Report of the External Auditor

The Director-General has the honour to transmit to the Sixty-fifth World Health Assembly the report of the External Auditor on the financial operations of the World Health Organization for the financial period 2010–2011 (see Annex).

ANNEX

REPORT OF THE EXTERNAL AUDITOR TO THE SIXTY-FIFTH WORLD HEALTH ASSEMBLY ON THE FINANCIAL OPERATIONS OF THE WORLD HEALTH ORGANIZATION FOR THE FINANCIAL PERIOD 1 JANUARY 2010 TO 31 DECEMBER 2011

INTRODUCTION

1. The audit of the World Health Organization (WHO) was assigned to the Comptroller and Auditor-General of India for the financial periods 2008–2009 and 2010–2011 in terms of resolution WHA60.7 of the Sixtieth World Health Assembly.

2. The scope of the audit is defined in Regulation XIV of the Financial Regulations and the Additional Terms of Reference Governing the External Audit appended thereto. The audits were conducted in accordance with the International Standards on Auditing. The audits focused on financial, compliance and performance aspects.

3. This is my final long-form report to the Health Assembly. I have had the pleasure of serving two terms of office as the External Auditor of the World Health Organization. The Chairperson of the Commission on Audit of the Philippines has been appointed External Auditor of WHO. I wish her all success in this assignment. I assure the Health Assembly that the handover will be smooth, particularly with regard to the implementation of the International Public Service Accounting Standards (IPSAS) in WHO from 2012.

4. Over the last eight years, a number of initiatives have been taken by the Organization to improve governance. Implementation of IPSAS and the introduction of the Global Management System (GSM) have led to discussions on some interesting and complex audit issues. Implementation of GSM has been a major initiative which has led to a uniform and transparent processing of financial and technical data. The Secretariat is in the process of introducing an enterprise risk management system. A new financial control framework is also being introduced. I wish to thank the Secretariat and all the members of the Organization for their cooperation and support during the discharge of my duties as the External Auditor of WHO. However, there are a number of recommendations, accepted by the management, where a considerable amount of follow-up is still required. These recommendations are again flagged in this report and will require the sustained attention of the management.

5. I also wish to thank the Member States, first, for giving me the opportunity of serving as External Auditor of WHO and, second, for their strong support to me during this assignment.

6. During the financial period 2010–2011, audits were performed at all the regional offices of the Organization. Audits were also performed at six selected country offices. My Interim Report, containing the results of the audits performed in the first year of the financial period, was transmitted to the Sixty-fourth World Health Assembly in document A64/30. The report contained the results of audits conducted at the regional offices for Africa and the Western Pacific as well as two selected country offices. The report also included the results of detailed reviews conducted on the working of the Office of Internal Oversight Services and the Income and Award Management unit at headquarters.

7.   In the second year of the financial period, I have continued to perform audits at different levels of the Organization. Audits were conducted at the regional offices for the Eastern Mediterranean, Europe and South-East Asia. Four country offices were also audited. A comprehensive review of the working of GSM, the enterprise resource planning system implemented by the Organization, and its related information technology systems was conducted. The audit of the financial statements was also completed.

8.   The working relationship with the Secretariat has been constructive and the audits performed at different levels and locations were facilitated by the excellent cooperation from the management at all levels of the Organization. Coordination with the Office of Internal Oversight Services has been continual and comprehensive. Professional reliance was placed, wherever necessary, on the work of internal oversight.

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

10.   The Secretariat has accepted the recommendations made in the report and has assured that action would be taken to address them.

AUDIT OPINION ON FINANCIAL STATEMENTS FOR THE PERIOD 2010–2011

11.   According to the terms of reference for the External Auditor, I am required to express an opinion on the WHO financial statements for the financial period 1 January 2010 to 31 December 2011. The audit of the financial statements for the financial period 2010–2011 revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, I have placed an unqualified audit opinion on the Organization's financial statements for the financial period ended 31 December 2011.

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

FINANCIAL MATTERS

13.   The 2010–2011 financial statements reflect total revenue of US$ 4848 million and expenses of US$ 4593 million leading to an operational surplus of US$ 255 million. The 2008–2009 financial statements depicted a deficit of US$ 101 million. Total accumulated surplus stood at US$ 1797 million as on 31 December 2011 compared to US$ 1543 million as on 31 December 2009.

14.   The 2010–2011 financial statements present the financial position of the Organization in a more transparent manner as a result of partial implementation of the International Public Sector Accounting Standards. A significant change in the financial statements results from the adoption of IPSAS 23, with the voluntary contributions being recognized upfront when an agreement is signed. The entire amount of the agreement is recognized as revenue if the funding is payable upfront. However, if there are conditions attached to the receipt of funding on a future date, the revenue pertaining to the future is

deferred. This change in policy has led to increase in both assets and liabilities and is a significant departure from the way income was being recorded in the previous bienniums.

15.   The financial statements 2010–2011 disclose accounts receivable of US$ 1013.14 million, current – US$ 747.81 million and non-current – US$ 265.33 million. Of these, assessed contributions receivable were US$ 109.78 million. Voluntary contributions receivable were US$ 897.95 million, with those outstanding for more than 360 days amounting to US$ 119.2 million and for more than 720 days amounting to US$ 30.40 million.

16.   I *recommend* that outstanding receivables be reviewed and, if necessary, action taken to write off the un-collectable contributions.

17.   During my audit of 2010–2011 financial statements of WHO, issues were flagged pertaining to the existence of adverse balances, the apportionment of interest on investment, securities lending, Special Account for Servicing Costs Fund and refunds and reports to donors. I have received assurance from the Secretariat that these issues will be given appropriate attention.

IMPLEMENTATION OF IPSAS

18.   As reported in my interim report,[1] WHO has been gradually adopting IPSAS before its full implementation from the year 2012. For the biennium 2010–2011, WHO has fully adopted IPSAS 2 (Cash Flow Statements), IPSAS 4 (The Effects of changes in Foreign Exchange Rates), IPSAS 6 (Consolidated Financial statements – Accounting for Controlled Entities), IPSAS 14 (Events after the Reporting Date) and IPSAS 23 (Revenue from Non-Exchange Transactions (Taxes and Transfers)).

19.   WHO has also identified that IPSAS 7 (Accounting for Investments in Associates), IPSAS 8 (Financial Reporting of Interests in Joint Ventures), IPSAS 10 (Financial Reporting in Hyperinflationary Economies), IPSAS 11 (Construction Contracts), IPSAS 16 (Investment Property), IPSAS 22 (Disclosure of Financial Information About the General Government Sector), IPSAS 26 (Impairment of Cash-Generating Assets) and IPSAS 27 (Agriculture) are not currently applicable to WHO.

20.   WHO is still to set milestones for implementation of the remaining IPSAS. In my interim report I had recommended that the progress on implementation of IPSAS needs to be monitored against clear deliverables in order to ensure achievement of fully compliant IPSAS accounts by the target date of 1 January 2012. WHO needs to continue to strive towards full implementation of IPSAS in a time-bound manner.

MANAGEMENT REFORMS

21.   The Independent Expert Oversight Advisory Committee, in its meeting in April 2011,[2] considered that WHO has progress to make in delineating a sufficiently clear and fully integrated internal control framework that encompasses the definition of essential key controls; with effective, standard operating procedures to ensure this, and with corporate hierarchy of control responsibilities. In my interim report, I had recommended that the Comptroller's responsibilities and powers are

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[1] Document A64/30.

[2] See document EBPBAC14/3.

synchronised by strengthening internal controls and improving reporting arrangements. My detailed examination of the Global Management System, the results of which are given in subsequent paragraphs, indicates that internal controls have weakened due to a change in the working environment for staff.

22. In this context, the launch of the eManual, which is readily available to staff on WHO's Intranet, is a crucial and much required step in the direction of strengthening the internal control framework. I note that the standard operating procedures are in the process of being updated and the first draft of the compliance dashboard is being tested. Work is being done on the documentation of the internal control framework which will define all control points within various processes and match them to identified risks.

23. The enterprise risk management framework in WHO is currently a work in progress. Organisational risks are in the process of being identified. Risk registers are yet to be prepared, although the Office of Internal Oversight Services has identified a list of risks which need to be addressed by the Organization.

24. I welcome the efforts made by the Organization in strengthening the internal control framework and *recommend* that WHO continues to work towards adoption of an enterprise risk management framework.

25. At present, WHO does not have in place an information and communications technology (ICT) Governance Board to provide an Organization-wide decision-making process for determining global ICT priorities. The management informed me that setting up a Governance Board is part of the new information technology (IT) strategy. I am of the view that an IT Governance Board with representatives from senior management and users is necessary to ensure that the IT strategy is in consonance with the Organization's operational strategy.

26. I *recommend* that an IT Governance Board with representation from senior management may be set up at the earliest.

BUDGETARY CONTROL AND UTILIZATION OF FUNDS

27. The programme budget is developed through a collaborative process across the Organization, beginning up to two years in advance of its implementation. Its development takes into account inputs from country cooperation strategies, regional and programmatic strategies, and guiding documents such as the General Programme of Work and the Medium-term strategic plan. Budget allocations represent the breakdown of the approved budget to individual budget centres to support implementation.

28. Budget centres, normally departments at headquarters, regional offices, or country offices, are to be held accountable for budget and management. Cases were noticed in both regional and country offices where fund utilization against budget allocations was low. In the Regional Office for Eastern Mediterranean, at the time of audit, the overall position of availability of funds for the programmed activities was less than 50% and fund utilization against available funds was 62%. At the end of the biennium, the regional office reported 86% utilization of available funds.

29. In the Regional Office for South-East Asia, 58% of funds were utilized by August 2011 and in the Regional Office for Europe 68% of available funds were utilized by July 2011. At the time of audit, the WHO Country Office, Tirana, Albania indicated a utilization of 50% in various tasks under the bilateral cooperation agreement. In the WHO Country Office, Khartoum, Sudan, while

implementation of assessed contribution funds was 92%, only 68% of voluntary contribution funds had been utilized by August 2011. The regional and country offices gave various reasons for less than desired rates of utilization of funds – delays in receipt of funds, uneven timing of voluntary contribution agreements or implementation issues – and agreed to take action to speed up implementation activities. The Secretariat stated that a monthly analysis of the Financial Management Reports is done and periodic Organization-wide budget analysis and adjustment are also done three times in the biennium.

30.   I *recommend* that periodical reviews are undertaken by the Organization to ensure optimum utilization of budget allocations.

PROGRAMME MANAGEMENT

31.   Performance monitoring and assessment are an integral part of WHO's results-based management framework. Performance monitoring is a continuous review of progress, while assessment is a periodic judgment about achievements. The Regional Office for Europe had implemented a monthly reporting system by the country offices. However, the periodicity of reporting was not being followed uniformly by all the country offices. The Albania and Ukraine country offices were not following the monthly cycle of reporting. I have noted the assurances given by the Regional Office for Europe and the country offices of Albania and Ukraine to improve the monitoring mechanism.

ENCUMBRANCES

32.   In my interim report I had recommended that necessary follow-up action should be taken up with budget centres to liquidate the encumbrances at the earliest. The field audits indicate that at the time of audits, the budget centres continued to have high amounts of encumbrances. At the Regional Office for Eastern Mediterranean, encumbrances constituted 11% of funds utilized, while encumbrances were 14% at the Regional Office for South-East Asia. The Sudan Country Office had 44% of utilized funds as encumbrances.

33.   I *recommend* that necessary follow-up is required to ensure receipts of deliverables in order to clear the encumbered amounts at the earliest.

RECONCILIATION OF BANK ACCOUNTS

34.   Bank reconciliation is a process that explains the difference between the bank balance in an organization's bank account, as per the bank statement, and the corresponding amount as per the general ledger. Bank reconciliation is therefore an important tool for internal control and goes a long way in enhancing the reliability of financial statements, and the prevention and identification of errors and frauds. At WHO headquarters, a detailed examination of the process of bank reconciliation was made. The examination of the 36 selected bank accounts, maintained at regional and country offices, and for which bank reconciliation statements were provided, revealed that in respect of 12 accounts the balances in the bank reconciliation statements did not agree with the balances in the general ledger, rendering the process of reconciliation incomplete. Further, in respect of certain bank accounts there are un-reconciled items which have been pending for a long time, some from the previous financial period.

35.   In my audits at the regional offices for Europe, the Eastern Mediterranean and South-East Asia and the WHO Country Office, Kyiv, Ukraine, I noticed delays in receipt of bank statements, delays in

reconciliation of bank accounts and items remaining un-reconciled for long periods. The regional offices replied that the delays took place in the year 2010 and early part of 2011. However, now the bank reconciliations had been completed up to end-2011. Regarding un-reconciled items, the regional offices and country office replied that these were items pre-dating the introduction of GSM that were being reconciled with the help of the Global Service Centre. Headquarters agreed that a more robust central review and reporting on bank reconciliations were necessary.

36.   Considering the importance of bank reconciliation as part of internal control, I *recommend* that WHO take appropriate steps to put in place a system of review and reporting of timely and accurate bank reconciliations. WHO should continue to attach high priority to clearing out all un-reconciled items in the bank reconciliation statements, particularly those which have been pending for a long period.

IMPREST

37.   As per the WHO e-Manual, the imprest system is a form of a financial accounting system mainly used for country office bank accounts and petty cash. The basic characteristic of an imprest system is that an imprest ceiling amount is established, and replenishments to the level of the ceiling amount are made by the controlling office at the end of a period or when the circumstances require it. The headquarters and regional offices are the imprest controlling offices. In the Regional Office for Europe, 17 imprest holders were consistently holding imprest amounts in excess of the stipulated ceiling. In the Regional Office for the Eastern Mediterranean, it was noticed that 11 imprest holders had incurred expenditures over the imprest ceilings and in 5 cases replenishment exceeded the ceiling amount. In case of the Sudan Country Office, replenishments were made regardless of the imprest balances leading to an excess over the ceiling. Surprise cash verifications were not carried out in the country offices of Albania, Ukraine and Sudan. In the Regional Office for South-East Asia, it was observed that the country offices are not sending the monthly accounts regularly to the Regional Office because of arrears in reconciliation. Delays in submission of monthly closure reports were also observed in the regional offices for Europe and the Eastern Mediterranean.

38.   I have noted the efforts made by the Regional Office for Europe in establishing a compliance team which will review the imprest accounts based on the risk assessment of all country offices. The Regional Office for Eastern Mediterranean has assured full compliance with ceiling limits and has received monthly returns from all imprest holders as of 31 December 2011. The Regional Office for South-East Asia assured me that monthly imprest accounts from the country offices are now being received regularly.

39.   I *recommend* that the imprest controlling offices strengthen their internal controls to ensure that the monthly returns are received from the imprest holders in time and the cases of excess holding of balance are minimized.

PROCUREMENT ACTIVITIES IN FIELD OFFICES

40.   **Procurement of goods.** The principles for WHO's procurement process provides for transparent competition among prospective providers. All individuals and entities directly or indirectly associated with the procurement function are responsible for protecting the integrity of the process and maintaining fairness and transparency. All procurement conduct and acquisitions must always be in the best interest, and consistent with the objectives and expected results, of WHO. My audits in the regional and country offices indicated that the provisions of the WHO Manual on procurement with respect to soliciting bids and ensuring full and free competition are not being complied with properly.

41.   At the Regional Office for South-East Asia, instances were observed of inadequate documentation in the record management folder, non-assessment of total requirements, non-standardization of equipment, single tender procurements and procurement by brand name. At the Country Office, Yangon, Myanmar, cases of lack of competitive bidding and non-segregation of duties relating to procurement activities were seen. At the Regional Office for Eastern Mediterranean, emergency procurements took a long time for finalization defeating the very purpose of procurement in emergency conditions. Similarly, at the Regional Office for Europe, instances were observed of inadequate documentation, lack of open and competitive bidding and poor and incomplete adjudication reports justifying the procurement decisions. The audit of the WHO Country Office, Tirana, Albania revealed instances of: direct procurement from a particular vendor without adequate justification; inadequate documentation; lack of segregation of duties; and lack of substantiation of receipt of goods.

42.   I have noted the assurances given by the regional offices for Europe and the Eastern Mediterranean on introducing pre-checks to ensure that WHO's bidding/selection norms are being followed. The country offices have also assured me that they will implement the WHO procurement guidelines in spirit and line.

43.   **Procurement for services.** I had highlighted in my interim report instances of non-fulfilment of various requirements relating to Agreements for Performance of Work, one of the mechanisms for procurement of services being used by WHO. During the field audits, I continued to observe a number of instances where: justification for selection of contractor was not stated; there was a lack of competitive bidding in selection of contractor; justification for payment of advance was not available on record; waiver of contractual requirements was given on account of long association with contracting partners; there were unjustified differences in payment schedules as per terms of reference and actual payments and the adjudication reports were deficient or missing. At the Regional Office for Europe, contracts were awarded without competitive bidding, deliverables were not on record, payments were made without receipt of technical reports and instances of retroactive approval by Contract Review Committee were noticed. Similar instances were also observed in the regional offices for South-East Asia and for the Eastern Mediterranean and the country offices I audited this year. I have noted the reply of the regional offices for Europe and for the Eastern Mediterranean to introduce pre-checks by compliance team to ensure adherence to the WHO Manual.

44.   The issues regarding non-observance of WHO's procurement guidelines, both for procurement of goods and services, have been pointed out by me in my last seven reports to the World Health Assembly. Keeping in view the total amount of US$ 1356 million incurred on the procurement of goods and services during this biennium, I consider this as an area where serious efforts are required to ensure compliance with laid-out procedures. I, therefore, strongly *recommend* better compliance with WHO Manual provisions on procurement.

ASSET AND INVENTORY MANAGEMENT

45.   **Management of fixed assets.** The WHO Manual lays down the policy relating to the management, maintenance, verification, reporting, losses, thefts and disposals of fixed assets (property, plant and equipment) acquired and held by the Organization. My audits at the regional and country offices indicated that the fixed asset register, the basic record for asset management, has material issues relating to completeness of data. Although the data has been migrated from the legacy system to GSM for fixed assets, it was found to be incomplete and a number of crucial details were not recorded. These include physical location of the asset, procurement order number, vendor details, warranty details. At the Regional Office for South-East Asia, duplicate entries of assets were noticed. At the Regional Office for the Eastern Mediterranean, instances of the Property Survey Committee

giving approval for the disposal of assets in a routine manner without assessing the reasons for missing or stolen items were noticed. Instances of differences in asset lists maintained by regional offices and country offices were also observed. Deficiencies in physical verification of assets and problems with the bar-coding system were also noticed.

46.   **Inventory management.** Audits conducted during the year indicate the need for maintenance of updated and complete inventory records. At the Regional Office for Europe, inventory management was found to be inadequate. The Regional Office replied that due to flooding at the regional office, inventory management had suffered and assured that with the introduction of new standard operating procedures, the inventory procedures would improve. At the Regional Office for the Eastern Mediterranean and the country offices audited during the year, annual physical verification of the inventory had not been done. I have noted the reply of the Regional Office about the introduction of a new standard operating procedure which would cover the implementation of IPSAS for inventory.

47.   I *reiterate the recommendation* made last year that in order to have an effective asset and inventory management system in place, internal controls in respect of its recording, valuation, physical verification and custody need to be strengthened. This is especially crucial for smooth implementation of IPSAS relating to assets and inventory.

PERSONAL ADVANCES TO STAFF

48.   The issue of non-recovery of advances to staff has been brought out in my earlier reports to the World Health Assembly. I am happy to note that the Secretariat established a project team under the supervision of the Comptroller to conduct a full analysis of balances arising from prior salary advances and to ensure that, where necessary, recovery was made for the Organization. As a result of the work done by the project team, US$ 473 280 were identified to be written off as the amounts either belonged to ex-staff or the recovery was unlikely. While most of these cases belonged to pre-GSM period, two cases amounting to US$ 126 355 pertained to the post-GSM period indicating weak internal controls in the GSM payroll module as pointed out in paragraphs 71 to 74 of this report.

49.   **Salary and rental advances.** An amount of US$ 9.8 million has been depicted as staff receivables in the financial statements as on 31 December 2011. This compares favourably with the figure of US$ 18.5 million as on 31 December 2009. However, of the total of US$ 6.59 million receivable on account of salary and rental advances, US$ 2.06 million pertained to staff who were no longer in the employment of the Organization on 31 December 2009. The Organization has initiated the process of recovery from ex-staff and the process is ongoing.

50.   **Travel advances.** As per WHO travel policy, staff members are required to submit their travel claim immediately after return from travel. The control over advances paid is maintained through the delinquent recovery process which generates credit memos for deduction of the unclaimed travel advance from the salary if the claim is not submitted within 60 days. A total amount of US$ 2.26 million was pending as travel advances as on 31 December 2011. Of this, US$ 668 721 was pending for a period between 90 to 360 days and US$ 867 362 was pending recovery for more than a year. My detailed audit of GSM has pointed out the need for strengthening of the internal controls in the travel module. I have noted that the Organization has implemented a new control entitled "Travel Quality Specialist" at headquarters in the last quarter of 2011.

51.   I *recommend* that the Organization continue to strengthen the internal controls for recovery of advances given to staff. The salary, rental and travel advances outstanding for more than a year should be reviewed and appropriate action taken to recover and, if necessary, to write off the uncollectable advances.

GLOBAL MANAGEMENT SYSTEM

52.   A performance review of the Global Management System (GSM), the enterprise resource planning system, of WHO was conducted. The audit objective was to verify whether GSM computerization was implemented economically, efficiently and effectively as per best international practices and to identify lessons for the future. Five GSM modules were selected for detailed review. IT and business processes related to GSM were also examined. The audit also aimed to address the specific concerns raised by the Executive Board and the Health Assembly and to assess whether the benefits envisaged from GSM were realized.

53.   WHO prepared a Project Initiation Document (2004) to implement an enterprise resource planning solution globally so as to replace several disparate IT systems working in various offices. The computerization of GSM was expected to reduce time spent on administration issues leading to more time being devoted on implementing health programmes; enable all WHO employees to have seamless access to common information; move from a paper-based work environment to an automated environment thereby increasing transparency and reducing lags and errors; and draw from staff experience leading to improved performance and personal growth.

54.   The project was taken up at an estimated cost of US$ 55 million and was slated for completion by 2008. The total cost incurred on the project until October 2011 was US$ 69.12 million. I noticed that as against a provision of US$ 18 million for professional services, an amount of US$ 29.18 million has been spent on System Integrators and I consider this to be the biggest factor leading to an increased cost on GSM. Computerization was rolled out in phases and it was last deployed in the African Region in January 2011. Other than the Region of the Americas, the System has been implemented in all other regions.

55.   GSM works in Oracle Financial 11.4.1. Satyam Computers were the Systems Integrators till 2010 and for the past one year, WIPRO has been the Systems Integrator.

56.   **Achievements of GSM.** GSM has been rolled out at headquarters and all the regions (other than the Region of the Americas). I consider this to be a laudable effort considering the fact that the implementation covered a vast geographic area; was rolled out in two languages; and covered several thousand employees. In my view, GSM has promoted greater transparency as expenditure details are available up to the level of invoices. It has enabled real time availability of data as against the lag of few months in the legacy systems. GSM has facilitated the centralized processing of business operations like leave and absence management, processing of travel claims, salary disbursement and payments which could result in a saving of manpower costs and lead to greater specialization.

57.   **GSM rollouts.** GSM was rolled out to the regions in a phased manner. There were delays in GSM rollouts to regions ranging from 8 to 40 months. Some of the major reasons attributed by the management for the delays were that Systems Integrators ramped up more slowly than expected, positions in the GSM team were not filled, additional Conference Room Pilot trials were required in the definition phase, additional work was required to build global guiding principles, the requirements relating to deliverables were underestimated, the regional review process took longer than expected, reaching agreement on the development scope took longer than expected, difficulties were experienced in getting the right business users involved in the designs at the right time, the efforts required for designing functions were underestimated, difficulties were experienced with decisions concerning the Global Service Delivery Model, additional work generated by requests for changes, and the fact that a lack of quality in the deliverables caused long and iterative review cycles. In my view the delays could be attributed to a change in scope of the GSM project. The decision to go for centralized processing of business process was made much later in the project cycle of GSM. Similarly, the implementation of

the SIEBEL enterprise risk management application was not originally envisaged nor was the implementation of the record management system part of the original project scope.

58.   **Detailed examination of GSM modules.** I selected five GSM modules for detailed review – Core Human Resources and Leave Management, e-Imprest, Fixed Assets, Programme Management and the Global Data Hub and System Administration Extension. These modules had been customized to suit the needs of WHO. The detailed review led me to conclude that some of the business rules were not validated in the GSM modules. I also noticed a dilution of the internal control framework. The management replied that business rules were validated during the design of the GSM modules. It agreed that the emphasis on self-service, manager approval, and reduced upfront validation has led to some weakening of internal controls. An important guiding principle of GSM was the reduction of upfront control, with more individual and managerial responsibility, complemented by *ex post facto* checks. It accepted that in some processes this model needs to be revisited and gave the example of the reinstatement of a travel certification check prior to approval of travel requests.

59.   As WHO is currently implementing Wave 1 enhancements to GSM and plans are afoot to reduce the customization of GSM, I *recommend* that WHO must analyse the impacts/risks of every change in process/task/control before implementing changes. This would enable a better appreciation of the impacts of changes and implementation of compensating controls where needed.

60.   On the **leave management** element of the Core Human Resources and Leave Management module, I noticed cases of non-confirmation of leave in a timely manner, non-incorporation of time limit for notification of leave in the system, cases of excess compensatory and flexi leave being availed, non-inclusion of validation regarding maximum annual leave that can be accrued and cases of staff having negative leave balances. Regarding the **core human resources** element, I noticed a high number of cases where the dependency data was not submitted. I noticed that only 786 employees had submitted details of family members although the same is required to be declared by all employees upon reporting for duty, whenever a change occurs and annually as per the Users' Productivity Kits.

61.   The management replied that the Organization has already instituted an annual leave verification process in January of each calendar year. The feasibility and cost of enhancing the system to automatically confirm all leaves on a specified date and to then freeze that calendar year of leave and to validate flexi leave, compensatory leave and advance leave is being explored. On the non-submission of dependency data and details of family members, the management assured me that it would get the verifications done.

62.   Detailed review of the **e-Imprest** module revealed that business rules regarding purchase order limits (US$ 50 000 or its local equivalent) and payment limits (US$ 2500 or its local equivalent) were not incorporated in the System. The module works on a system which is a mix of IT and manual procedures – the approval process is manual; the reconciliation between bank statement, cash book and the general ledger is also manual. The mix of IT and manual procedures and the absence of system-level controls exposes the entire process to a significant risk especially in small country offices where a single person is handling the entire processing of imprest transactions including bank reconciliation.

63.   The management responded that WHO has very deliberately kept the e-Imprest module as light as possible to accommodate the broad range of users with varying degrees of financial background. It agreed that improvements are needed in the monitoring of reconciliations using e-Imprest. Improved central oversight of imprest reconciliations may also be needed. While there is some scope for improvement in the system, the management did not feel that additional system controls would be practical given the nature of e-Imprest. Offline physical signature actually acts as a stronger control to

prove that a review of the reconciliations has taken place. It further agreed that there is a weakness with use of purchase orders at country level for e-Imprest. There are guidelines on use of e-Imprest purchase orders which need to be more rigorously enforced.

64.   Regarding the **Programme Management** module, I noticed that responsible officers were not identified for approved workplans at task and sub-task level, although this was required under business rules for operational planning. In many projects neither the top task nor the sub-tasks were classified. This could impact the monitoring and reporting of workplans thereby affecting the project delivery. I also noticed that although the guidance notes specify that office-specific expected results (OSERs) should have targets and baselines, in respect of a number of OSERs they were not being indicated.

65.   The management replied that WHO intentionally made selected business rules system mandatory in the work planner (e.g. responsible officers for top tasks, core functions classifications, linkage to approved OSERs, planned costs validation against programme budget allocation), while introducing in GSM an alert for other business rules (e.g. responsible officer for sub-tasks, the remaining classifications). Making all the business requirements system mandatory would slow down the approval of workplans which in turn will delay timely implementation. WHO will continue to advise the budget centres to ensure the compliance with business rules. The staff in the planning units in regions and headquarters, who link the OSERs to newly created tasks, will have to ensure that new tasks comply with business rules.

66.   A detailed examination of the **Fixed Assets** module revealed an absence of business validation and compensating controls in the Fixed Assets module, resulting in incomplete and erroneous data. Records of assets in the System did not have important details like invoice number, purchase order number, original cost of the asset, vendor's name and physical location of the asset. Different assets were found with the same barcode number and asset number. Depreciation details were being indicated in respect of assets that had been fully expensed. In addition, information pertaining to a particular category of asset was being accepted by the System for all categories of asset.

67.   I had recommended that management may either customize the Fixed Assets module to make the capture of details like cost of asset and location mandatory or strengthen alternate controls to review captured data to ensure that such details were always available in the System. The management accepted my recommendations and added that work was proceeding in parallel to address the recommendation to either customize the fixed asset module or strengthen alternate controls. Standard operating procedures for the management of fixed assets were being finalized to improve the integrity of the data within the fixed asset register.

68.   The **Global Data Hub** (GDH) is a central repository of information, requested by businesses for their applications, which may be sourced from GSM. These transactions originate from GSM and terminate in other legacy systems (outbound) or vice versa (inbound). My examination of GDH indicated that functions presently being handled by "Whitepages" could be performed through GSM, thereby eliminating the need for both the legacy system and the interface with GDH. Problems of data inconsistency were noticed in terms of missing records in the transferred tables. The management agreed with the observation and explained that this corresponds to existing bugs in the System and fixes were provided to resolve these types of inconsistency.

69.   I recommend justification for continuing with "Whitepages" and other legacy systems being serviced through GDH to be reviewed. The management agreed with the recommendation and explained that business decision/approval would be required to implement the changes in GDH.

70. Review of the **System Administration Extension** module revealed differences between the GSM responsibility definitions and responsibility authorisation table regarding the number of definitions. Further, employees have not been classified across all regional offices and identical responsibilities assigned to employees having identical work profiles. I recommended that GSM responsibility definitions need to be immediately reconciled with the actual number of responsibilities available and default responsibilities with more precise parameters should be assigned. The management replied that it is not always possible to do a one-to-one mapping between the position title and the activities performed in GSM. However, an enhancement is under analysis to assign default responsibilities with more precise parameters such as person type and job title. The management also explained that an exercise to reconcile the discrepancy in the responsibility definitions is under progress.

71. **Root cause analysis of staff receivables.** I have indicated at paragraph 46 the present status of staff receivables and the attempts being made by WHO to settle the outstanding advances. I did a root cause analysis on the payroll and travel receivables under GSM by attempting to examine the different phases of application development. My focus was to assess whether the risks associated with system development were effectively mitigated in the new System before implementation.

72. In the legacy administration and finance information support system (AFI) there was a sub-ledger per employee consolidating all transaction per area such as salary, travel and entitlements, along with a query and reporting functionality that enabled the listing of personal account details by employee at a given time. The net balance due to be received from a particular employee was readily available from the system. The responsibility for reviewing and clearing personal accounts was linked to the staff duty station i.e. regional offices or headquarters. I could not see any reason for not including sub-ledger for each employee in GSM.

73. The management replied that it was agreed at the time of design to use the standard Oracle functionality to manage personal accounts through reporting with Payroll having ultimate responsibility for clearing balances. This was important in order to fully reconcile with other payroll data which might be used for tax declarations or other reporting needs. Further, the management is now implementing the recommendation to fully map all general ledger accounts that link back to the "personal accounts" in payroll. A new descriptive flex-field to record employee details has been enabled which will be helpful in sorting out employee details from the general ledger. In addition, a report is being compiled to pick up further amounts outstanding from travel and from staff health insurance. Also, a project team headed by the Comptroller himself looks at the personal accounts and reports to the Director-General to show progress regarding outstanding dues.

74. Management accepted my recommendation that, in future, the management should define an integrated business requirement by consolidating the business needs of interfacing departments at the planning stage and the system design document should be revalidated by the joint owners before application development.

75. On **travel**, my analysis revealed that a new process model for travel was adopted with the introduction of GSM which relied heavily on employees to produce supporting documents necessary to support travel claims. Further, the Supervisor and Workplan Manager had a limited role in approving travel claims. I reviewed the various risk management and control documents and noticed that they outlined broad risks and controls at a macro level and did not drill down to risks and controls at the process/task level for each area under the new process model. I also observed that *ex post facto* checking of travel claims relating to staff duty travel by GSC was started in October 2009. However, even two years after the introduction of the checks, the management is yet to come up with a policy

decision and accounting instruction to affect recoveries relating to non-compliance identified during the *ex post facto* quality check.

76. The management replied that it has now implemented a standard upfront control by an independent person of all travel requests. This new control called "Travel Quality Specialist" controls both staff and non-staff duty travel requests. This upfront control has helped to identify some inconsistencies in travel policy which have recently been addressed. An Information Note was sent out to all staff at the end of 2011 which announced the launch of the travel quality process. It is true however that there are still weaknesses with regards to non-compliance with travel claims. Instructions and controls exist to monitor proper submission of required documentation (e.g. boarding passes, hotel bills and travel reports). However there are no systematic processes or punitive actions to deal with non-compliance. The only step forward in this direction is the in-progress management dashboard which is planned to alert the Director-General to non-compliance with processes and policies.

77. **Incident and problem management.** I noticed that service requests (SRs) remained unassigned at the Global Service Desk (GSD) for a period ranging from 0 to 1195 days. This could result in critical business problems remaining unresolved resulting in breakdown of business processes. This also impacts the monitoring of the performance of agents. I noticed that there was no time limit fixed for resolution of SRs. In the absence of a fixed time limit, it may not be possible to effectively monitor the timely resolution of SRs and assess the performance of agents. I noticed that 1680 cases were resolved after a period of 90 days, the maximum being 288 days. Assigning of priority by agents to the SR was meant to prioritize resolution of SRs based on urgency of the incident and the level of its impact. I noticed that prioritizing of the SRs by the agents was not done correctly thereby impacting timely resolution of SRs, especially "critical" and "high" natured problems. I noticed that GSD neither receives "problem management alerts" generated by the International Computing Centre daily nor does it create problem tickets, although GSD is expected to play a key role in incident management.

78. I *recommend* that GSD should regularly review SRs to ensure that SRs are duly assigned. GSD should implement the action plan for developing service level agreements (SLAs) and operating level agreements (OLAs) clearly specifying the deliverables, time frame for resolution of SRs and assigning of agent priority. GSD may strengthen its internal procedures for timely resolution of SRs so that number of cases which required 90 days and above is an exception. In addition to incident management, GSD should play a more active role in analysing incidents and managing problems.

79. The management accepted the recommendations and replied that GSD performance in resolving ICT-related SRs is being measured internally by GSD. At present, GSD only manages the end-to-end communication process for problem management and major incidents. However, as part of the "performance monitoring", GSD would be playing a more important role in the complete end-to-end process of "proactive" problem management. As such, GSD is in the midst of developing the SLAs and OLAs with the relevant service owners of the Department of information technology and telecommunications. The OLAs will also cover the procedure of selecting the appropriate agent priority for specific types of issues. This will be completed by the end of the third quarter on 2012.

80. **The working of the Global Service Centre (GSC).** The issue of measuring performance at GSC was examined by me. I noticed the exclusion in monthly technical reports of a high percentage of transactions from the turnaround time calculations which erodes the utility of the reporting and means that employees cannot be held accountable for their performance. The latest report does not indicate the percentage of service requests that were processed within the turnaround time for global finance services representing 83% of total transactions received at GSC in August 2011. Manual invoices, travel agent e-invoices, clearance certificate travel and daily bank reconciliation lines received during the month of August 2011 were not included in the total of received, processed and rejected requests. I

noticed that the indicators contained in the performance measures (GSC key performance results), the latest service catalogue of GSC and the monthly technical report of August 2011 did not match.

81.   The management replied that some items are indeed being excluded to ensure consistency with what was being reported in previous versions of the reports. This will need to be reviewed when a new reporting cycle starts and the monthly technical report is revisited.

82.   I *recommend* that GSC review performance measures, the latest service catalogue and the monthly technical reports for adoption of key performance results and targets consistently. For greater transparency and accountability, the monthly technical reports should be revised to include items that are currently being excluded. Action may be taken to compute turnaround time for financial transactions.

83.   **Call Centre performance.** It was observed that in respect of some weeks, the percentage of abandoned calls exceeded the target of 25% fixed for abandoned calls. The management stated that the reason for such high percentage of abandoned calls was mostly due to sudden surges of calls due to unplanned outages on account of major incidents or problems. I am of the view that the services of the Call Centre assume greater significance at times of problems or major incidents and hence properly attending to incoming calls at such times is more critical than at normal times. I also consider that the target of abandoned calls at 25% is high. I also noticed that no analysis is being performed on the Call Centre Performance Statistics to assess the performance of GSD. I consider that it is essential to monitor the performance of service level staff on a monthly and daily basis through various reports.

84.   I had recommended that GSD should prepare and implement key performance indicators (KPIs), SLAs and OLAs in a timely manner. GSD should also analyse available data on Call Centre-related calls. The management accepted my recommendations and indicated that KPIs for GSD agents are being reviewed and will be updated by March 2012. GSD as a service provider understands the importance of KPIs for its agents, and that the adoption to KPIs will drive the performance of the team to greater heights. In addition to the KPIs, analysis on the incoming calls and SRs is being done and a statistical report (with analysis) is also being produced biweekly by GSD Lead for the reference of senior management.

85.   **Change, release and configuration management.** With regards to change, release and configuration management, I recommended to WHO that complete details as required in GSM technical documents – MD.050, Request for Change and Forward Schedule of Changes Enhancement Process – should be captured in the Project Portfolio Management system for more effective monitoring. Periodic supervisory review of the closed SRs must be undertaken to ensure that all activities and supporting documents relating to the change and enhancement process are captured. As the data maintained presently in worksheets provide no information on specific activities (which are available in the case of PPM) within the configuration management process, I recommend that management should take immediate efforts to manage configurations also fully through PPM. Updating of Users' Productivity Kits resulting from an SR should be formalized as one of the processes to be triggered and monitored by business owner.

86.   The recommendations have been accepted by the management. The management indicated that Users' Productivity Kit materials are regularly updated in order to reflect GSM changes. A total number of 34 versions have been published to date. In addition, the Users' Productivity Kit developer tool is maintained and upgraded every time a new release is made available by Oracle. The next upgrade will be conducted in conjunction with the GSM upgrade to version 12.

87. **Disaster recovery. The International Computing Centre (ICC)** is providing database hosting services to WHO in respect of GSM. Therefore, ICC is intrinsically linked to the Disaster Recovery Process (DRP) in so far as the issues related to the operation and maintenance of the database servers are concerned. DRP does not indicate regular intervals at which the procedure is to be tested. I noticed that only two tests have been conducted so far (December 2008 and March 2011) at an interval of over two years. Although the GSM disaster recovery plan is dependent on other integrated applications, the test run did not cover these applications, posing a significant vulnerability. An integrated test run is scheduled in the first quarter of 2012. The ICC's Disaster Recovery site in Geneva is a "hot site" (ready to use) in terms of the underlying ICC infrastructure. However, for WHO GSM E-Business services, the recovery site is "warm", requiring multi-step manual processes to recover the E-Business production environment. This impacts the recovery time objective as well as the recovery point objective for GSM. Further, the capacity of system recovery after disaster is only 70% of regular system capacity, which could compromise the processing capability. Like the Primary Data Centre, the Disaster Recovery module is also located in Geneva posing a grave risk to GSM in case of a disaster at Geneva affecting both the primary and secondary data centres.

88. The management has noted the observation and agreed to discuss with ICC to look into periodic sample based restorations. While agreeing that shifting the Secondary/Disaster Recovery Data Centre would reduce risk, the management stated that there are other considerations and the decision must be part of the broader business continuity plan analysis.

89. I *recommend* that WHO explore the possibility of shifting the Secondary/Disaster Recovery Data Centre to an off-site location other than Geneva. The process of hardware reorganization must be completed expeditiously and the GSM failover procedure tested. Disaster recovery procedures should be conducted at regular intervals and the test procedures and results properly documented and the restoration of server backups needs to be tested.

90. **Business continuity planning.** The "Business Continuity Management Governance Framework" document was prepared in October 2009 to serve as a template for building up the business continuity plan for WHO. This document seeks to provide a framework for business continuity planning at WHO headquarters, Geneva and WHO GSC, Kuala Lumpur and excludes the regional offices. The framework only lists the possible threats to business continuity without dealing with them in detail. The plan for human and infrastructure aspects of GSM as mentioned in the framework have not yet been finalized.

91. The status of the business continuity plan for the regional offices was ascertained. The business continuity plan of the Regional Office for the Eastern Mediterranean has been completed in draft mode and signoff at the senior management level is expected shortly. The business continuity plan of the Regional Office for South-East Asia was prepared in 2009. A more comprehensive plan is expected to be ready by April 2012. The Regional Office for the Western Pacific has taken a number of steps to ensure the implementation of the business continuity plan and a final document was expected in January 2012.

92. The management has accepted my recommendation that the business continuity plan may be firmed up and operationalized across all offices on a priority basis. Special attention may be paid to the human and infrastructure issues as the IT issues are also being taken care of through the disaster recovery plan.

93. **Contract with WIPRO.** WHO entered into a Master Services Agreement in October 2010 relating to application support and maintenance of the Oracle E-Business Suite, support for Database Administrators of GSM applications, development of enhancements and consultancy for IT and

operational enhancements with WIPRO. I noticed that SLAs have not been implemented so far. From the quality reports I observed that 20% of the tickets raised for problem resolution remained unresolved in all the months (except February 2011) during the period between December 2010 and July 2011.

94. The management stated that the SLAs with WIPRO were currently being set up in the system. In the meantime, the key performance indicators were being monitored. The management further stated, "We are currently closing our total inflow volume (100%). The challenge, which we are addressing, is the backlog. We have reduced the backlog in the procurement track to less than 5 days rolling backlog. We are now focused on reducing the backlog in the other tracks to less than 10 days rolling backlog within 3 months, and down to 5 days rolling backlog within 6 months.".

95. I *recommend* that the SLAs with WIPRO be implemented at the earliest. The management must explore the reasons for small percentage of cases getting closed every month and initiate suitable corrective action for quicker resolution of tickets.

96. **Contract with ICC.** The United Nations International Computing Centre (ICC) is a third party service engaged by WHO to provide hosting services for GSM and other applications being used by WHO. I observed that the SAS 70 Type II Auditor's report for ICC covered the period from 1 December 2010 to 28 February 2011. The report stated that any projection of its information to future was subject to risk. In response to my query as to how WHO derives assurance about effectiveness of controls for the uncovered contract period, the management replied that it was expected that ICC continued to conduct similar audit tests periodically to ensure the effectiveness of controls, and maintain or improve controls between tests. I also noticed that despite outages, availability was shown as 100%. Slow system response was one of the key issues pointed out to me by users of GSM.

97. I *recommend* that WHO review and validate the ICC reports on service metrics. Early action should be taken to address the performance issues. Audit tests, such as SAS 70, covering the control environment including testing of operational effectiveness of controls may be held at regular intervals so as to cover the entire period of the master service delivery agreement. The management accepted the recommendation and agreed to put forward the issue to ICC Management Committee for consideration.

GSM future plans

98. **Integration with the Region of the Americas.** GSM is not integrated with the Region of the Americas. Thus, unlike other regions, expense details of the Region of the Americas cannot be drilled down to the invoice level as the Region's data is received at an aggregated level. Data for the Region of the Americas are not available on real-time basis and there is a time lag of about two months between incurring expense at the country office level and capturing data in GSM. There is lack of visibility as regards the Region's transactions relating to, inter alia, suppliers, travel and leave. Further, since the Region is going for a separate system, there is duplication of IT infrastructure and human resources for managing the modules for human resources, travel claims and leave.

99. Given the fact that the Region of the Americas has decided to implement a new enterprise resource planning system, I *recommend* that WHO work closely with the Region of the Americas during the development of its system, so as to achieve transfer of disaggregated data from the Region at shorter interval.

100.   Plans for **enhancement and up-gradation.** The two basic components of GSM future plans are technical upgrade and reduction of customization. WHO plans to complete the technical upgrade by August 2013, as November 2013 is the deadline for Oracle´s technical support to the old version. Regarding plans for the reduction of customization, six modules with heavy customization were identified and in-principle approval of the Business Owner´s committee was first obtained to reduce customization. Given the criticality of GSM to WHO, I agree with the objective of undertaking a technical upgrade to ensure Oracle's continued support to GSM beyond 2013. The plans for reduction in customization could be implemented in two ways:

- by ensuring that the business processes are fully synchronized with Oracle best practices; or

- by allowing business processes not to be aligned with Oracle best practices (or not fully so).

101.   If the business processes are completely aligned with best practices, then the reduction in customization could result in strong Oracle validations built in the system and could also make available standard Oracle reports of transactions. If the second option is chosen, then standard Oracle validations and reports may not be available. In such a case, compensating preventive controls for data validations, customized reports of exceptional transactions, and post audit of transactions may have to be ensured, which would involve additional costs. My concern is that if the second option is chosen without alternate preventive controls and effective post-transaction monitoring, data quality will be compromised.

102.   I *recommend* that WHO monitor closely the implementation of technical upgrade to ensure that the upgrade is completed well before the cut-off date of November 2013.

103.   **The way forward.** Various areas have been identified in my performance review where there is scope for achieving significant improvements. The management should initiate action to implement my recommendations in a time-bound manner to strengthen GSM and to reap greater benefits from it. I would, particularly, like to emphasize that the WHO management should go ahead with its plans for de-customization of GSM, provided the business processes are aligned completely to be in sync with Oracle best practices. Where such de-customization is not possible, I would like to emphasize the need for alternate controls, particularly considering the fact that all business rules cannot be validated through GSM. The alternate controls could be in the form of:

- a combination of pre- and post-transaction audits for compliance with business rules;

- generation of reports for identification of red flags/deviant transactions and periodic follow-up of such reports;

- engaging data analysis experts to analyse transactions.

104.   Regarding the Secretariat's proposal to establish an Office of Ethics in WHO, which was welcomed by members of the Executive Board at its Special Session on WHO reform,[1] I am happy to note that work is under way. The Office of Ethics may be vested with responsibility to create greater awareness amongst employees on issues of integrity and ethics; to bring out detailed guidelines on employee practices that are considered unacceptable and the consequences of non-compliance.

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[1] Documents EBSS/2/2 and EBSS/2/2011/REC/1, summary record of the fourth meeting.

WRITE-OFFS, ADMINSTRATIVE WAIVERS, FRAUDS AND PRESUMPTIVE FRAUDS

105.   **Write-offs.** Approval was obtained in February 2012 to write-off an amount of US$ 472 380 pertaining to personal advances. Of this, US$ 131 453 pertained to headquarters and US$ 340 927 to the Regional Office for Africa.

106.   **Administrative waivers.** The Regional Office for South-East Asia reported one case of administrative wavier amounting to US$ 3819. The Regional Office for the Western Pacific also reported one case of administrative waiver amounting to US$ 7653. At headquarters, an administrative waiver for US$ 94 565 was given. Two ex-gratia payments amounting to CHF 626 and CHF 2500 were also approved at headquarters.

107.   **Fraud and presumptive frauds.** The Regional Office for the Eastern Mediterranean reported three cases of fraud. No cases of fraud or presumptive fraud were reported by the regional offices for the Western Pacific, Europe and South-East Asia. No information regarding frauds was received from the Regional Office for Africa.

STATUS OF EXTERNAL AUDIT RECOMMENDATIONS

108.   In my interim report, I had made a number of recommendations concerning financial matters, implementation of IPSAS, internal controls, income and award management, programme management, procurements, asset and inventory management, personal advances to staff and the Office of Internal Oversight Services in WHO. The Secretariat had accepted to implement these recommendations. As part of my audits, the progress of implementation of the recommendations was assessed. The result of this assessment is given in the Appendix. Most of the recommendations are at various stages of implementation with a small number having been fully implemented. I would like to urge the Organization to take action to implement the recommendations made last year and in this report.

ACKNOWLEDGEMENT

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

Vinod Rai
Comptroller and Auditor General of India
External Auditor
18 April 2012

APPENDIX

STATUS OF IMPLEMENTATION OF PREVIOUS YEAR'S
EXTERNAL AUDIT RECOMMENDATIONS

RECOMMENDATION	STATUS OF IMPLEMENTATION
1. I *recommend* that the un-collected voluntary contributions be reviewed and provisions made in accordance with the United Nations System Accounting Standards.	WHO has adopted IPSAS 23. The recommendation has been reiterated in this report.
2. I *recommend* that the report's recommendations that have a direct bearing on strengthening internal controls and improving reporting arrangements be considered for adoption so that the Comptroller's responsibilities and powers are synchronised.	Work in progress. The recommendation has been reiterated in this report.
3. I *recommend* that WHO may expedite the action plan outlining deliverables along with timeline in respect of the pending IPSAS to ensure that the process of migration to IPSAS is implemented with effect from 1 January 2012.	Work in progress. The recommendation has been reiterated in this report.
4. Income and award management:	
(a) I *recommend* that the donor proposal tracking tool, which is in the pilot stage, be implemented fully so that the Income and Award Management unit gets timely information and the delays are reduced.	Implemented. Donor agreement end-to-end procedures, which included the donor proposal tracking tool, were implemented in May 2011.
(b) I *recommend* that the Income and Award Management unit should continue to trace all agreements and capture the correct award amount in the system in order to remove inconsistencies in the data.	Work in progress. The Income and Award Management unit is following up to ensure that all active post-conversion awards and all awards with receivable balances have an agreement link available in GSM. There are very few awards in these categories where the agreement link is missing.
(c) I *recommend* that the Award Managers should be proactively engaged in the award management cycle in order to ensure that the award funds are fully utilized and the project implementation does not suffer.	Not Implemented. The training for Award Managers has not been identified as a priority amongst the list of global training proposals. The learning course will take place in 2012, if staff development funds are confirmed.
(d) I *recommend* that WHO should continue to make concentrated efforts to review and reduce receivables outstanding.	Work in progress. The recommendation has been reiterated in this report.
(e) I *recommend* that unapplied receipts should continue to be reviewed on a regular basis and appropriate measures should be taken to apply them timely.	Work in progress. A procedure is now in place to manage old unapplied/unidentified receipts. As on 31 December unapplied receipts were US$ 2.3 million.

5. I *recommend* that the necessary follow-up action should be taken up with budget centres to liquidate the encumbrances at the earliest.	Work in progress. A new position of Encumbrance Manager has been created. The recommendation has been reiterated in this report.
6. I *recommend* that bank reconciliation statements be prepared for all the bank accounts in the month following the one to which they relate and efforts should be made to reconcile balances which have remained outstanding for long.	Work in progress. The recommendation has been reiterated in this report.
7. I *recommend* that all prescribed procedures in respect of custody, handling and recording of cash be strictly complied with.	Work in progress. Field audits indicated further work is required to ensure compliance.
8. I *recommend* that un-reconciled items in the e-Imprest account be reconciled to date and the necessary system enhancements be completed at the earliest.	Work in progress. The recommendation has been reiterated in this report.
9. I *recommend* that the waiver requests should not be a regular feature of procurement process. They should be resorted to as an exception to the system. The Secretariat needs to devise clear guidelines so that waivers are permitted only in exceptional circumstances; that the Global Management System provides definitive information/assurance that all waiver cases have met the laid down norms/provisions; that the requirement of three tenders is followed; and that the involvement of outside experts in the procurement process may be considered.	Work in progress. Waiver requests were not taken up in audit this year. In respect of other procurement-related deficiencies, the recommendation has been reiterated in this year's report.
10. I *recommend* that in order to have an effective inventory management system in place, internal controls in respect of its recording, valuation, physical verification and its custody need to be strengthened.	Work in progress. The Secretariat has issued a new standard operating procedure to address this issue. The recommendation has been reiterated in this report.
11. I *recommend* that provisions stipulated in the WHO Manual and General Conditions of Agreement should be adhered to while entering into agreements for Direct Financial Cooperation. An effective monitoring system for adequate follow up of technical reports, financial certification and statement of expenditure should be put in place and control mechanisms strengthened.	Work in progress. The recommendation has been reiterated in the Management Letters issued to regional and country offices.
12. I *recommend* that the efforts to monitor and settle the outstanding salary advances to ensure compliance as per the provisions of the WHO Manual be strengthened.	Work in progress. However, considerable progress has been made this year in identifying and settling the personal advances.

13. I *recommend* that the internal controls regarding salary payments be reviewed and strengthened in order to avoid overpayments.	Work in progress. The recommendation has been reiterated in this report.
14. I *recommend* that the internal control mechanism for sanctioning and monitoring of advances to staff should be strengthened.	Work in progress. The recommendation has been reiterated in this report.

15. Internal Oversight Services:	
(a) I *recommend* that that the Financial Rules should be updated to include risk management in the scope of the Office of Internal Oversight Services' responsibilities to provide it with a clear mandate.	Not Implemented. The Secretariat has stated that the recommendation will be implemented the next time changes to the Financial Rules are proposed.
(b) I *recommend* that WHO may consider reassessing the financial resources available to the Office of Internal Oversight Services in line with the enhanced activities of the Organization, the management's expectations and additional responsibilities assigned to the Office.	The Director-General has approved the strengthening of the Office of Internal Oversight services. Action ongoing.
(c) I *recommend* that the staff strength of the Office of Internal Oversight Services at various levels should be reviewed keeping in view the increased scope of work and expectations of the management in providing assurance.	Based on the Director-General's approval, the recruitment process to strengthen the Office of Internal Oversight Services is under way.
(d) I *recommend* that workplans should be prepared in a more realistic manner keeping in view the actual time utilized for various activities, namely, audit, evaluations, and investigations in the earlier years. Workplans should also be in line with the allocation of the resources of WHO between headquarters and field offices keeping in view the risk profile of various audit entities/activities.	Implemented.
(e) I *recommend* that the status of action taken on the accepted recommendations on the self-assessment report may be documented. Important accepted recommendations like those on delegation of authority, risk-assessment process, the finalization of the audit manual and a policy on training should be implemented within a fixed time frame.	The recommendation is planned for implementation in 2012 through the planned quality assurance review.

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