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Organization**

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Agenda item 19.9

**REGIONAL MATTERS ARISING FROM REPORTS OF THE  
WHO INTERNAL AND EXTERNAL AUDITS**

**Information Document**

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## BACKGROUND

1. This report has been prepared in response to the decision of the Fifty-seventh session of the Regional Committee (RC) requesting the provision of regular updates to Member States on progress achieved in strengthening compliance with administrative rules, regulations, policies and procedures. The report highlights achievements and challenges in the areas of accountability, audit and risk management for the period April 2016 to May 2017.
2. The WHO Regional Office for Africa has accelerated the implementation of global reforms through the Regional Transformation Agenda.<sup>1</sup> The goal is to transform WHO in the African Region into a responsive and results-driven organization that meets the needs and expectations of its stakeholders.
3. The Accountability and Internal Control Strengthening Project (AICS), launched in 2015, has been implementing a number of initiatives to support the Transformation Agenda. These initiatives include promoting a culture of accountability and strengthening internal controls, particularly in country offices. This report provides an update on the status of implementation of internal and external audit recommendations as well as information on overdue Direct Financial Cooperation (DFC) reports as of 15 May 2017 and proposed next steps.

## EXTERNAL AND INTERNAL AUDITS

4. Prompt and effective implementation of audit recommendations remains a management priority. Progress in implementing audit recommendations is reported quarterly to the Regional Compliance and Risk Management Committee (CRMC). A more holistic approach has been adopted to address control gaps in a comprehensive manner and establishing effective solutions for common problems in the Region. As a result, between April 2016 and May 2017, eight internal audits<sup>2</sup> and five external audits<sup>3</sup> were successfully closed. Annex 1 shows the detailed status of the audit implementation.
5. During the reporting period (April 2016 to May 2017), six internal audit reports were issued for the Integrated Audit of the Communicable Diseases Cluster at the Regional Office and the following country offices: Comoros, Ghana, Rwanda, South Sudan and Tanzania. Additionally, nine new external audits were issued for the WHO Regional Office for Africa; Country offices (COs) in Benin, Burkina Faso, Central African Republic, Mozambique, Uganda, Zimbabwe; and the Intercountry Support Teams for West Africa (WA), and for East and Southern Africa (ESA). In total, 369 new audit recommendations were issued during this period.
6. Sixty-five per cent of the total audit recommendations were implemented to the satisfaction of the auditors and were successfully closed as of May 2017. The progress in implementing the audit recommendations during the period is shown by quarter in figure 1 below.

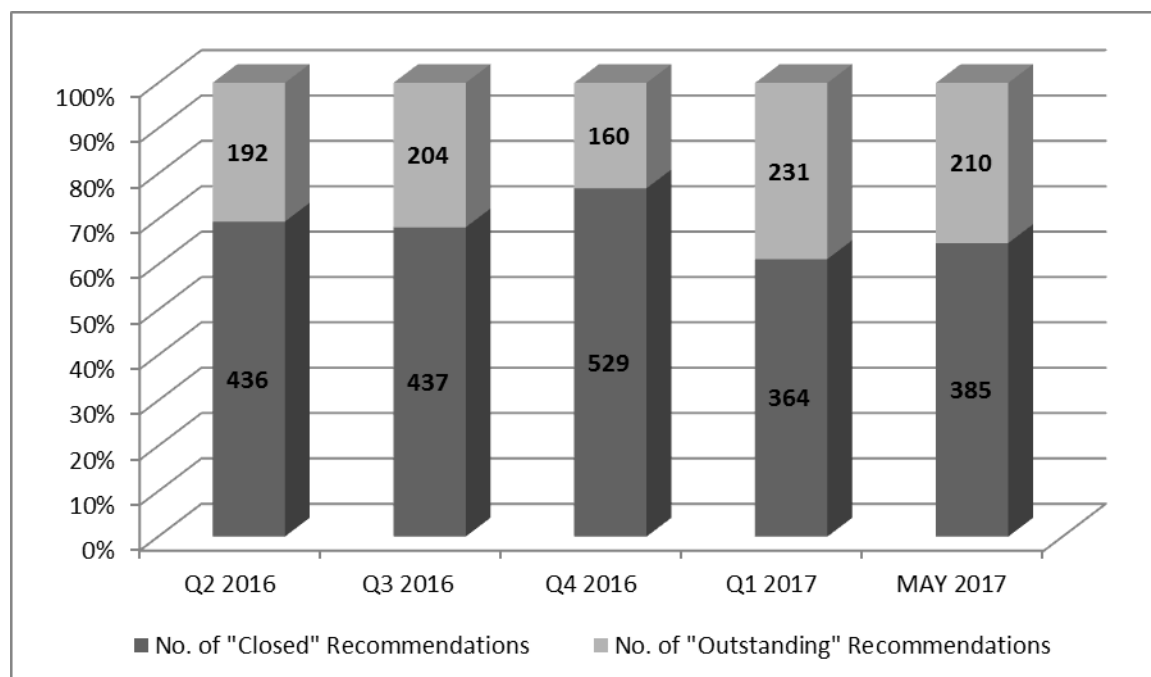
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<sup>1</sup> AFR/RC65/12. The Transformation Agenda of the World Health Organization Secretariat in the African Region: 2015–2020. *Regional Committee for Africa. Sixty-fifth session. N'Djamena, Republic of Chad, 23–27 November 2015. Final report.*

<sup>2</sup> Internal audits for the following offices: Angola, DRC, Ethiopia, Madagascar, Nigeria, South Africa, Regional Office for Africa and IST/West Africa.

<sup>3</sup> Management letters on the audit of the IST/East and Southern Africa; and Country Offices in Burkina Faso, Uganda, Zambia and Zimbabwe.

**Figure 1: Progress in implementing internal and external audit recommendations in the African Region (April 2016–May 2017)<sup>4</sup>**



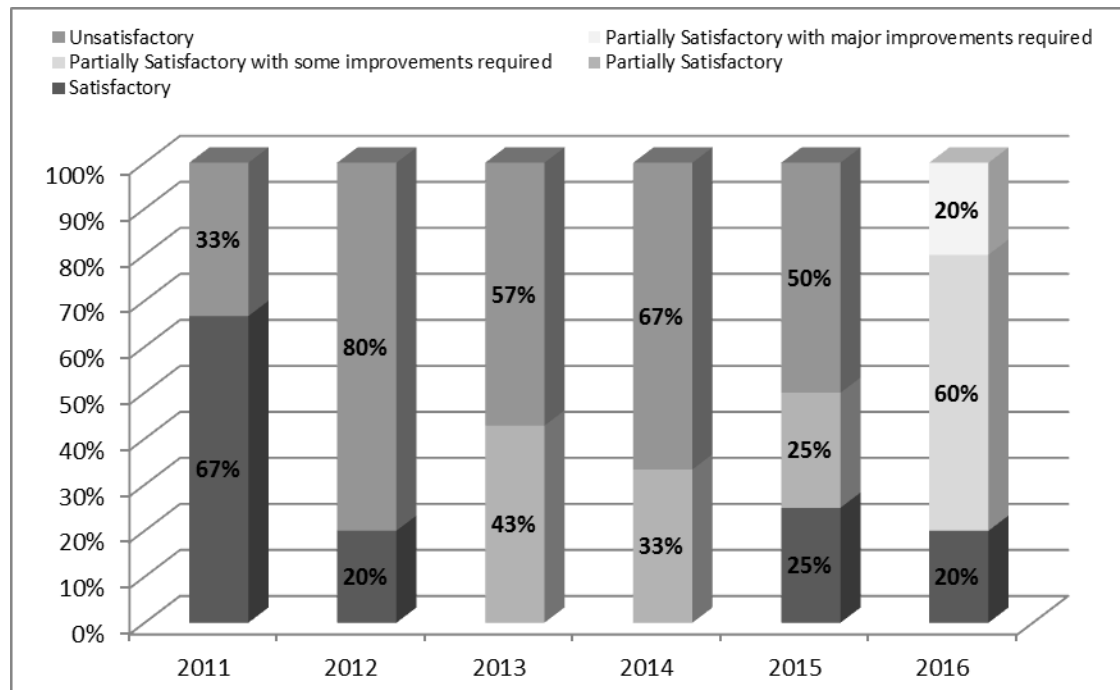
7. For internal audits issued during the reporting period, 20% was satisfactory, 60% was partially satisfactory with some improvements required and 20% partially satisfactory with major improvements required. This is a general improvement in the internal control environment in the African Region. Table 1 and Figure 2 show a summary of conclusions for internal audits for the previous years.<sup>5</sup>

**Table 1: Summary of conclusions for internal audits**

	2011	2012	2013	2014	2015	2016
Satisfactory audit conclusion	2	1			1	1
Partially Satisfactory audit conclusion			3	1	1	
Partially Satisfactory with major improvements required						1
Partially Satisfactory with some improvements required						3
Unsatisfactory audit conclusion	1	4	4	2	2	
<b>Total Number of Issued Audit reports</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>5</b>

<sup>4</sup> Audit recommendations remain outstanding until adequate corrective actions have been taken and recommendations are closed. The details of the status of audits are shown in the annex.

<sup>5</sup> No internal audits for AFR budget centres have been carried out and reported on yet for 2017.

**Figure 2: Summary of conclusions for internal audits**

## MANAGERIAL KEY PERFORMANCE INDICATORS

8. The Regional Office continues to regularly monitor the performance of budget centres against established Key Performance Indicators (KPIs) covering the enabling functions: Finance, Procurement, Human Resources Management (HRM), Security, Information Technology (IT), Travel and Asset Management. In February 2016, the managerial KPIs were linked to the staff performance management and development system (PMDS) to ensure clear lines of accountability and objective assessment of the performance of staff responsible for the achievement of KPI targets.

9. Performance results have been reported to the Regional Compliance and Risk Management Committee (CRMC) on a quarterly basis and shared with budget centres to take note of past performance results and implement recommended actions as needed. Performance ranking of budget centres is published on the AFRO intranet site for enhanced transparency. The analysis of performance results for 2016-2017 shows improvements in the KPI performances for Finance and Accounts, but mixed outcomes for the other areas.

## RISK MANAGEMENT

10. The new risk register cycle for 2016-2017 was rolled out in October 2016. In this new cycle, the identified risks, which are linked to the Programme budget (PB) outputs, will be used as a basis for the Mid-term review and the identification of risks during the development of Programme budget 2018-2019. All country offices have completed the risk assessment exercise for 2016-2017 and

results were reported to the Office of Compliance, Risk Management and Ethics in headquarters. A consolidated report of all identified risks, including critical risks to the delivery of 2016-2017 outputs was presented to the Executive Board in May 2017.<sup>6</sup>

## **ACCOUNTABILITY AND INTERNAL CONTROL STRENGTHENING PROJECT**

11. The Regional Compliance and Risk Management Committee (CRMC) oversees compliance and risk management matters in the Region. In 2016, the Committee met and considered reports on Key Performance Indicators (KPIs), risk-related matters, compliance reviews, implementation of audit recommendations, and ongoing legal cases. In September 2016, it was decided that local committees for compliance and risk management in country offices be established to further promote a culture of accountability and transparency at all levels of the Organization.

12. Joint programme management and administrative review missions and compliance reviews were conducted in the following country offices: Burundi, Democratic Republic of the Congo, Equatorial Guinea, Togo and Chad. The Compliance Unit in the Regional Office continues to monitor the implementation of the recommendations of review missions and report progress to the regional CRMC.

13. Strengthening the capacity of the Secretariat on issues related to accountability, ethics and risk management is provided through different mechanisms including the Induction Programme for newly appointed staff, as well as targeted training which is offered to staff at regional and country office level. In addition, briefing sessions were provided to all budget centres during the roll-out of the internal control self-assessment checklist and the risk registers to ensure that managers at different levels embrace the tools and use them to effectively manage risks in their respective environments.

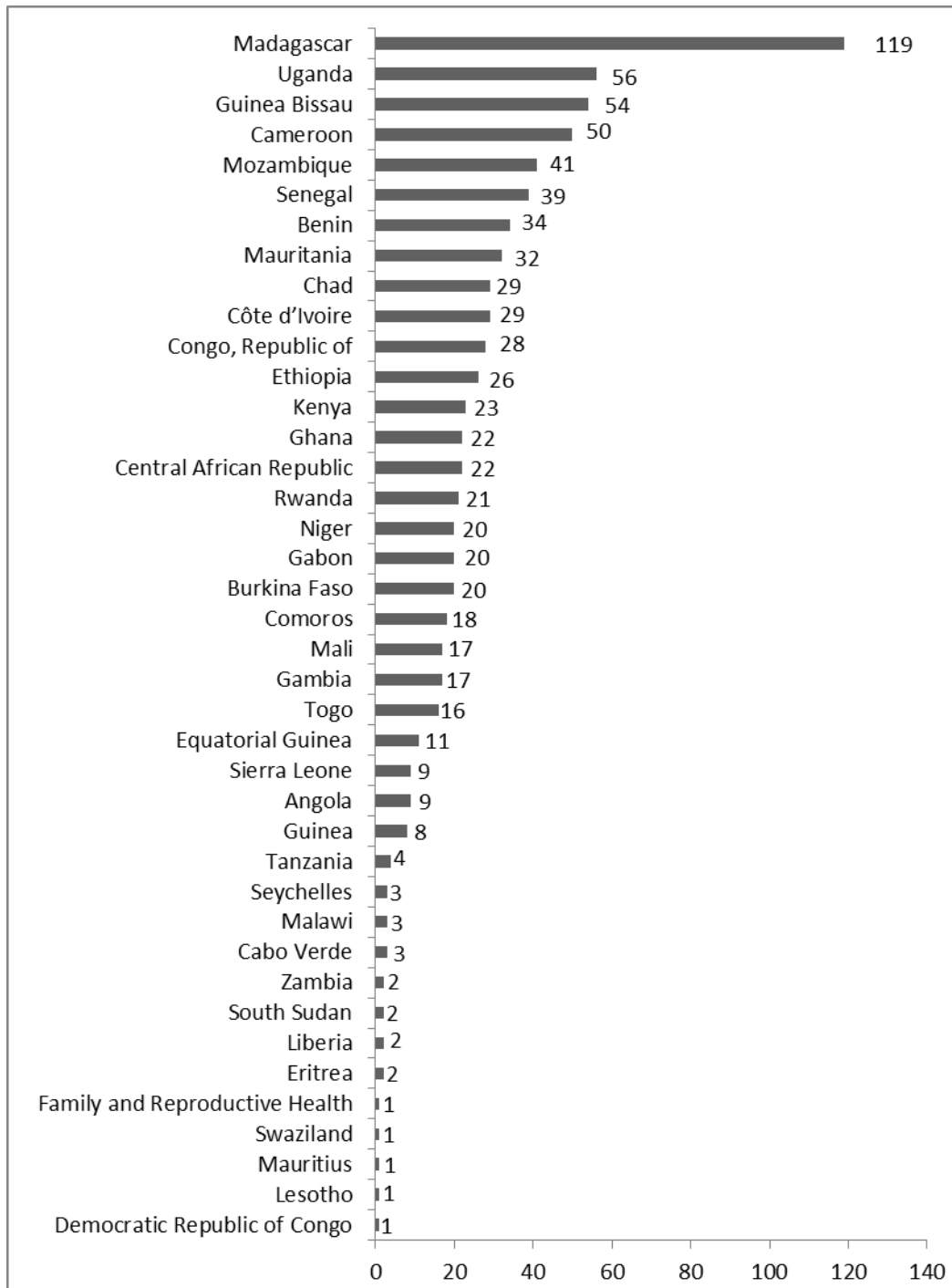
## **DIRECT FINANCIAL COOPERATION**

14. Close monitoring of the timely submission of DFC reports continued to be a priority area during the reporting period. Improvement in reducing the number of outstanding reports compared to previous years was achieved. As at 15 May 2017, there were 815 overdue DFC reports (totalling US\$ 37.7 million) compared to 1044 reports in May 2016. The number of outstanding reports was not reduced more significantly due to a recently implemented audit recommendation requiring, in addition to financial reports, that technical reports should be a requirement to close a DFC transaction.

15. Figure 4 presents a summary of the number of overdue DFC reports by country. Annex 2 lists the number of overdue DFC reports by country and respective unjustified amounts. Member States are urged to expedite the submission of the outstanding DFC reports.

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<sup>6</sup> Compliance, Risk Management and Ethics: Annual Report, EBPBAC26/3.

**Figure 4: Number of overdue DFC reports by country (as at 15 May 2017)**

16. Additionally, a Regional Framework for Accountability and Assurance Activities in the African Region was developed to provide guidance on managing inherent risks in the area of DFC. The Framework operationalizes the relevant provisions on accountability and assurance activities described in the WHO policy.

17. The Framework describes how accountability and assurance activities should be carried out at three stages of the process: (i) prior to signing the DFC agreement; (ii) during the implementation of activities and; (iii) upon receipt of financial and technical reports. Due diligence reviews will be conducted to verify the robustness of the control environment within the offices of the ministries of health that manage DFC funding, with the aim of assessing their ability to provide fair and accurate accounting and reporting on DFC funds.

18. As a next step, on-site visits will be conducted to verify that activities are progressing as planned and expenditures are incurred according to the agreement during the implementation of activities funded through DFC agreements. The current target is to conduct technical and financial spot checks for 75% of all DFC expenditures. The scope and frequency of on-site checks will be adjusted according to the findings of due diligence and ex post facto reviews. The Regional Office will provide support to country offices in executing systematic monitoring activities in accordance with the Framework.

19. Following the implementation of DFC agreements, the Country Office team will systematically follow up with the relevant MoH to ensure that financial reports are submitted on time and agreed outputs achieved. Non-compliance with the DFC requirements will be reported to the Director of Programme Management or the Director of General Management as it may be required. In case funded activities are not implemented or incurred expenditures are not in line with the signed agreement, funds shall be reimbursed to WHO. The Regional Office will review all financial reports for all DFC agreements and will organize regular ex post facto review missions to the MoHs and country offices.

20. The Regional Director will communicate the results of the reviews and the expected actions to the Ministers of Health. Depending on the outcome of the reviews, future financing of DFC activities might be maintained, modified or suspended.

21. The DFC control self-assessment checklist was rolled out in November 2016 and all ministries of health were requested to complete the assessment. The exercise aims to survey the internal controls that should be present in key areas like staffing, accounting policies, information systems, monitoring and reporting, and procurement. The collected information will feed into the process of planning for assurance missions at country level. As at 15 May 2017, only 18 countries had submitted their DFC control self-assessments.

22. The Regional Committee took note of the report.

**ANNEX 1: Implementation Status of the Audit Recommendations for the African Region (as at 15 May 2017)**

Audit No.	Audit Title	No. of Audit Recs.	CLOSED RECOMMENDATIONS			OUTSTANDING RECOMMENDATIONS			Remarks
			No. of Recs. "Closed" by end of Q1 2016	No. of Recs. "Closed" in Q2 2016 to May 2017	Total no. of "Closed" Recs.	No. of "Open" Recs.	No. of "In-progress" Recs.	Total No. of Outstanding Recs.	
			(1)	(2)	(1) + (2)	(A)	(B)	(A) + (B)	
	<b>Internal Audit</b>								
11/872	Integrated audit of WHO in Angola	32	23	9	32	0	0	0	Audit report fully closed on 23 January 2017
11/882	Intercountry Support for West Africa, Burkina Faso	9	0	9	9	0	0	0	Audit report fully closed on 13 January 2017
13/924	WHO Country Office, Ethiopia	68	65	3	68	0	0	0	Audit report fully closed on 21 Dec. 2016
13/928	WHO Country Office, Madagascar	43	33	10	43	0	0	0	Audit report fully closed on 24 February 2017
14/943	WHO Country Office, Democratic Republic of Congo	54	37	17	54	0	0	0	Audit report fully closed on 13 January 2017
14/946	WHO Country Office, Nigeria	47	0	47	47	0	0	0	Audit report fully closed on 21 Dec. 2016
15/981	Regional Office for Africa	57	0	57	57	0	0	0	Audit report fully closed on 7 March 2017
15/986	WHO Country Office, Kenya	31	0	30	30	0	1	1	Implementation in progress
15/992	WHO Country Office, South Africa	9	0	9	9	0	0	0	Audit report fully closed on 18 May 2016
15/1011	WHO Country Office, South Sudan	40	0	13	13	2	25	27	Implementation in progress
16/1021	Integrated audit of WHO in Tanzania	37	0	33	33	0	4	4	Implementation in progress
16/1024	WHO Country Office in Rwanda	13	0	10	10	0	3	3	Implementation in progress
16/1043	Integrated Audit of Communicable Diseases Cluster at AFRO	82	0	0	0	82	0	82	New Report issued 31 March 2017
16/1049	WHO Country Office in Comoros	11	0	0	0	11	0	11	New report issued 20 January 2017
16/1059	WHO Country Office in Ghana	17	0	0	0	17	0	17	New report issued 24 March 2017
	<i>Total Internal Audit Recommendations</i>	550	158	247	405	112	33	145	



Audit No.	Audit Title	No. of Audit Recs.	CLOSED RECOMMENDATIONS			OUTSTANDING RECOMMENDATIONS			Remarks
			No. of Recs. "Closed" by end of Q1 2016	No. of Recs. "Closed" in Q2 2016 to May 2017	Total no. of "Closed" Recs.	No. of "Open" Recs.	No. of "In-progress" Recs.	Total No. of Outstanding Recs.	
			(1)	(2)	(1) + (2)	(A)	(B)	(A) + (B)	
<b>External Audit</b>									
EA-15-AF-05	WHO Country Office in Zambia	23	0	23	23	0	0	0	Audit report fully closed on 21 September 2016
EA-16-AF-04	WHO Country Office in Burkina Faso	24	0	24	24	0	0	0	Audit report fully closed on 14 March 2017
EA-16-AF-05	WHO Intercountry Support Team for West Africa	22	0	15	15	0	7	7	Implementation in progress
EA-16-AF-13	WHO Regional Office for Africa (2016)	20	0	18	18	0	2	2	Implementation in progress
EA-16-AF-14	WHO Country Office in Uganda	19	0	19	19	0	0	0	Audit report fully closed on 29 March 2017
EA-16-AF-15	WHO Country Office in Zimbabwe	13	0	13	13	0	0	0	Audit report fully closed on 7 April 2017
EA-16-AF-16	WHO Intercountry Support Team for East and Southern Africa in Zimbabwe	15	0	15	15	0	0	0	Audit report fully closed on 2 March 2017
EA-17-AF-20	WHO Country Office in Central African Republic	15	0	0	0	15	0	15	New report issued 23 March 2017
EA-17-AF-21	WHO Country Office in Benin	22	0	0	0	22	0	22	New report issued 28 March 2017
EA-17-AF-22	WHO Country Office in Mozambique	19	0	0	0	19	0	19	New report issued 23 March 2017
	<i>Total External Audit Recommendations</i>	192	0	127	127	56	9	65	
	<b>GRAND TOTAL</b>	<b>742</b>	<b>158</b>	<b>374</b>	<b>532</b>	<b>168</b>	<b>42</b>	<b>210</b>	

**ANNEX 2: List of overdue DFC reports as at 15 May 2017**

Country	No. of DFCs	DFC Expenditure	No. of DFC Reports Received	No. of DFC Reports Not Yet Due	No. of DFC Reports Currently Due	No. of DFC Reports Overdue	Expenditure against DFCs with Overdue Reports	Expenditure against DFCs with Overdue Reports as a % of Total Expenditure of DFC overdue reports	No. of Overdue DFC Reports as % of Total DFCs Issued
Angola	109	9 852 723	94	3	3	9	266 949	1%	8%
Burundi	57	2 955 988	55	1	1	0	0	0%	0%
Benin	764	25 207 805	707	4	19	34	460 752	1%	4%
Burkina Faso	698	47 626 746	629	38	11	20	194 956	1%	3%
Botswana	14	193 500	14	0	0	0	0	0%	0%
Central African Republic	336	11 417 831	298	5	11	22	391 711	1%	7%
Côte d'Ivoire	418	24 598 347	369	8	12	29	477 131	1%	7%
Cameroon	638	45 800 733	569	5	14	50	2 884 860	8%	8%
Democratic Republic of the Congo	256	65 566 678	211	1	43	1	88 160	0%	0%
Congo, Republic	126	5 240 874	95	1	2	28	476 905	1%	22%
Comoros	259	801 308	241	0	0	18	76 513	0%	7%
Cabo Verde	117	1 816 593	114	0	0	3	46 685	0%	3%
Eritrea	121	5 410 321	118	1	0	2	86 692	0%	2%
Ethiopia	1229	119 252 300	1173	13	17	26	1 258 130	3%	2%
Gabon	274	3 692 384	249	2	3	20	201 640	1%	7%
Ghana	436	23 121 679	388	7	19	22	673 273	2%	5%
Guinea	742	25 598 192	721	3	10	8	720 832	2%	1%
Gambia	511	4 372 064	467	6	21	17	90 686	0%	3%
Guinea-Bissau	349	3 707 501	290	2	3	54	804 553	2%	15%
Equatorial Guinea	106	3 416 148	95	0	0	11	492 520	1%	10%
Kenya	348	84 847 963	324	1	0	23	6 284 707	17%	7%
Liberia	100	15 692 049	96	0	2	2	4 470 180	12%	2%
Lesotho	127	2 268 875	124	1	1	1	3485	0%	1%
Madagascar	998	19 415 166	851	1	27	119	2 274 824	6%	12%
Mali	771	45 827 501	739	11	4	17	971 141	3%	2%
Mozambique	495	9 647 020	431	9	14	41	587 316	2%	8%
Mauritania	529	9 685 177	475	3	19	32	230 142	1%	6%
Mauritius	43	291 342	39	1	2	1	4,00	0%	2%
Malawi	580	5 054 291	577	0	0	3	126 568	0%	1%
Namibia	34	886 778	34	0	0	0	0	0%	0%
Niger	549	54 910 159	523	2	4	20	1 442 073	4%	4%
Rwanda	200	8 260 678	179	0	0	21	443 936	1%	11%
Senegal	845	16 425 696	796	2	8	39	676 563	2%	5%
Sierra Leone	521	21 219 344	465	23	24	9	180 907	0%	2%
South Sudan	4	1 316 106	1	1	0	2	474 378	1%	50%
Sao Tome & Principe	142	928 886	138	1	3	0	0	0%	0%
Swaziland	272	738 192	271	0	0	1	846	0%	0%
Seychelles	65	475 420	60	0	2	3	16 059	0%	5%
Chad	349	45 417 137	313	3	4	29	5 413 332	14%	8%
Togo	295	6 440 646	279	0	0	16	1 334 362	4%	5%
Tanzania	420	19 528 602	415	1	0	4	267 293	1%	1%
Uganda	602	33 841 470	528	7	11	56	2 696 595	7%	9%
South Africa	6	818 008	5	0	1	0	0	0%	0%
Zambia	304	7 065 234	289	9	4	2	130 955	0%	1%
Zimbabwe	283	7 501 573	272	7	4	0	0	0%	0%
<b>TOTAL</b>	<b>16 463</b>	<b>855 086 879</b>	<b>15 142</b>	<b>183</b>	<b>323</b>	<b>815</b>	<b>37 722 910</b>	<b>100%</b>	<b>5%</b>