1. The seventh meeting of the Audit Committee was held in Geneva from 15 to 16 January 2003 under the chairmanship of Dr Y.-J. Om (Republic of Korea). The list of participants is contained in the Annex.

Agenda item 1 Opening of the meeting and adoption of the agenda (Document EBAC7/1)

2. The agenda was adopted. Members of the Committee noted that two of its meeting reports had been issued with some delay, but they appreciated that an overall improvement had been made with respect to the documents for the 111th session of the Executive Board. Recalling the suggestion that a study be undertaken of the production and distribution of documents for the governing bodies, with a view to identifying how the operational issues might be resolved, the Committee agreed that such a report would be prepared by the Secretariat and considered by the Committee at its next meeting.

Agenda item 2 External audit matters

Agenda item 2.1 Status of implementation of recommendations (Document EBAC7/2)

3. The Committee reviewed in detail the document under reference, and was reassured to note that the External Auditor was in general satisfied with the responses provided on progress, and that there was no fundamental disagreement by the Secretariat with his views. Of the 148 recommendations included in the current inventory, only eight were cited as “not accepted or as being inadequately addressed”. The discussions confirmed that the differences were essentially at the level of implementation rather than policy. The External Auditor noted that, in respect of the two recommendations concerning the general computer environment at the Regional Office for Europe, the issues had been reviewed in a recent follow-up audit and that further information on the outcome of that review would be given in the External Auditor’s next report on the status of implementation of recommendations to the Committee. Three recommendations concerned the application of WHO’s policy in respect to nonexpendable inventory, and the Committee noted that the policy complied with the United Nations System Accounting Standards but had not been implemented consistently throughout the Organization. Clarification was provided that, despite this, neither the expenditure nor the balance sheet of the Organization as presented in the financial report was incorrect, but rather that a disclosure requirement of the United Nations System Accounting Standards had not been fully complied with. In accordance with its Financial Regulations, WHO must follow those Standards,
which require that the value of nonexpendable inventory be shown as a note in the financial report. The Committee noted that the Secretariat would in future comply with these recommendations as well as those concerning the capitalized inventory, allotment issue and short-term staff evaluation.

4. The Committee observed that this was the third time it was reviewing such a status report, in a format that it had itself recommended, and which, it noted with appreciation, was evolving in the light of experience. It suggested that, for any area of disagreement regarding a recommendation, an analysis of the urgency and magnitude of the risks involved should be included in future reports by the External Auditor, so that the Committee could immediately estimate the relative risks. The Committee would continue to monitor the implementation of the External Auditor’s recommendations in its forthcoming meetings, drawing attention to the need to include in its ambit attention to the development of information technology systems, which were critical for the future functioning of the Organization.

Agenda item 2.2 External audit strategic plan of work for the financial period 2002-2003 (Document EBAC7/3)

5. The External Auditor outlined the new strategy of the Office of the Auditor-General of South Africa, which emphasized satisfying the needs of stakeholders and providing value for money. The Committee took note of the External Auditor’s proposed plan of work, which takes into consideration suggestions made earlier by the Audit Committee, the Administration, Budget and Finance Committee, and the Health Assembly.

6. With regard to the review of progress in implementing the country focus initiative, attention was drawn to the need to ensure that appropriate streamlined administrative measures were also in place. A suggestion for further future consideration in both internal and external audit was to examine the mechanisms to support the implementation of WHO’s results-based budgeting, given the high proportion of extrabudgetary funds that may be earmarked and of limited duration.

Agenda item 3 Reports of the Joint Inspection Unit

7. The Committee valued the reports of the Joint Inspection Unit (JIU), especially the added perspective of other organizations in the United Nations system, as well as the application to WHO, and it noted that all the JIU reports are accessible to the public on the Unit’s web site. In response to a general concern whether the JIU had been able to assess the financial implications of its recommendations in line with an earlier undertaking, the Committee was informed of the practical difficulties encountered. In this context, the Committee was also informed of the provision contained in the agreed procedure for handling JIU reports adopted by the legislative organ of one organization in the United Nations system, whereby the executive head will inform the legislative organ concerned of the financial implications of implementing JIU recommendations.

Agenda item 3.1 Recent JIU reports (Document EB111/23)

8. The recommendations of document JIU/REP/2001/4 on enhancing governance oversight role particularly caught the attention of the Committee, as additionally some of them touched on the work of the three committees of the Executive Board. Should the interrelationship of these committees be discussed in future, it would be appropriate to refer this JIU report to the body charged with these discussions.
9. The Committee also examined three JIU reports produced in 2002 which are of direct interest to WHO. With respect to the recommendations on the review of the involvement of civil society organizations other than nongovernmental organizations and the private sector in technical cooperation activities (document JIU/REP/2002/1), it was recognized that JIU used definitions that were not yet common in the United Nations system. As the scientific world remained important for WHO’s work, it was emphasized that universities could also be part of civil society.

10. The Committee reviewed with particular interest the recommendations in document JIU/REP/2002/3 on the support costs related to extrabudgetary activities in organizations of the United Nations system, including those calling for greater harmonization of such charges among those organizations. The Committee noted that, as WHO moved to greater intermingling of regular and extrabudgetary funding as part of its strategic programme budgeting and implementation, different perspectives were likely to be added to an already complex debate. This aside, a concern of the Organization remained that the regular budget should not unduly subsidize the administrative costs of handling extrabudgetary funds, a risk that tended to increase with administration of discrete and small levels of funding.

11. Note was also taken of the recommendations in document JIU/REP/2002/5 on the reform of the administration of justice in the United Nations system.

**Agenda item 3.2 Previous JIU reports: implementation of recommendations**

12. The Committee observed that this was its first consideration of a follow-up report on the status of JIU recommendations, and commended the format. The JIU team expressed its thanks to WHO for the seriousness of its review and follow-up efforts in general, and on the detailed implementation report, commenting that this was a format that could possibly serve as a model of best practice for other organizations. Document EB111/24 highlighted progress in the implementation of the 12 recommendations from the JIU’s review of management and administration of WHO (document JIU/REP/2001/5), which had been submitted to the Executive Board at its 109th session. The Committee noted with satisfaction the progress to date, commending *inter alia* the critical importance of recommendations relating to representation of WHO in countries and the country focus initiative (for example, Recommendation 1) and supporting the strategic budgeting process through tracking performance and reporting on expected results (Recommendation 5). With respect to the comments on the need to keep gender balance under continuing review within the Organization (Recommendation 9), the Committee was advised that a report in this regard would be submitted to the Fifty-sixth World Health Assembly.

**Agenda item 4 Internal audit matters**

13. The Committee expressed its appreciation for the further details of the plan of work for 2003 provided in the oral presentation by the Internal Auditor. It was briefed on the criteria and mechanisms used by the Office of Internal Audit and Oversight for risk assessment, leading to the prioritization of its work. The Committee noted that a careful balance had to be kept between the proposed work plan and the staffing capacity. The Committee further noted that the Internal Auditor judged the implementation of internal audit recommendations to be satisfactory, although complex issues may take more time to resolve.
Agenda item 5  Confirmation of date and place of the next meeting

14. Bearing in mind the need to meet before the Administration, Budget and Finance Committee has completed its work prior to the Fifty-sixth World Health Assembly, the Committee agreed to convene the eighth meeting on Wednesday, 14 May 2003 in Geneva, subject to confirmation by the Executive Board at its 111th session. According to current practice, the agenda, in addition to the item included under paragraph 2 of this report, would be drawn up in the light of the work of the Board at its 111th session, on the basis of the Committee’s terms of reference. Members could also communicate any suggestion for the agenda to the Chairman, who would be entrusted with the final approval of the agenda on behalf of the Committee.
ANNEX

LIST OF PARTICIPANTS

MEMBERS, ALTERNATES AND ADVISERS

Republic of Korea

Dr Y.-J. Om (Chairman)

Colombia

Dra. L. Silvani de Moreno

Egypt

Professor M.N. El-Tayeb

Gabon

Dr J.-B. Ndong

Maldives

Mr M.A. Didi (alternate to Dr A.A. Yoosuf)

Sweden

Ms A.-C. Filipsson

OTHER EXECUTIVE BOARD MEMBERS, ALTERNATES AND ADVISERS

Mr H. Selim (Egypt) (adviser to Professor M.N. El-Tayeb)
Mr A. Kofi (Ghana)
Mr P. Chernikov (Russian Federation) (alternate to Professor Y.L. Shevchenko)

REPRESENTATIVES OF EXTERNAL AUDITOR

Mr T. Nombembe
Mr G. Randall
Ms J. Englund

1 Decision EB110(4).
OBSERVERS

Mr S. Kuyama, Joint Inspection Unit
Mr L.-D. Ouedraogo, Joint Inspection Unit

MEMBER STATES NOT REPRESENTED ON THE EXECUTIVE BOARD

Canada (Dr J. Lariviére, Mr D. MacPhee)