



WORLD HEALTH ORGANIZATION

**AUDIT COMMITTEE OF THE
EXECUTIVE BOARD
Fifth meeting**

**EBAC5/5
11 January 2002**

Report of the fifth meeting of the Audit Committee of the Executive Board

1. The fifth meeting of the Audit Committee was convened in Geneva on 9 and 10 January 2002. Mr G.R. Patwardhan (India), nominated as interim Chair at the fourth meeting, opened the meeting. After adoption of the agenda, and the information that Mr Patwardhan would not be able to attend the 109th session of the Executive Board to present the reports of the Audit Committee, the meeting elected Dr Y.-J. Om (Republic of Korea) as Chair. The list of participants is contained in the Annex.
2. At its second meeting, the Audit Committee had agreed to hold informal working sessions, with only one member of the Secretariat present, to review the agenda informally, before it started its substantive work. This procedure had been put into practice for the third and fourth meetings of the Committee. An assessment of this practice had concluded that this approach was of marginal value, not least because any point that needed to be included in the Audit Committee's report to the Executive Board had to be repeated in the open session. The Audit Committee agreed to the proposal to discontinue with this experimental approach, and to hold the entire meeting in open session, as was the case with the Administration, Budget and Finance Committee and the Programme Development Committee.
3. Members of the Audit Committee expressed strong dissatisfaction with the fact that most of the Committee's documents had not been dispatched within time lines that permitted adequate preparation and consultations. It noted that one of the reasons for the delay was that documents could only be officially released when ready in all six official languages. There had been significant problems this year with the timely preparation and release of documents, to such a degree that it was expected to be the focus of some attention at the 109th session of the Executive Board.
4. In this respect, the Audit Committee considered that it would be useful for the Board and the Health Assembly to have a study undertaken of dysfunctions and the operational difficulties the Organization was encountering with respect to production of its documentation for the governing bodies. A report on that issue could be included on the agenda of a future meeting of the Audit Committee. Further thought could also be given as to how issues requiring specific attention by the Audit Committee could be highlighted when documents were submitted for review.
5. The Committee was assured that in future all documents would be forwarded 15 working days before the Committee was to meet, and if the translations were not yet available, to send advance copies in English.
6. The Audit Committee reflected further on its mandate as contained in resolution EB106.R1 in order to determine the best way to support continuing reform in WHO. It concluded that the Terms of Reference were sufficiently detailed and broad in scope for it to fulfil such a role, although the late

receipt of documents, and the way some of them had been presented, had made it difficult for the Committee to carry out its mandate in a satisfactory manner on this occasion. The Committee would continue to give further thought to its methods of work at future meetings.

Agenda item 3. Approval of the report of the fourth meeting (Document EBAC5/2)

7. The Committee approved the report of its fourth meeting, held in May 2001, which would be submitted to the 109th session of the Executive Board.

Agenda item 4. External Audit matters

Agenda item 4.1 Status of implementation of recommendations (Document EBAC5/3)

8. The Committee noted that the report of the External Auditor had been prepared in the light of recommendations made in the Audit Committee's previous reviews of this standing agenda item,¹ namely, a tabular presentation with progress indexed by External Audit according to five categories ("addressed, in process, mostly addressed, still to be addressed, not addressed or inadequately addressed"). The Committee, after further reflection, endorsed the maintenance of this format, but proposed that the response to management letters should include expected timeframes for addressing the recommendations of the External Auditor. This would help the Committee better to focus its attention on areas of potential risk.

9. The Committee reviewed in detail the document under reference, and was reassured to note that the External Auditor was satisfied in general with the responses provided on progress.

10. Although there was no fundamental disagreement with the views of the External Auditor, the Committee requested further information on the status of recommendations to which the response had been in the "not (or not adequately) addressed" category. Accordingly, the Committee was updated on the nine recommendations concerned. It was reassured to learn that further progress had taken place since the compilation of the status report in November 2001.

11. The recommendations on the findings of the interim audit for the financial period 2000-2001 with a focus on extrabudgetary resources was cited as a particular area for closer monitoring. The Audit Committee, at its fourth meeting, had highlighted the fact that these resources had significantly increased in recent years and could have a disproportionate effect on the level of administration funded by the regular budget. At the same time, the donor community providing extrabudgetary resources felt that the charges levied on such funds by WHO for administration were not inconsiderable. The Committee noted that the actual costs incurred in relation to extrabudgetary services would shortly be reviewed and a report submitted to the Executive Board.

12. With respect to the external audit review of the Internal Audit function, it was noted that the work of this Office was basically carried out centrally, except for two staff members stationed in AMRO/PAHO. Given WHO's emphasis on decentralization, an issue for further study may be the cost-effectiveness of decentralization.

¹ See document EBAC5/2, paragraphs 2 and 3.

Agenda item 4.2 Update on the progress of the external audit for the biennium 2000-2001

13. The Committee was informed that the work of the External Auditor was currently focused on the financial report on the accounts of WHO for 2000-2001 and the audit opinion and report of the External Auditor thereon, which would be before the Audit Committee at its next meeting. Collaboration with the Secretariat continued to be good, and the working relationships established were being refined, with a view to further improving communication and effectiveness. The External Auditor welcomed any suggestions from the Audit Committee as to matters to be included in its future plans of work, after it had completed closure of the 2000-2001 financial period.

Agenda item 5 Reports of the Joint Inspection Unit

Agenda item 5.1 Review of management and administration in the World Health Organization (Document EB109/30)

14. The Audit Committee expressed its strong appreciation of this review conducted from July 2000 to May 2001, which covered a wide spectrum of issues. It noted that this was one of a series of reviews of the functioning of the specialized agencies in the United Nations system. The Committee was reassured that the work of the Joint Inspection Unit (JIU) coincided with initiatives under way both by the External Auditor and in the Secretariat. Of the 12 major recommendations submitted, with the exception of certain parts of recommendations 3 and 7(b), further detailed below, the comments of the Secretariat reflected a high degree of acceptance and confirmation that work was progressing in the recommended directions.

15. Regarding recommendation 3 on decentralization the subject was very important, particularly for WHO, and the Audit Committee expressed some concern that the Secretariat had not further specified the time line for elaboration of criteria for choosing type of country representation. The Board might wish to consider whether it should invite the Secretariat to make stronger efforts to follow the timing proposed by JIU.

16. The Audit Committee also stressed that criteria for establishing the type and level of country presence was only one way in which WHO could improve its performance at country level – a key component of the reform process – and that this area should be viewed comprehensively. Chief considerations in decentralization were the number of staff at the three levels of the Organization and the cost-effectiveness of different decisions. An operating principle was that overall policy development was carried out as a central function, with appropriate consultations, whereas implementation in operational terms was decentralized.

17. With regard to recommendation 7(b) on presenting all or part of the findings of evaluation studies on WHO's web site the Audit Committee felt that WHO stood only to gain from greater transparency. The Committee agreed with the Secretariat that the thematic evaluations carried out in 2001, namely, eradication of poliomyelitis and evaluation of WHO's strategic budgeting and planning process (which were items before the Programme Development Committee at its eighth meeting (January 2002)), were examples of evaluations that could indeed be made available on the Web. It noted that there was a greater concordance of views on this recommendation than had transpired on a first reading.

18. The Audit Committee welcomed the Organization's efforts in the areas of results-based budgeting, and its intention to strengthen programme evaluation, which the Board itself had been emphasizing. One of the challenges was for strategic budgeting to become an integral part of all the work of the Secretariat at all levels. In this respect, some frustration was expressed with regard to the speed of change within certain programmes or clusters of the Organization, after an initial impetus. The Committee was advised that strategic budgeting entailed a cultural change for the whole Organization. It was expected that in the coming biennium significant progress would be made, particularly as a result of preparations for the programme budget 2004-2005, which had already commenced.

19. The Committee urged WHO to move faster on recommendation 1 concerning management support units, with a firmer time line. Streamlining of administrative functions was a must for all organizations in order to increase efficiency; distribution of functions at different levels should be clarified rapidly in order to avoid duplication and unnecessary inefficiencies. Recommendation 2, dealing with management of information technology, was also critical to the future functioning of the Organization. The Committee noted that a comprehensive strategy was to be prepared for the 111th session of the Executive Board (January 2003), and that the Board was to examine a proposed Information Technology Fund at its 109th session (January 2002).

20. Special attention was being given to management of human resources, which was on the agenda of the 109th session of the Executive Board. As with many other organizations of the United Nations system, there was a need to rejuvenate and diversify the workforce. With better succession planning, the number of staff that would be retiring in WHO in the coming years presented a unique opportunity in this regard, and also for improving gender and geographical targets. However, a careful balance had to be struck between the need to bring in new blood while maintaining a reasonable degree of institutional memory.

21. With reference to recommendation 10 concerning the Global Staff Management Council, the Committee was informed that it would engage discussions with the Staff Associations on institutionalizing such a mechanism. This would not necessarily require any change to the Staff Regulations.

22. With regard to recommendation 11 dealing with the term of office of the External Auditor, the Audit Committee noted that this was a matter for the consideration of the Board and the Health Assembly.

23. On the question of services that could be more efficiently outsourced and handled by the private sector, the Committee was informed that the subject had been reviewed earlier in the context of rationalization of common services within the United Nations family. Outsourcing, especially in administration, remained a factor that was kept continuously under review in the Organization.

Agenda item 5.2 Other reports of relevance to WHO (Document EB109/30 Add.1)

24. The Audit Committee considered two reports formally addressed to the Director-General by JIU. Document JIU/REP/2000/9 dealt with strengthening the investigations function in organizations of the United Nations system. WHO's comments confirmed that it could concur with all JIU recommendations except recommendations 3 and 5. After further discussion on recommendation 3, it was agreed that the question of risk profile should be reviewed by WHO. As to recommendation 5, the development of preventive measures based on lessons learned from completed investigations was already a regular feature of the work of the Internal Auditor.

25. With respect to document JIU/REP/2001/2 on United Nations system support for science and technology in Latin America and the Caribbean, the Committee was informed that this was the third such report, two having already been produced covering Africa and the Asia and Pacific regions. WHO and JIU's position in this regard concurred.

Agenda item 6 Internal Audit matters

Agenda item 6.1 Plan of work of the Internal Auditor (Document EBAC5/4)

26. Presenting the plan of work of the Office of Internal Audit and Oversight for the year 2002, Director IAO gave an overview of the planned distribution of the Office's staff resources by type of audit, and the planned audit coverage by organizational area, i.e. regional office, country offices and services at headquarters.

27. The Committee noted the Office's ambitious plans for 2002, but questioned whether sufficient coverage of regional operations could be assured from one single visit only per year. Other options which could be pursued included more reliance on the Internet and various information technology networks in order to monitor the work of WHO's regions on a continuous basis. In this regard, it was also important that the Internal Auditor focused on the major elements of risk, whether stemming from the size of the Organization's operations or from fraud. Director IAO agreed to re-examine the Office's criteria and mechanism for risk assessment, and report back to the Audit Committee in due course on this issue.

Agenda item 7 Confirmation of date and place of next meeting

28. Bearing in mind the need to meet before the Administration, Budget and Finance Committee had completed its work prior to the Fifty-fifth World Health Assembly, the Committee agreed to convene the sixth meeting on Friday, 10 May 2002 in Geneva, subject to confirmation by the Executive Board at its 109th session. According to current practice, the agenda would be drawn up in the light of the work of the Board at its 109th 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 OF THE COMMITTEE

Sweden

Ms A.-C. Filipsson

Egypt

Professor I. Sallam

Republic of Korea

Dr Y.-J. Om

Congo

Mr P.E. Kengouya

India

Mr G.R. Patwardhan

Colombia

Dra. L. Silvani de Moreno

OTHER EXECUTIVE BOARD MEMBERS, ALTERNATES AND ADVISERS

Chairman of the Board

Mrs M. Abel (Vanuatu)

Representatives of External Auditor

Mr T. Nombembe

Mr G. Randall

Ms J. Englund

Observers

Mr F. Bouayad-Agha, Joint Inspection Unit

Mr L.-D. Ouedraogo, Joint Inspection Unit

Mr K. Issa Othman, Joint Inspection Unit

Ms C. Momal-Vanian, Joint Inspection Unit