

## **Report of the Internal Auditor**

1. The Office of Internal Oversight Services transmits herewith its annual report for the calendar year 2018 for the information of the World Health Assembly.
2. Financial Rule XII on Internal Audit establishes the mandate of the Office of Internal Oversight Services. Paragraph 112.3(e) of Rule XII requires the Office to submit a summary annual report to the Director-General on its activities, their orientation and scope, and on the implementation status of internal audit recommendations. It also states that this report shall be submitted to the Health Assembly, together with any comments deemed necessary.
3. The Office provides independent and objective assurance and advisory services, designed to add value to and improve the Organization's operations. Using a systematic and disciplined approach, it helps the Organization accomplish its objectives by evaluating and improving the effectiveness of processes for risk management, control and governance. The Office is also responsible for conducting investigations of alleged wrongdoing.
4. The Office is authorized full, free and prompt access to all records, property, personnel, operations and functions within the Organization which, in its opinion, are relevant to the subject matter under review. No limitation was placed on the scope of the work of the Office during 2018.

### **OBJECTIVE AND SCOPE OF WORK**

5. According to its mandate, the Office provides audit and investigation services to WHO and to some entities hosted by WHO (e.g. the Joint United Nations Programme on HIV/AIDS,<sup>1</sup> the International Computing Centre and Unitaid) and to the International Agency for Research on Cancer. In the Region of the Americas, the Office relies on the work performed by the Office of Internal Oversight and Evaluation Services of the Pan American Health Organization for the coverage of risk management, control and governance (see paragraph 68 for conclusions).

### **MANAGEMENT OF THE OFFICE**

6. The Office, which reports directly to the Director-General, conducts its work in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors and adopted for use throughout the United Nations system and the Uniform Principles and Guidelines for Investigations, endorsed by the 10th Conference of International Investigators.
7. The Office comprises, in addition to the Director, a Coordinator for Audit and a Coordinator for Investigation, 10 auditors, four investigators and two support staff. Two fixed-term positions were

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<sup>1</sup> A P5 Senior Auditor post is financed by UNAIDS and dedicated to the audits of that Programme.

vacant at the end of 2018, a Senior Auditor position (under recruitment), and the post of Coordinator Investigation. In 2018, the position of Coordinator Investigation was held on an acting basis by a senior auditor who has long experience in performing investigations in the WHO environment.

8. Available resources are assigned in accordance with the priorities of the Office. High-risk situations developing unpredictably may divert human resources away from initial priorities. Accordingly, the Office prioritizes planned work and then adjusts the schedule in order to compensate for any unexpected assignments.

9. The budget of the Office is distributed between human resources, travel, consultancies and operating supplies, with a view to fulfilling the mandate of the Office. During 2018, the Office was able to cover its expenses. Expenses are monitored very closely and efforts have been maintained to reduce travel costs through efficiency measures.

10. With a view to maximizing internal oversight coverage, the Office: (a) continuously refines its audit risk assessment model so as to allocate its resources to the highest risk areas; (b) adapts its approaches to desk and operational audits; (c) uses short-form reports for operational compliance audits; (d) uses an audit software system to manage work papers electronically; and (e) uses agreed criteria for the prioritization of reports of concerns received for investigation, with the highest priority given to the investigation of allegations of sexual exploitation and abuse, sexual harassment and assault.

11. The Office has adapted its approach in order to report to stakeholders in line with the five components of the model issued by the Committee of Sponsoring Organizations of the Treadway Commission,<sup>1</sup> which has been adopted by WHO as the basis for its accountability framework. The audit plan of work for 2018 was based on the Office's independent risk assessment and the WHO Principal Risks.<sup>2</sup> The Office continues to work to achieve greater alignment in the reporting of assurance across the "three lines of defence" from management's assertions on internal control to internal audit findings.

12. The Office maintains regular contact with the Organization's External Auditor in order to coordinate audit work and avoid overlap in coverage. The Office provides copies of internal audit reports to the External Auditor and the Independent Expert Oversight Advisory Committee, and participates in meetings of that Committee in order to maintain an open dialogue with its members and implement their guidance and recommendations on matters under its oversight responsibilities. The Office also maintains regular contact with other departments of WHO, such as the Evaluation Office and the regional compliance units. The Office uses a SharePoint site as a repository for investigation case files. The Office also uses a secure web-based platform to provide remote access to internal audit reports, upon request from Member States.

## AUDITS

13. The Office views risk as the possibility of an event occurring that will influence the achievement of objectives. It assesses risk in terms of degree of impact and likelihood of occurrence. Methodical consideration of risk guides the Office's prioritization of activities and provides a basis for work planning.

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<sup>1</sup> Defines the main areas as the Control Environment; Risk Management; Control Activities; Information and Communication; and Monitoring.

<sup>2</sup> See WHO Principal Risks at: [https://www.who.int/about/finances-accountability/accountability/WHO\\_Principal\\_Risks\\_May2018.pdf](https://www.who.int/about/finances-accountability/accountability/WHO_Principal_Risks_May2018.pdf) (accessed 18 February 2019) and Annex 7.

14. The objective and scope of work of the Office is to evaluate whether the framework of processes for risk management, control and governance, as designed and implemented by the Organization's management, is adequate and functioning so as to achieve WHO's objectives. The Office assessed whether: (a) risks were identified, analysed and mitigated; (b) financial, managerial and operating information was accurate, reliable and timely; (c) staff actions complied with WHO's regulations, rules, policies, standards and procedures; (d) resources were used efficiently and protected adequately; (e) programme objectives were achieved; and (f) the control process fostered quality and continuous improvement.

15. At the conclusion of each assignment, the Office prepared a detailed report and made recommendations to management, designed to help manage risk, maintain controls and implement effective governance within the Secretariat. The crucial issues identified during each assignment have been summarized in this report. Annex 1 lists the reports issued by the Office under its 2018 plan of work, along with information on the status of implementation of open audits as of 18 February 2019. In accordance with common practices across United Nations Agencies, the Office uses a four-tier rating system for its overall conclusions on audits, namely (1) Satisfactory; (2) Partially satisfactory, with some improvement required; (3) Partially satisfactory, with major improvement required; and (4) Unsatisfactory.

### **Integrated audits**

16. The objective of integrated audits is to assess the performance of WHO at the country level, or of a department/division at a regional office or headquarters, in the achievement of results as stated in the relevant workplans, and the operational capacity of the respective departments/country offices to support the achievements of results. Integrated audits focus on risks to areas and functions grouped under three components: (1) the organizational setting (strategy, core functions of WHO, control environment, risk management, organizational profile, collaboration and readiness and support for public health emergencies); (2) the programmatic and operational process (programme budget development and operational planning, resource mobilization, workplan management, operational support and effectiveness of key internal controls in transactions processing); and (3) the achievement of results (information and communication, monitoring and performance assessment, sustainability, and evaluation and organizational learning). These three components comprise up to 28 areas, covering up to 186 control activities. In 2017, the Office added specific tests designed to assess the effectiveness of the Organization's readiness and response to health emergencies and in 2018, these tests were revised and aligned with the updated performance standards in the Emergency Response Framework.

17. **Country Office in Liberia.** The audit concluded that the performance of the Country Office was partially satisfactory, with some improvements required to address high and moderate levels of residual risks. The audit found the following issues with a high level of residual risk that need to be addressed: (a) risk management inadequately embedded in the programme budget operational planning, monitoring and performance assessment; (b) delays in the implementation of the approved human resources plan, notably as demonstrated by low staffing levels for priority programmes such as neglected tropical diseases and noncommunicable diseases; (c) the relative large size of administration and management *vis-à-vis* technical programmes (following the downscaling of the Ebola operations), which may not be the most efficient use of resources; (d) lack of a resource mobilization strategy or a plan in the context of significant funding gaps for several priority programmes such as maternal, newborn, child and adolescent health, and noncommunicable diseases; (e) the absence of formal assurance activities performed for grant letters of agreement and direct financial cooperation; (f) inadequate supervisory and administrative review of supporting documentation for direct implementation, which can lead to a loss of funds or irregularities in the use of funds; (g) inadequate compliance with clearance requirements for

publications, which could result in a reputational risk to the Organization; (h) lack of systematic evidence supporting the assessment of the achievements of results relating to the Programme budget 2016–2017, including the achievement of performance indicator targets, and inaccuracies in the reported delivery of products and services, which could negatively impact the reliability and integrity of WHO's programmatic reporting.

18. **Country Office in Ethiopia.** The audit concluded that the performance of the Country Office was partially satisfactory, with major improvements required to address high and moderate levels of residual risk. The audit noted some good practices, including the support for the development of national legislation on gender and youth, for the national strategy and plan of action for pharmaceutical manufacturing development and for the initiation of high-level multisectoral action to combat noncommunicable diseases. The audit also noted the effective contribution of WHO to addressing the ongoing protracted humanitarian and public health emergencies, acknowledged by both national authorities and the international community. At the same time, the audit found the following issues with a high level of residual risk that need to be addressed: (a) uncertainties relating to the resourcing of the Country Office staffing as proposed during the functional review; (b) insufficient capacity to provide the requisite level of technical assistance for priority national programmes; (c) risks to supporting the national polio transition plan; (d) significant funding gaps to support several priority programmes including noncommunicable diseases, health systems and services, and the WHO Health Emergencies Programme; (e) significant weaknesses in the processes relating to direct financial cooperation; (f) ineffective controls relating to the functioning of the local procurement committee; (g) inadequate segregation of duties for payment requests and imprest purchase order payments; and (h) insufficient dissemination of required updates on WHO's work to key donors and partners.

19. **Family and Reproductive Health Cluster at the Regional Office for Africa.** The audit concluded that the performance of the Cluster was partially satisfactory, with some improvements required to address high and moderate levels of residual risk. Several good practices were noted, such as the work of the Cluster leading to the Addis Declaration on Immunization, wherein Member States in the African Region committed to increase domestic funding for immunization, and the establishment of a regional multisectoral committee leading to the Brazzaville Declaration in 2016, repositioning nutrition as a factor for development. The audit also noted the strengthening of controls over programme management within the Cluster. At the same time, the audit found the following issues with a high level of residual risk that need to be addressed: (a) insufficient capacity to support country offices in technical collaboration with Member States; (b) inadequate implementation of the human resources plan due to funding constraints; and (c) insufficient resource mobilization for programmes such as nutrition, ageing, and gender, equity and rights.

20. **Global Malaria Programme at headquarters.** The audit concluded that the performance of the Programme was partially satisfactory, with some improvements required to address high and moderate levels of residual risk. The Programme demonstrated several good practices, including: a clear strategic agenda aligned with the Thirteenth General Programme of Work, global health priorities and the identified needs of WHO Member States; effectiveness in coordinating the programme area networks in supporting the development and operational planning of the Programme budget 2016–2017; and sound efforts to conduct independent evaluations of technical work. At the same time, the audit found the following issues with a high level of residual risk that need to be addressed: (a) research projects involving human subjects were not systematically reviewed by the WHO Ethics Review Committee; and (b) the Programme budget 2016–2017 performance assessment report was not systematically supported by evidence including the achievement of performance indicator targets. Also noted were inaccuracies in the reported accomplishments, which could negatively impact the reliability and integrity of WHO programmatic reporting.

21. **Country Office in Somalia.** The audit concluded that the performance of the Country Office was partially satisfactory, with major improvements required to address high and moderate levels of residual risk. The Country Office demonstrated several good practices, including effective coordination of emergency response operations across the three levels of WHO and successful polio eradication efforts in a challenging context. However, if internal controls with an unacceptable level of residual risk are not addressed as a high priority, the achievement of results may be affected. In this regard, the audit found that the following issues need to be addressed: (a) the health cluster coordination was not meeting several of the performance standards in the WHO Emergency Response Framework; (b) implementation of the WHO core function of leadership in coordinating among health sector development partners remained insufficient; (c) research projects involving human subjects were not systematically reviewed by the WHO Ethics Review Committee; (d) resource mobilization capacities for non-emergency programmes were limited; (e) donor grants were poorly managed, including delays in donor reporting; (f) assurance activities were insufficient when using direct financial cooperation and grant letters of agreement; and (g) there was a lack of evidence of review of supporting documentation relating to the direct implementation mechanism.

22. **Department of Service Delivery and Safety at headquarters.** The audit concluded that the overall performance of the Department was partially satisfactory with some improvements required. Several good practices were noted, including: the establishment of the “Twinning Partnerships for Improvement” initiative, an institution-to-institution partnership between developed and developing countries aimed at strengthening health service delivery and health system resilience; the development of a simple practical tool, the “Safe Childbirth Checklist”, a step-by-step approach to essential birth practices in health care facilities; and the creation of the online “Global Learning Laboratory” which serves to disseminate knowledge, experiences and innovations in health care. The audit found the following issues with a high level of residual risk that need to be addressed: (a) the absence of a strategy articulating a coherent approach to the primary health care agenda; (b) inadequate attention to unmet needs in normative guidance at country level in some key areas; (c) insufficient capacity to provide technical assistance to countries; (d) inadequate coordination of activities between units and programmes within the Department; (e) challenges in harmonizing work with health and development partners; (f) ineffective resource mobilization efforts; (g) inconsistencies in reporting on outputs in the end of the biennium programme area reports; and (h) inconsistent documentation of the review of deliverables and invoices before issuing payments against purchase orders.

23. **Department of Communicable Diseases at the Regional Office for Europe.** The audit concluded that the overall control environment in the Department of Communicable Diseases was partially satisfactory, with some improvements required. The audit noted good practices in terms of engagement through senior management in policy level regional and subregional platforms, leading to ministerial declarations such as the Ashgabat Statement on preventing the re-establishment of malaria transmission in the region and the formulation of a United Nations common position on ending HIV, tuberculosis and viral hepatitis; and reviewing vaccine price data to enable Member States to access vaccines at affordable prices. Key areas identified for improvement were: (a) strengthening external communications and advocacy initiatives at country level; (b) ensuring an appropriate level of staffing to strengthen technical support to country offices; (c) enhancing and expanding the engagement with partners; and (d) further improving coordination of activities between units and programmes within the department.

24. **Immunization and Vaccine Development programme at the Regional Office for South-East Asia.** The audit concluded that the performance of the Immunization and Vaccine Development team was satisfactory. Many good practices were noted, including proactive engagement with the WHO Health Emergencies Programme in the response to recent public health emergencies; effective and efficient workplan management; and the exceptional number of high-quality publications produced by

the team, many of which were published in peer-reviewed journals that build support for public health action and strengthen the reputation of WHO. There were no areas with a high level of residual risk. The audit identified three matters for potential improvement and two cross-cutting issues requiring action by other levels of the Organization.

## **Operational audits**

25. The objective of operational audits is to assess the risk management and control processes in the finance and administration areas with respect to the integrity of financial and managerial information; efficiency and economy in the use of resources (including value for money); compliance with WHO regulations, policies and procedures; and the safeguarding of assets.

### *Cross-cutting areas*

26. **Information Technology Project Management at headquarters.** The audit concluded that overall, information technology project management at headquarters was partially satisfactory, with some improvements required in order to establish an environment where priority projects would deliver the full range of anticipated benefits to WHO business users on a consistent basis. The required improvements relate to the project governance currently in place and also to the current information technology project management processes. Findings with a high level of residual risk were as follows: (a) the existing demand management model was not adequately addressed by the WHO project management governance; (b) the governance structure of individual projects (for example, project management and oversight) may favour the information technology perspective when it comes to decision-making; (c) project management practices were found to be inconsistently performed (for example, in the planning, executing and closing phases of the projects) although they relate to critical project elements such as change management, risk management or closeout; (d) the time allocated for user acceptance testing and correction of defects was too short; and (e) project benefit realization was not always monitored and reported, and benefit indicators, while defined in the early project phase (project planning), were not consistently followed up and reported. Most of the audit findings stemmed from ineffective or incomplete project management governance, which also needs to be realigned to incorporate a higher degree of attention to some important processes (e.g. information security and use of external resources), and to more precisely define the project management processes relating to project change management, risk management and oversight. Efforts are also required to improve coaching of project team members “on the business side”, to complement the revised governance and compliance monitoring.

27. **Information and Communications Technology at the regional offices for Africa and South-East Asia.** The audit concluded that the overall state of governance, controls and processes implemented in both regions was partially satisfactory, with some improvements required to mitigate information and communication risks, which, if not addressed, could ultimately affect programmatic activities. In both regional offices, management is aware of the weaknesses and deficiencies in certain control areas and has already started remediation activities. Significant audit findings for the Regional Office for Africa are as follows: (a) end-user computers in country offices of the African Region (approximately 2800 computers) are not part of the WHO Synergy environment due to technical reasons which are being followed up, which means that they may be of non-standard configuration, potentially leading to inadequate security protection; however, the Regional Office is currently deploying the new release Synergy 10, expecting to complete its deployment in the 47 countries by mid-2020; (b) business continuity plans and disaster recovery plans for the Regional Office and the country offices, while developed, were not regularly tested; and (c) areas of significant non-compliance with the regional information security standards were identified relating to the Regional Office Information and

Communication Technology security standards. The audit also noted good practices, such as the review carried out by the Information Technology Unit of the information technology infrastructure in the 47 country offices of the African Region, which focused on risks and disaster recovery capabilities and on identifying needs for improvement; and the development of the disaster recovery site in Kinshasa, with the goal of becoming a site with a near-real time version of data at both Brazzaville and Kinshasa. As part of this audit, the situation at the Regional Office for Africa was compared with the information and communication technology environment at the Regional Office for South-East Asia. The most important findings noted at the Regional Office for South-East Asia were also related to information security and business continuity. It was recommended to assess the current information security governance and controls, and a project to conduct an external assessment has since been initiated by the Regional Office. Additionally, business continuity plans for the Regional Office and country offices need to be finalized and regularly tested.

**28. Payroll at the Global Service Centre.** The conclusion of the audit was that the overall governance and controls implemented by the Payroll unit at the Global Service Centre over payroll processing are satisfactory to mitigate key risks. However, the audit noted that the output of the payroll processing depends on the accuracy of data processed by the Global Human Resource unit at the Global Service Centre, such as staff members' records, contracts and entitlements. The audit identified some issues with medium-level residual risk and potential areas of improvement relating to: (a) the business continuity of the payroll processing – there was inadequate contingency planning for this area (and the Global Service Centre as a whole); (b) enhancing the system (Global Management System) audit trails for changes of sensitive data such as banking information or retroactive payrolls – at present, the system capabilities may indicate that a change was made, but not which data field was changed and what was changed; and (c) compliance and verification of payroll transactions – current activities are limited, targeting a relatively narrow group of transactions and are done mostly after the fact (detective controls).

**29. Award Management at WHO.** This cross-cutting analytical audit concluded that award management was partially satisfactory, with some improvement required. Specifically, the audit found that while there was a relatively high level of compliance with internal controls over awards processing, the overall ownership of the award management end-to-end process was not clearly established. The audit noted that almost half (49.8%) of the awards analysed were valued at less than US\$ 500 000; however, their cumulative value corresponded to only 4.5% of the total value. Significant delays were noted in the use of the award funds, i.e. funds were encumbered or expensed for the first time on average 101 days or about 3.5 months after the award start date, with small value awards (less than US\$ 100 000) taking on average almost twice the time of large awards (more than US\$ 1 000 000). Also, over 60% of all reports due were recorded in the Global Management System as having been provided to donors late, with 19% of the final certified financial reports provided more than six months late. The audit identified the following opportunities for improvement: (a) reinforcing the role of award managers, as well as award administrators, including the need for improved financial administrative/managerial capacity in award/grant management, to ensure that award managers are accountable for programme (award) implementation and donor reporting; (b) providing award managers and award administrators with training and tools to perform the duties assigned to them; and (c) further involving award managers in the negotiation phase of donor agreements to enhance implementation readiness.

#### *On-site operational audits*

**30. Country Office in Myanmar.** The audit concluded that the effectiveness of controls in the administration and finance areas at the Country Office was partially satisfactory, with some improvements needed. The following areas of high level of residual risk required immediate attention: (a) there was no formal plan developed and communicated for the transition from Yangon to Naypyidaw despite the significant impact that this transfer of location could have on WHO activities, staff morale

and infrastructure; (b) there were nine positions vacant, among which five international positions which are considered critical for the Country Office (recruitment for some of these positions was delayed to take into account the strategic review of human resources performed by the Regional Office for South-East Asia); (c) the Country Office conducted various types of assurance activities over direct financial cooperation at the Ministry of Health and Sports, including examination of supporting documentation; however, although the assurance activities results and exceptions noted during these examinations were reported to the Ministry, no formal response had been received as of the time of the audit.

31. **Country Office in Nigeria.** The audit concluded that the effectiveness of controls in the administration and finance areas at the Country Office was partially satisfactory, with some improvements required. The audit found one issue with a high level of residual risk which needs to be addressed, in that the Country Office had not yet finalized most of its planned long-term agreements for frequently purchased goods and services, although such agreements were particularly needed for polio vaccination campaigns and had been recommended by the Regional Contract Review Committee on several occasions. Other areas requiring action were to: (a) activate the Compliance and Risk Management Committee; (b) ensure that appropriate assurance activities on grant expenditures are carried out; (c) ensure that key supporting documentation for procurement is uploaded in the Enterprise Content Management system in a timely manner; (d) strengthen the monitoring of direct implementation advances in field offices and ensure proactive action to support the collection of supporting documentation in a timely manner; (e) ensure an appropriate segregation of duties in the imprest area, or implement other mitigating measures in field office locations for administrative and finance duties; and (f) gather lessons learned from internal administrative assessment findings and prepare a plan in order to implement good practices as well as common risk mitigating measures to field offices in general.

32. **Country Office in Chad.** The audit concluded that the effectiveness of controls in the administration and finance areas at the Country Office was partially satisfactory, with major improvements required. The following areas with a high level of residual risk required immediate attention: (a) in relation to direct financial cooperation, the assurance activities conducted by Regional Office staff in April 2018 indicated that supporting documentation had not been provided for a high percentage of the expenses tested, weaknesses were noted in the validity of the documentation provided (such as undated invoices, unsigned receipts and/or errors in amounts), and technical reports for direct financial cooperation were not systematically signed and dated by Ministry of Health staff; (b) reports for direct implementation activities were overdue, expenses were not systematically summarized to facilitate the verification of the completeness and accuracy of the supporting documentation, and per diem lists were not systematically signed by a WHO official as evidence of approval; (c) significant

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