WHO reform:

Management reform – internal control framework

Internal control framework (ICF) is a part of WHO reform and is designed to provide reasonable assurance to WHO management regarding the achievement of objectives relating to operations, reporting and compliance.

The key components and principles of the framework are: (i) internal environment; (ii) risk management; (iii) control activities; (iv) information and communication and (v) monitoring.

The attached working paper provides the background and describes the details of the framework.

The High-Level Preparatory (HLP) Meeting for the Sixty-eighth Session of the WHO Regional Committee for South-East Asia held at WHO Regional Office in New Delhi on 29 June–2 July 2015, reviewed the attached working paper and made the following recommendations:

**Action by Member States**

(1) Ensure timely submission of reports that may be required by WHO in relation to WHO implementation mechanisms (e.g., DFC mechanism).

**Actions by WHO**

(1) Sensitize the concerned national authorities about changes in WHO’s approach to internal controls and facilitate implementation of ICF activities in the countries.

(2) Ensure effective, systematic and coordinated implementation of the ICF.

(3) Explore the possibility of strengthening Global Management System (GSM) to capture monitoring of programmatic results of WHO collaborative activities.

The working paper and the HLP recommendations are submitted to the Sixty-eighth Session of the WHO Regional Committee for South-East Asia for its consideration.
Background

1. WHO is undergoing reform to be better equipped to address the increasingly complex challenges of the health of populations in the twenty-first century. One of the key reform objectives is to build an Organization that is more effective, efficient, transparent and accountable. The WHO Internal control framework (ICF) is one of the key deliverables of management reform designed to help the Organization achieve desired results through effective stewardship of public resources.

2. Internal control, which is synonymous with management control, is an integral part of managing an organization. The formal definition of internal control within WHO is: A process designed to provide reasonable assurance to WHO management regarding the achievement of objectives relating to operations, reporting and compliance.

3. In practice, the framework is designed to integrate activities, plans, processes, policies and behaviours to facilitate the effectiveness and efficiency of WHO’s operations; safeguard assets; prevent errors and fraud; mitigate significant programmatic, operational and financial risks; and promote greater transparency and accountability that will support sound decision-making and governance.

The essentials of internal control framework

4. The success of ICF lies in every manager understanding that internal control extends beyond financial controls to operational activities and functional day-to-day responsibilities of managers and staff. Internal control includes setting clear objectives, performance and risk management, is dependent upon people, and will succeed or fail, depending on the attention people give to it.

5. Internal control depends on setting examples at the top: “do as I do” is vitally important and needs to be demonstrated and promulgated throughout the Organization. Such a change focuses not just on more control, but on better controls, by targeting controls based on risk in achieving the Organization’s objectives.
6. Internal controls are described as consisting of five interrelated components and 18 principles that are derived and integrated into management processes. These components define the standards for internal control and provide the basis against which to evaluate it within an organization.

7. The principles help guide the implementation of specific actions and assessment of the effectiveness of controls within the Organization. All the principles do not apply equally to every manager and all situations. Some are directed to the Board and senior management or to the effectiveness of corporate policies. However, for the purpose of this guide, the principles are presented to help Budget Centre managers assess the effectiveness of controls in their area of responsibilities.

**Key components and principles**

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<th>Internal Environment</th>
<th>Risk Management</th>
<th>Control Activities</th>
<th>Information &amp; Communication</th>
<th>Monitoring</th>
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<tr>
<td><strong>The Tone from the Top</strong></td>
<td><strong>Proactive approach to what could go wrong</strong></td>
<td><strong>Managing and delivering our business</strong></td>
<td><strong>Making informed decisions</strong></td>
<td><strong>How are we doing?</strong></td>
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<tr>
<td>• Organizational structure</td>
<td>• Identify risks, issues, opportunities</td>
<td>• Manual controls</td>
<td>• Internal and external communication strategy and operating plans</td>
<td>• Operational monitoring – checklists</td>
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<td>• Values and Ethics</td>
<td>• Analysis of impact/likelihood of risks</td>
<td>• IT controls</td>
<td>• Reporting</td>
<td>• Periodic reviews/audits/evaluations</td>
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<td>• Delegation of authority</td>
<td>• Risk tolerance</td>
<td>• Programmatic controls</td>
<td>• Escalation of information</td>
<td>• Oversight of recommendations for improvement</td>
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<tr>
<td>• Strategic direction</td>
<td>• Risk response</td>
<td>• Functional controls within programs</td>
<td>• Availability and sharing of information</td>
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<td>• Recruit, retain and reward productive employee</td>
<td>• Potential for fraud, corruption and other infractions</td>
<td>• Segregation of duties</td>
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<td>• Accountability – roles and responsibilities</td>
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8. The internal environment is the foundation for all other components of internal control. Internal environment is often referred to as the “tone from the top” as it is driven by management and cascaded through an organization. It supports the idea that management’s actions determine how well employees will follow the controls within an organization. Internal environment consists of oversight, integrity and ethical values, structure, authorities and responsibilities, human resources policies and practices, accountability and strategic direction.

9. Risk is an event, internal or external, that may occur and adversely affect operations and the achievement of organizational objectives. Once risk is identified, its impact, the likelihood of its occurrence and the process of risk management need to be determined. The entire process includes setting objectives, identifying risks, assessing and responding to risk.

10. Control activities include manual as well as built-in controls (e.g., those in IT systems). Examples of controls include: segregation of duties, delegation of authority, performance indicators, and verification/reconciliation of data and safeguarding of assets.
11. Communication is an important part of internal control. Its components include accurate reporting that enables informed decisions and mitigation of risks, effective internal communication to ensure the flow of necessary information down, across and up the Organization to ascertain that staff carry out their roles and responsibilities, and external communication to donors and external stakeholders.

12. The last step is monitoring and timely reporting to check that controls are adequate and properly functioning. This includes operational day-to-day monitoring through checklists, periodic monitoring and reviews such as audits, evaluation reviews and oversight.

**Regional perspective**

13. The South-East Asia Region is actively participating in the WHO reform process. Regional reform initiatives in support of ICF include the following.

- WR representation letters confirm and certify that expenditures, procurement and HR policies, awards, receivables, imprest accounts and leases and intangible assets and inventories at country level are recorded correctly and are in line with WHO rules and regulations.
- Country offices have completed a Global Risk Register, developed by the Office of Compliance, Risk Management and Ethics.
- SEAR has implemented the application of GMG audit site, where both internal and external audit recommendations can be viewed and responses identified.
- Two country offices in the Region, namely India and Sri Lanka, participated in the initial review of managerial checklists.
- The Regional Office has developed a management dashboard to monitor implementation performance based on budget, planning and financing. The tool summarizes data at regional and budget centre levels and allows further drilldown into details from the aggregate view.