Approval of the report of the fourth meeting of the Audit Committee of the Executive Board

The report of the fourth meeting of the Audit Committee, attached as an Annex, is transmitted herewith for information to the fifth meeting of the Audit Committee. This report had not been included on the agenda of the 108th session of the Executive Board (May 2001).
Report of the fourth meeting of the Audit Committee of the Executive Board

1. The fourth meeting of the Audit Committee was convened in Geneva on 10 and 11 May 2001. Mr J. Payne (United States of America), who had been elected Chair at the third meeting, had advised that he was regrettably unable to participate at this meeting. The Audit Committee therefore nominated Mr G.R. Patwardhan (India) as interim Chair.

2. The agenda was adopted, with the Committee noting that agenda item 4 Reports of the Joint Inspection Unit (JIU) (if any) had to be maintained, as two JIU reports had been submitted and forwarded to members, with the report by the Secretariat contained in document EBAC4/3.

Agenda item 3. External Audit matters

Agenda item 3.1 Status of implementation of recommendations (Document EBAC4/2)

3. The Audit Committee had requested, at its second meeting in May 2000, that a tabular inventory of external audit recommendations be drawn up, which would include an age profile of such recommendations, their status of implementation, and comments by the Secretariat as applicable. Following a first review of such a report, at its third meeting in January 2001, the Committee requested that this form of reporting should be institutionalized for its future work, but broadened to cover all recommendations made by the External Auditor over a given period of time, including time frames and the assignment of specified responsibility.

4. The Committee was satisfied with the format of the report submitted, which was presented in two parts. Part I dealt with recommendations arising from two audit visits performed during the current financial period. Part II presented an updated status of the implementation of those recommendations brought forward from the previous biennium that had not been fully addressed. The Committee took note that the External Auditors were satisfied in general with the response of the Secretariat to implement the recommendations made, and that there was no area of fundamental disagreement to note.

Agenda item 3.2 Interim report of the External Auditor (Document A54/21)

5. At its third meeting in January 2001, the Committee had expressed appreciation for the External Auditor’s proposal to continue the practice of providing an audit report during the interim year of the biennium, along the same lines introduced with its report to the World Health Assemblies in recent years, and that this report should be reviewed by the Audit Committee henceforth as standard practice.
This report would be an interim report on the salient matters arising from the external audit on a timely basis, and not an audit report on the interim financial statements.

6. This report was presented under the title “Unaudited interim financial report for the year 2000”, with its scope focusing, as had been requested by the Audit Committee at its last meeting, in particular, on a review of extrabudgetary income, programme implementation, monitoring and evaluation, and on the internal audit function.

7. It was noted that the interim audit revealed that, in general, the financial records were reliable and well maintained and that adequate internal controls have been implemented by the Organization. It also noted that WHO was operating in an environment of extensive reform initiatives which were under way, particularly in the areas of the financial framework, strategic budgeting, programme implementation, monitoring and evaluation, and human resources management.

8. While the total amount of outstanding contributions had decreased during this period, the outstanding contribution of prior years had increased relative to the total amount outstanding because certain Member States were not reducing their arrears, and remained a cause of concern. The amount of extrabudgetary income had continued to increase substantially, whilst the regular budget had remained static for the last three financial periods. One risk identified was that this may have a disproportionate effect on the overall level of administrative and support work funded by the regular budget. While the Secretariat was taking steps to become more efficient, there was concern that with this trend, further imbalances could occur in this respect.

9. The review of the internal audit function considered the mandate, plan of work, scope and position of the Office within the organizational structure. The External Auditor had contracted a consultant to do this review, with quality assurance guidance based on the standards promulgated by the Institute of Internal Auditors.

10. The review confirmed that the independence of the Office had been achieved through its organizational status and mandate, permitting it to render impartial and unbiased audit assessment. While the qualifications, skills and experience of the staff was generally found to be appropriate, there was a need to keep staffing under reassessment as the assurance needs of senior management evolved. Improvements in the Office’s audit approach had also been noted by the management interviewed. Nevertheless, in some areas, the Office had either not kept pace with developments in the internal auditing field, or management expectations were such that the Office should reconsider some of its practices. In this respect, five key findings and recommendations were submitted.

11. One area highlighted by the Committee was the question of availability of formalized guidelines and methods for use in value-for-money audits. The Committee also queried whether the staffing of the Internal Audit Office should be recruited on a shorter term basis, allowing for a higher turnover, in order to deal with changing expectations. The views of the External Auditor in this respect were that there was a variety of ways to meet this challenge, with contracting for short-term assignments being just one option.

12. The Committee noted that this evaluation had been particularly welcomed by the Secretariat as being timely, given also the change reform initiatives ongoing within the Organization. Some of the recommendations were relatively easy to address, while others were on a higher intellectual plane which will require a greater effort to deal with in practical terms. The Office of Internal Audit had contracted an external party to help develop an objective action plan. A status report on progress would be presented to the fifth meeting of the Committee, January 2002.
13. The External Auditor summarized the Computer Audit of the General Control Environment at a Regional Office. The Audit Committee suggested that Audit reports be made available to all WHO offices where findings would be generally applicable across WHO.

**Agenda item 4. Reports of the Joint Inspection Unit** (Document EBAC4/3)


15. The Audit Committee asked Legal Counsel to clarify its role in the review of JIU reports. Legal Counsel indicated that the Audit Committee could advise the Executive Board on JIU recommendations by indicating either their endorsement, objection, or any modification. The Audit Committee is not obliged to comment on any or all recommendations, but only those it feels are of importance or relevance. The Board would then take the views of the Audit Committee into consideration when undertaking their review of JIU reports. The comments of the Committee would thus facilitate this exercise.

16. The Audit Committee requested that in the future the Secretariat divide JIU recommendations into three groups: (1) recommendations where WHO concurs with the JIU recommendation; (2) recommendations where WHO has some reservations but where a compromise or common understanding may be reached; and (3) recommendations where WHO disagrees with the JIU recommendation. For Group 2 recommendations, the compromise achieved would be reported to the next Audit Committee. For Group 3 recommendations, the arguments for and against the JIU recommendation would be detailed for possible further review by the Audit Committee.

**Agenda item 5. Internal Audit matters**

**Agenda item 5.1 Report of the Internal Auditor** (Document A54/22)

17. The Committee was reassured with the confirmation that the Office of Internal Audit and Oversight had encountered no difficulties with respect to prompt access to all necessary information and collaboration in the course of its work.

18. Highlights of the audit results for 2000 in the regional offices included a review of the efficiency and effectiveness of the Liaison offices in the Regional Office for Europe, where recommendations for structural and managerial improvements were presented. Note was taken of the information that the Regional Office for Africa might need to write off an amount of approximately US$ 1 million from its books. The recommendation was that efforts should be made to recover these funds.

19. The Committee was informed of a new trend with respect to audits of country offices, piloted in one office. An assessment was made to gauge the extent of translation of the corporate strategy of working in countries into an action framework. It was planned to expand this review on the basis of this type of audit to other country offices.
20. At headquarters level, internal audit had focused in particular on the performance of WHO’s contribution to the Oil-for-food programme for Iraq, with emphasis on the organizational approach, managerial process and implementation of activities, resulting in a number of recommendations which were under consideration by the Director-General. Following evaluations on the management support units in 1999, audits of all eight units were also conducted.

21. The Committee was pleased to hear that follow-up to the recommendations of the audits was receiving greater emphasis, and that most reports issued in 2000 were near closure.

22. The Audit Committee welcomed the efforts of the Office of Internal Audit and Oversight to move towards more value-for-money audits. In this regard, it queried whether a stronger role should be given to Internal Audit in the area of performance monitoring and programme evaluation. In response, the Secretariat drew the attention of the Committee to the increased attention given by the Director-General to thematic evaluations at both global and regional levels, and confirmed its intention to recommend to the Director-General that Internal Audit staff participate with future evaluation teams within the context of the Office’s mandate.

23. In conclusion, the Committee took note of the assessment that the results of the audit work undertaken during 2000 indicated that the overall system of internal control with WHO continued to provide reasonable assurance that, in the normal course of business, significant irregularities in the achievement of its objectives would be prevented or disclosed.

**Agenda item 5.2 Review of internal audit reports**

24. As agreed at the third meeting, a selected number of internal audit reports had been reviewed by members from the point of view of methodology, not for any substantive review, at the informal working session held in the morning. The Secretariat had drawn attention to the concern subsequently expressed by some members of the Executive Board in January 2001 that this procedure should be appropriately observed (document EB107/SR/12). It was recalled that this procedure was provisional and had only been introduced for a limited trial period.

**Agenda item 6 Confirmation of date and place of the next meeting**

25. The dates of 9 and 10 January 2002 in Geneva had been foreseen for the fifth meeting of the Audit Committee. Members, current and future, will need to take note of these days, pending confirmation by the Executive Board at its 108th session. According to the current practice, the agenda would be drawn up in the light of the work of the Executive Board at its next session, on the basis of the Committee’s terms of reference. Members could also communicate any suggestion for the agenda to the interim Chairman, who would be entrusted with the final approval of the agenda on behalf of the Committee.

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ANNEX

LIST OF PARTICIPANTS

China
Mr Luo Meifu (Alternate to Mr Liu Peilong)

Congo
Mr P.H. Kengouya (alternate to Dr D. Bodzongo)

India
Mr G.R. Patwardhan (alternate to Mr J.A. Chowdhury) (interim Chairman)

Russian Federation
Mr V. Vislykh (alternate to Professor Y.L. Shevtchenko)

Yemen
Dr N.N. Al-Aji (alternate to Dr A.O. Al-Sallami)

Representatives of External Auditor
Mr T. Nombembe
Mr G. Randall
Mr L. Holland
Mrs J. Englund

Observers
Inspector S. Kuyama, Chairman, Joint Inspection Unit
Inspector H. Hernandez Sanchez, Joint Inspection Unit