

Report of the External Auditor

Fourth report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-fifth World Health Assembly

1. The sixteenth meeting of the Programme, Budget and Administration Committee was held in Geneva from 16 to 18 May 2012 under the chairmanship of Dr M.A.O. Saíde (Mozambique).¹
2. The Committee considered the report of the External Auditor,² which was the last of eight reports issued under the Comptroller and Auditor-General of India's eight-year tenure as the External Auditor of WHO. Introducing the report, the External Auditor's representative highlighted some of its key findings.
3. In the subsequent discussion, the Committee welcomed the frank and very detailed report, which contained much useful information and which raised a variety of issues of importance in the context of the Organization's overall internal control framework. However, it was pointed out that the very late distribution of the report had almost precluded detailed study and analysis in advance of the meeting.
4. Among the specific comments made by the Committee, the total revision of the WHO Manual and its re-issuance as an e-Manual was highlighted as a welcome achievement as it updated and clarified procedures. However, concern was expressed about some of the findings in the report, particularly those relating to matters that had already been raised in previous audit reports and were thus of a recurrent nature.
5. The issues concerned included weaknesses in procurement processes and practices at the regional and country levels; cases of individual non-compliance with mandatory procedures in the Global Management System regarding travel or leave management; slow reconciliation of bank and imprest accounts in field offices; low utilization of funds in some offices; a high volume of pending travel advances; and some continuing problems with the non-recovery of advances to staff. Taken together, these raised the question of the robustness of the Organization's internal control processes.
6. In particular, Committee members agreed that the procurement problems highlighted in the report were for the most part of a long-standing nature and constituted a significant risk for the

¹ For the list of participants, see document A65/44, Annex.

² Document A65/32.

Organization, given the high dollar volume spent on procurement of goods and services as well as on Direct Financial Cooperation. The Secretariat was urged to tackle the shortcomings identified as a matter of high priority and to adapt the related policies and procedural framework appropriately so as to ensure that all procurement action was based on the principle of competitive procurement.

7. The importance of ensuring the maximum alignment between the Global Management System and AMRO/PAHO's new enterprise resource development system – currently under development – was highlighted as important for the smooth transfer of data between the two. The Secretariat informed the Committee that it was in close contact with AMRO/PAHO regarding its continuing system development efforts.

8. In response to a concern raised about the apparently very high level of voluntary contributions receivable that had remained outstanding for more than a year, the Secretariat clarified that more than 90% of that amount was related to letters of credit issued by two major national development agencies in lieu of cash funding. These amounts were drawn down by the Organization only as and when those expenditures had been incurred. This explained the relatively long period during which voluntary contributions were recorded as a receivable.

9. The Committee also highlighted some of the broader issues raised in the report, such as the need to safeguard the Organization's institutional continuity; and to exploit the full potential of the new International Public Sector Accounting Standards for better transparency and more meaningful financial reporting; and the manifold implications of the continuing discussion on WHO reform. The Committee queried the apparently slow pace of implementation of some of the audit recommendations and the absence of a strong culture of accountability underpinned by appropriate sanctions in cases of transgression.

10. It was suggested that future reports should point out more clearly the relative gravity and importance of the various audit findings and observations, which would help the Committee to adjust its approach to individual matters. It was also suggested that all business rules should be built into the Global Management System, as recommended by the External Auditor.

11. In response to comments made, the Secretariat pointed out that, in its opinion, the Global Management System should allow managers some flexibility – too much rigidity might be counter-productive. Nevertheless, in developing the new upgrade for the System the Secretariat would strive to reduce complexity by lowering the degree of built-in customization and aligning the system more with the latest standard Oracle version available.

12. The Director-General assured the Committee, also on behalf of all the Regional Directors and the Global Policy Group, that the issue of compliance with audit findings and speedy implementation of audit recommendations was at the top of the Secretariat's priorities and that the resolution of outstanding audit issues had been formally adopted as a matter of urgency.

13. In addition, the Director-General announced that she would take personal responsibility for carrying out compliance checks across the Organization from within her office and was fully committed to instituting the changes that were needed in order to achieve a culture of individual responsibility-taking with full accountability, backed up by the required sanctions.

14. In closing, the Committee expressed its thanks to the External Auditor for his eight years of dedicated professional service to the Organization, which had been most valuable both to the Committee itself and to all WHO's stakeholders.

RECOMMENDATION TO THE HEALTH ASSEMBLY

15. The Committee, on behalf of the Executive Board, recommends to the Sixty-fifth World Health Assembly the adoption of the following draft resolution:

The Sixty-fifth World Health Assembly,

Having considered the report of the External Auditor to the Health Assembly;¹

Having noted the report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-fifth World Health Assembly,²

ACCEPTS the report of the External Auditor to the Health Assembly.

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¹ Document A65/32.

² Document A65/47.