internal audit recommendations, as well as an overview of the actions taken following the outcome of investigations referenced in the report of the Internal Auditor for 2023.\(^1\)

2. WHO is pleased to have received an unqualified (clean) audit opinion from the External Auditor on the financial statements for the year ended 31 December 2023,\(^2\) a testament to the hard work of all staff members across WHO. The achievement of consecutive years of unqualified audit opinions confirms the Organization’s commitment to continuous improvement in transparency and accountability.

3. WHO is audited extensively, with distinct audit services provided by internal and external audit. Beyond the statutory audit of the financial statements, 19 other audits were conducted in 2023 (2022: 17 audits). To prioritize its focus on implementing the resulting recommendations and to reduce the likelihood of recurrence, the Secretariat established a set of “top 10” audit priorities for 2023‒2024 (see Annex 1) of recurring issues. This provides a risk-based framework for management at all levels to respond to ongoing and emerging challenges.

4. The Director-General leads by setting the tone at the top, with executive management and accountability function directors closely monitoring performance in implementing the audit priorities during periodic status reviews in order to ensure that WHO builds on its efforts to enhance transparency, efficiency, accountability and compliance, while making every effort to close the auditors’ recommendations in a timely manner.

Audit recommendations issued during the 2023 audits

5. In 2023, the External Auditor issued 44 audit recommendations (2022: 50 recommendations) and the Office of Internal Oversight Services issued 345 recommendations (2021: 251 recommendations), giving a collective total of 389 new audit recommendations (2022: 301 recommendations). Of the total recommendations issued, 109 were classified as “high priority”, 277 were assigned as “medium priority” and the remaining 3 were classified as “low priority”. Of these, 284 recommendations relate to administration, 78 to programme activities and 27 to the World Health Emergencies Programme. The Secretariat agreed with all the recommendations.

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\(^1\) Document A77/23.

\(^2\) Document A77/22.
6. The Independent External Oversight Advisory Committee (IEOAC) reviews the status of internal and external audit observations,\(^1\) overseeing the progress made to address audit recommendations and their underlying root causes, and provides expert guidance.

**Top 10 priority audit recommendations**

7. Progress has been made against all top 10 audit priorities. In 2023, 340 related past audit recommendations were closed, with actions on an additional 217 recommendations in progress (see Annex 2). Based on this progress, as well as new audit recommendations related to the top 10 priorities issued in 2023, the Secretariat reconfirms the relevance of the current top 10 audit priority areas (a) to (j) for the coming years, until addressed systemically, which are listed below.

(a) **Business Management System (BMS)**

8. The BMS project is key to addressing the underlying process and control issues arising in many of the top 10 priority areas. Furthermore, it has continued to implement the findings and recommendations of the auditors in their 2023 audits on the BMS project, as well as the recommendations of the IEOAC. Action is being taken to mitigate risks, including through contingency plans in relation to the ambitious project deadlines.

9. The Secretariat is pleased to report that the first waves of BMS implementation have been rolled out, namely the pilot phases in the area of transportation and warehouse management and the system for programme management in support of planning for the Fourteenth General Programme of Work, 2025–2028.

10. In response to the recommendations, WHO, through its strong project-governance mechanism, is taking steps to mitigate the risks identified, including financial risks. The Secretariat continues to regularly review the progress of implementation and monitor the organizational readiness for changes, with an emphasis on achieving business benefits. The external auditor will assess the status of audit observations following implementation.

(b) **Procurement processes and compliance**

11. In 2023, procurement remained an area of focus. The external auditors completed a performance audit of the WHO supply chain. Internal audits identified the improvement of supply chain, vendor management and procurement processes as priority areas in 2023.

12. The Secretariat continues to implement its strategy to modernize the operation of procurement across the Organization, which will address this priority. Milestones achieved throughout the year include the implementation of an updated policy, with revised bidding thresholds, to facilitate more efficient low-risk and low-value procurement while maintaining controls on higher-value procurements, aligned with the new delegation of authority.

13. Other policy improvements introduced and designed particularly to assist country offices in their procurement processes include the streamlining of processes for orders placed against long-term agreements and easing the use of another United Nations entity’s long-term agreement when adopting the principle of mutual recognition. The WHO procurement network met to strengthen capacity and

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\(^1\) See document EB150/5, Annex, paragraph 4.
expand expertise. For example, a process to monitor delivery timeliness and performance of emergency kits suppliers, which are a main WHO spending category, was introduced.

(c) Supply chain and inventory management

14. The Secretariat is actively implementing its 2022 supply-chain management strategy, which involves improving guidance notes and materials, inventory-management planning, strengthening the control environment and enhancing practices to keep optimum inventory levels and reduce the stocks of expired items.

15. Digitization of key supply chain functions remains central to WHO’s organizational approach. Distribution and shipping activities are now supported by the BMS transportation management system in 10 pilot countries, which allows for easier tracking and monitoring of shipments and the identification of bottlenecks in green-light processes, which in future will support an efficient onboarding in all country offices and will eventually provide access to a track-and-trace facility for all orders.

16. The BMS warehouse management system was launched in Iraq in late 2023 and will be rolled out to further countries in 2024. This will be complemented with a bar-coding and item-coding process in 2024 and 2025, which will reduce wastage, improve and enable ordering from stock, and will ensure that inventory is better managed and ultimately improve service by country offices to health ministries.

(d) Management of and assurance activities related to governmental counterparts and entities receiving financial support

17. The auditors identified opportunities for improvement in the management of financing provided to governmental and other counterparts, including with respect to undertaking capacity assessments when selecting implementing partners; undertaking assurance activities over direct implementation, direct financial cooperation and grant letters of agreement; monitoring, review and reporting of implementing partners’ expenditure; the management and tracking of assurance activities; the timely submission of progress/financial reports; and managing risks when implementing the direct disbursement mechanism.

18. To help address these risks, the Secretariat has updated policies and standard operating procedures on risk assessment and assurance activities. They streamline the process, drawing upon the work done by other entities in the United Nations system, including harmonizing the assessment process of implementing partners to align with harmonized United Nations system approaches, where practicable, and encouraging the use of third-party service providers for assurance activities. The Global Assurance Hub will support headquarters, regional and country offices in their implementation of plans to carry out assurance activities.

(e) Human resource management and recruitment processes

19. The auditors recommended improvements to the Secretariat’s performance and the overall workforce experience in the areas of recruitment and separation processes; career management; learning and development; the alignment of the human resource strategy and operational plans to the WHO Transformation Agenda; and organizational structures and staff requirements, including the need to review and update human resource plans to better support staffing requirements for programme delivery.

20. One of the key initiatives launched concerns core predictable country presence. The initiative is designed to provide a foundation for country offices to build the capacities needed to support Member
States in achieving impact. Country offices have been categorized and an appropriate staffing model for each has been defined, as the basis for establishing the core capacities in every country office, including strengthening segregation of duties. Flexible funds have been allocated to make these positions sustainable and 400 positions have been added to the 1765 positions that already exist in country offices.

21. Several initiatives have been taken to expedite the recruitment process, including the creation of standardized post descriptions, the accelerated recruitment of positions through a mobility exercise, an increased sourcing and outreach capacity and improved candidate-screening services. To improve the separation process, measures were implemented to meet agreed turnaround times, with quarterly monitoring of key performance indicators, which led to timely processing and consistently meeting turnaround time targets.

22. Process weaknesses in human resources systems identified by audits, including the harmonized selection process, are being addressed through the development of the new BMS system.

23. Further details of progress are provided in the accompanying report on human resources, which demonstrates the Secretariat’s commitment to close all accepted recommendations in due course.

(f) Programme implementation and measurement of impact

24. The auditors have identified governance and control issues for which improvements were recommended in some areas, such as maintaining up-to-date country cooperation strategies and biennial collaborative agreements; risk registers and business continuity plans; making the output scorecard system more objective; and improving the disclosure of programmatic performance data in WHO’s programme web portal.¹

25. The Secretariat is committed to continuously updating country cooperation strategies and biennial collaborative agreements with all Member States with WHO country offices. Similarly, efforts have been taken to align business continuity plans with updated risk registers in order to facilitate proactive and quick responses to global health threats, and a new business continuity management framework has been launched that requires business continuity plans informed by registered risks for each location.

26. Significant enhancements have been made to the output scorecard system. The methodology and the tool itself has been streamlined, including by rationalizing the number of questions and the process of collecting data from across the Organization. It has now been rolled out in almost all country offices (96%, excluding the Pan American Health Organization) and presented in separate country pages in the results report 2022–2023. Joint assessment is being piloted in three regions to address the issue of “objectivity” raised by audits.

(g) Global Service Centre operations

27. The Global Service Centre has adopted revised key performance indicators in 2023, as endorsed by its governance board, based upon a benchmarking exercise. These indicators continue to reflect the efforts of the Global Service Centre to ensure the provision of effective administrative support services.

28. In addition, the Secretariat recalls the acknowledgment by the External Auditors of the added value brought by the establishment of the compliance and risk management team of the Global Service

¹ For more information, see WHO’s Member States Portal (https://www.who.int/about/governance/member-states-portal, accessed 30 April 2023).
Centre. This team works with the global compliance network and the Office of Compliance, Risk Management and Ethics to ensure that risk mitigation strategies are addressed in a holistic manner, in order to help to prevent future and recurring audit recommendations. In 2023, in line with the recommendations of External Auditors, the team extended its scope of activities beyond compliance checks for travel and procurement services to include human resources and payroll functions at the Global Service Centre. To continue strengthening capacity at the Centre, a Senior Compliance Officer was recruited in November 2023.

29. The Global Service Centre undertook best efforts in 2023 to address external audit recommendations reported in May 2023, with 77% of those either assessed as closed by External Auditors or recommended for closure.

(h) Contribution management and donor reporting

30. The Secretariat receives contributions in cash and in-kind from donors. Recommended areas of improvement, include the integration of different systems to facilitate timely recording, tracking, accounting and reporting of in-kind contributions; the review of the policy of the valuation of long-term voluntary contributions receivables; and the timely issuance of reports to donors.

31. The auditors acknowledged the increase in the volume of final certified financial statements produced in 2023, as well as the multiple formats and deadlines faced in donor reporting. Key performance indicators including for donor reporting have been developed and are being rolled out to WHO country offices. The list is accessible on the Member State portal and will be reported on in future. The Contributor Engagement Management system now ensures an integrated end-to-end management of in-kind contributions across the three levels of the Organization. The volume and complexity of donor reports relates closely to the earmarking in contribution agreements; as such, more flexible financing, as envisaged in the upcoming investment round, will reduce the administrative burden. Also, in the context of the investment round and the findings of the Working Group on Sustainable Financing, a review is now under way to identify opportunities to further improve the quality of donor reporting through a standardized and harmonized approach aimed at improving the efficiency and effectiveness of the process. The Secretariat is also developing a new internal policy to minimize no-cost extension requests to donors, with such requests to be granted only in exceptional circumstances.

(i) IT and data management

32. During 2023, a performance audit was undertaken that assessed the governance of data management and the linkage between data and digitization, security and privacy. The recommendations issued were accepted by management and included aspects related to the World Health Data Hub and the WHO Country Portal.

33. The Secretariat strategically enhanced the Organization’s security framework, implementing and improving the authentication solution for all members of the WHO workforce. This led to better defence, compliance and overall operational effectiveness. The security operations centre successfully intercepted more than 1600 cyberattacks, including strategic simultaneous attacks aimed at multiple locations. Proactive cybersecurity measures ensure that the digital environment remains resilient and trustworthy in an increasingly digital landscape. Regional and country offices dedicated significant resources to implementing robust cybersecurity measures and addressing vulnerabilities, particularly in response to a rise in cyberattacks and emergencies.
34. Data governance and protection remain a priority risk area. A new personal data protection policy has been approved, which enables improved data governance structures, standards, processes and capacity-building of staff members in the area of data-sharing.

(j) Accountability, risk management, compliance and internal control

35. To strengthen leadership and empower country offices, a new delegation of authority to WHO Representatives was signed by the Director-General and five regional directors. This will empower WHO Representatives to have more authority to run their offices and will enable country offices to be more agile and responsive. These changes are some of the most significant seen in country offices in WHO’s history.

36. The Secretariat remains fully committed to enhancing its risk management and compliance mechanisms. The WHO’s Risk Management Strategy and its Risk Appetite Framework were approved in 2023. These call for (a) a more corporate approach to managing risks during programme design, budgeting and implementation of programme activities, with particular attention to principal risks; and (b) an increased decentralization of the compliance and risk management function in order to better support decision-making and accountability at country level and facilitate the increased delegation of authority to WHO Representatives. These objectives are supported by enhanced tools, guidance and resources for risk management and control monitoring, and increased transparency and capacity for the global network of risk management and compliance oversight roles across the three levels of the Organization.

37. In this context, an in-depth principal risk review exercise was conducted to ensure that WHO has a complete, cross-functional, integrated and actionable view of the risks that could threaten its ability to deliver its strategic objectives. The principle risk mitigation measures are implemented globally, and are informed by the 10 audit priorities. A total of 32 core predictable country presence positions relating to risk management and compliance were created in the field.

38. In addition, the WHO policy on prevention, detection and response to fraud and corruption was operationalized, including through several training initiatives.

39. Work is ongoing to further WHO’s control environment, with a focus on enabling operations. As part of the BMS, an integrated risk management tool has been developed to embed risk management and risk mitigation measures within teams’ workplans, thereby facilitating their monitoring. In addition, efforts have continued to streamline and develop smart controls by automating them (using risk and control matrices for key business processes), where possible, to enable the delivery of mission outcomes in the most effective and efficient way.

STATUS OF AUDIT RECOMMENDATIONS OF PREVIOUS YEARS

40. Figures 1 and 2 show the status of open and implemented recommendations by audit type and year.

41. It is to be expected that the most recently issued recommendations (in 2023) have low implementation rates, as management begins to implement them.
Fig. 1. External audit recommendation status by year of issuance

![Graph showing external audit recommendations by year of issuance.](image)

Fig. 2. Internal audit recommendation status by year of issuance

![Graph showing internal audit recommendations by year of issuance.](image)
OUTCOME OF INVESTIGATIONS

42. With regard to the investigations described in the report of the Internal Auditor for the calendar year 2023,\(^1\) the Secretariat confirms its commitment to timely action and provides the following update on the outcome of the investigations concerning WHO staff and affiliated personnel.

Substantiated investigation reports issued in 2023

43. With respect to the 30 investigation reports of substantiated allegations provided in Annex 5 to the above-mentioned report, the following measures were imposed:

(a) six (6) dismissals (two (2) cases were against the same person);
(b) one (1) dismissal had the staff member still been in service;
(c) one (1) termination of contract had the affiliated personnel still been in service;
(d) three (3) written censures;
(e) three (3) written censures had the staff members still been in service, of which one (1) case with a managerial action;
(f) one (1) non-disciplinary reprimand with a managerial action.

44. In three (3) cases, it was concluded that no misconduct had occurred.

45. In the remaining 12 cases, headquarters and/or the regional offices are actively handling the respective disciplinary proceedings, if applicable, and will issue a final decision in due course.

46. The Secretariat publishes information notes periodically, informing WHO staff members of concluded disciplinary and administrative proceedings. These information notes raise awareness of breaches of the standard of conduct and of actions taken by the Administration to address violations of such standards.

47. In line with the changes being introduced to comply with the governance reform process and WHO’s commitment to transparency, further details on these cases can be found at the Member States portal, including an update on substantiated investigative reports issued in 2022.\(^2\)

ACTION BY THE HEALTH ASSEMBLY

48. The Health Assembly is invited to take note of the report and to provide guidance in respect of the following question:

- Are the top priorities identified in the document in line with Member States’ expectations?

\(^1\) Document A77/23.
ANNEX 1

TOP 10 AUDIT PRIORITIES

- Change management
- Roll-out strategy
- Strengthen risk management

- Procurement plan
- Vendor management
- Strengthen procurement capacity

- Efficient inventory management
- Supply-chain system

- Managing implementing partners
- Assurance activities
- Timely reporting

- Recruitment process
- Career pathway
- Learning and career development

- Manage in-kind donations
- Donor reporting

- Cybersecurity
- User access control
- Vulnerability management

- Country cooperation strategies
- Increasing transparency
- Assessment of output scorecard system

- Managing performance
- Expand use of key performance indicators
- Strengthen compliance function

- Managing conflicts of interest
- Investigation team structure
- Internal control framework
# ANNEX 2

## STATUS OF INTERNAL AND EXTERNAL AUDIT OBJECTIVES RELATED TO THE TOP 10 AUDIT PRIORITIES, 2023

<table>
<thead>
<tr>
<th>Top 10 audit priorities</th>
<th>Internal audit recommendations</th>
<th>External audit recommendations</th>
<th>Grand total</th>
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<td>Closed</td>
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<tr>
<td>Programme implementation and measurement of impact</td>
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<td>Accountability, risk management, compliance and internal control</td>
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