Report of the Fourth Meeting of the Independent Expert Oversight Advisory Committee (IEOAC) of the World Health Organization

(Geneva, 21-22 July 2011)

The meeting was the second of three IEOAC meetings planned for 2011. Agenda for the July meeting at Annex 1. IEOAC Terms of Reference at Annex 2.

In attendance throughout: Graham Miller (Chairman), Marion Cowden, John Fox, Hélène Ploix, Veerathai Santiprabhob.

Items 1 and 2 - Welcome and administrative matters

1. Following the Chairman’s welcome, the Committee held a private session for IEOAC members only.

2. In subsequent open session, the Chairman confirmed a quorum with all members present, and declarations of interest (no conflicts of interest recorded). The agenda was adopted, noting that item 9, Risk Management, would be deferred until the November 2011 meeting of the Committee, when the Secretariat expected to have progress to report. The Chairman requested that for future meetings the Secretariat reinstate the previous practice of issuing an advance list of the names and details of expected participants.

3. The Chairman provided feedback on his presentation of the IEOAC’s previous report to the Fourteenth meeting of the WHO PBAC in May 2011. It was clear from the PBAC/EB debate that the Board would be interested in having the IEOAC’s future involvement in the selection process for the WHO External Auditor, acting in its expert technical and advisory capacity. Possible areas for the Committee’s involvement would appear to include assistance in defining the selection criteria; advising on the Secretariat’s drafting of the invitation to bid; and evaluating the technical merits of applications received.

4. On the occasion of the Chair’s visit to the PBAC, meetings had also been arranged with the Director-General and separately with the D-G and the six Regional Directors, the latter providing an opportunity to introduce the IEOAC and its work to the RDs, given that the mandate of the Committee extends to the whole Organization.

5. On an administrative matter, the Committee noted that the IEOAC’s Terms of Reference provide that the term of office of members shall be four years, non-renewable except that the term of office for two of the initial members shall be two years, renewable once only for four years. This arrangement offers the advantage of continuity, given that three of the initial five members will have to be replaced by the 134th session of the WHO Executive Board at its January 2014 session. The Committee noted that two of the members, the Chair and Ms Hélène Ploix, had accepted initial two-year terms, after which their appointments would need to be reviewed and, if the Executive Board should so decide, re-appointed under the existing provisions of the Terms
of Reference. The Committee therefore noted that it would now be appropriate for the IEOAC to invite consideration of that process by the Director-General and the Executive Board.

6. The Committee was then given a brief demonstration of its new website pages. These form part of the WHO website area on Governance, with most documents available in the six official languages. Some material, such as notes of meetings which did not directly result in a formal IEOAC report to the PBAC, would be shown in the IEOAC’s website pages via hyperlinks and would be available in translated versions once approved by the IEOAC. The Committee confirmed that documents and reports issued and approved by the IEOAC in their original English language version should not be subject to amendment under WHO’s normal editorial processes without the Committee’s express permission.

7. The Chairman requested a printout of the present site, with a view to Committee members agreeing appropriate updates to the biographical information included on IEOAC members in the present website pages; and called for consideration of a focal point e-mail address for the IEOAC, so that interested parties might be able to contact the Committee directly.

**Item 3 - Treasury management**

8. Director FNM presented the current WHO currency management strategy and related hedging techniques, such as matching the currencies of income and expenditure, the use of forward foreign currency purchase contracts and (previously) foreign exchange option contracts. He noted that hardly any of WHO’s sister organisations in Geneva hedge against exchange rate exposure (the ILO being an exception); but other UN organisations such as UNHCR and the UN Office in Geneva (UNOG) were considered to have greater flexibility to adjust their budgets in the event of significant exchange rate fluctuations.

9. The Committee considered the different time horizons of currency risks in the context of short, medium and longer term. It supported the management proposal to make use of hedging for the next biennium using forward foreign currency purchase contracts, to be phased in during the remainder of 2011. The IEOAC suggested that management consider hedging no more than 12 months in advance at any time; and investigate introducing an annual budgetary adjustment mechanism to protect against longer-dated currency exposures. It **RECOMMENDED** that the Organization might also consider hedging some of its larger exotic currency exposures (the Malaysian Ringgit, Egyptian Pound, Indian Rupee and Philippines Peso) which together comprise an estimated 13% of regular budget currency exposures. The Committee **ALSO RECOMMENDED** that the Organization should now consider purchasing forward its remaining 2011 Swiss franc requirements, to protect against the risk of a further fall in the value of the US Dollar.

10. The Committee discussed the longer term exposures and issues faced by WHO as a result of the long term decline in the value of the U.S. Dollar against the Swiss Franc; and the significant structural currency mismatch that exists between WHO’s primarily U.S. Dollar income and its high proportion of Swiss Franc expenditure. The Committee reviewed possible management responses to alleviate related problems and reduce the Organization’s exposure; and suggested that the Secretariat address recommendations on this issue directly to Member States.
11. Proposals by management to address the longer term mismatch included:

- annual budgetary adjustments (contribution adjustments, up or down) due to changed currency assumptions;
- the switching of a proportion of assessed contributions to Swiss francs; and
- reducing Swiss Franc costs in Geneva by reducing posts and moving posts to lower cost locations.

**Item 4 - IPSAS**

12. The Chief and Deputy Chief Accountants presented the status of the WHO IPSAS project, which constituted a “light” approach, reflecting limited available resources (that is limited use of external consultants; assignment of only one full-time person from FNM line management; and a total budget of USD 225,000). This contrasted with other UN agencies, which deployed dedicated teams and specialised external IPSAS consultants with much higher project budgets available for this purpose. The WHO project had started in 2006 and was basically on track, despite the tight resource situation.

13. WHO intends to be IPSAS compliant from 1 January 2012, implementing the relevant 31 IPSAS standards (nine of which do not at present directly apply to WHO). Following review by an IPSAS specialist, management issued a draft WHO Policy Guidance Manual on 20 July 2011. Arrangements had been made with the new WHO External Auditors to visit Headquarters in November 2011 to study this Manual, receive a detailed IPSAS briefing and give feedback on the WHO project.

14. An important issue will be to determine the precise relationship of WHO with various partnerships and entities that a recent Deloitte study had categorised as not being controlled by WHO. Subject to external audit review, these would constitute non-consolidated entities which will require their own financial statements and audit arrangements. The IEOAC was informed that letters were being addressed to the non-consolidated entities, asking them to acknowledge WHO’s assessment. Other challenges to be addressed are WHO’s inventories, which as assets have to be tracked, categorised and valued under IPSAS 12; and fixed assets (property, plant and equipment), to which a five-year transition period will be utilised for the full recognition and valuation of assets, and the establishment of appropriate depreciation schedules.

15. The IEOAC agreed to look at the results of WHO’s planned dry run exercises on physical inventory and related risks at its next meeting in November 2011. The IEOAC questioned whether, once WHO was operating under the IPSAS standards, the Organization intended a transition to accrual-based budgeting. This would enable WHO to realise the full benefits of IPSAS-based accounting and financial reporting (for example, to ensure the provision of adequate reserves for major capital investments such as building renovation, which was not addressed under UNSAS arrangements).

**Item 5 - Audit tracking**

16. The IEOAC received a briefing on the Secretariat’s preparations for the next External Auditor from 2012; and examined developments since its last meeting in the way management and the
IOS monitor action taken in response to audit recommendations, including new electronic tracking tools.

17. The IEOAC discussed with management the issue of AFRO’s outstanding salary advances, the high level of which had been criticised by the External Auditor and which had been raised with the Secretariat by the Ambassador and Permanent Representative of the Federal Republic of Germany, and copied by him for the attention of the IEOAC. An initial response by DAF/AFRO to the ADG/GMG and the latter’s first response to the Ambassador were provided to the Committee. The Committee noted that a full and detailed analysis of the salary advances (referred to in the Secretariat’s interim reply to the Ambassador of Germany) was not yet available to the Committee. The ADG for General Management, Dr Jama, and the Financial Comptroller expressed confidence that a number of factors contributed to ensure that this problem would not be able to reoccur and that full accountability could now be guaranteed, given that the GSM system was now in place in the African region; responsibility for payment processing had been taken over by the GSC from both HQ and the regional offices; and new policies already in place strengthened the internal control system.

18. However, the Secretariat informed the IEOAC that further work on the background issues leading up to these advances and on any remaining obstacles to their full recovery was currently under way. The Committee was also informed that a meeting with the German Ambassador would be called as soon as the results of this analysis were available, probably during September; and that the IEOAC would be provided with an update on progress at its next meeting in November 2011. The Committee agreed that the Chairman should write to the Ambassador to acknowledge that the IEOAC had taken up oversight of this issue.

19. The Chief Accountant, as the new WHO focal point for the tracking of external audit recommendations, presented an update on the most important open external audit recommendations, together with a demonstration of FNM/ACT’s new electronic tracking system. The latter was linked to the data base of external audit recommendations (which included various categories of recommendations and their summarisation) via a SharePoint portal.

20. For the first time, the linking (and selective exporting) of all exchanges of correspondence between the External Auditor and auditees, from the initial audit query to the audit observation and recommendation stages, was thus possible, area by area. This enabled management to see at a glance the broader picture for each open recommendation, enhancing the ability to understand better the key issues at local level and take the appropriate follow-up action.

21. A discussion followed on the general requirements for an Engagement Letter with the newly-appointed WHO External Auditor - one of the IEOAC’s recommendations from its previous meeting. The engagement letter or letter of understanding is used to delineate and confirm the responsibilities and expectations of the auditor and the auditees, and to outline the standards and practices which underpin the audit work. The IEOAC was presented with a first rough draft by the Secretariat, modelled after the engagement letter of the ILO’s external auditor.
22. While the initiative on this matter should obviously be left with the new WHO External Auditor, the Committee advised management that professional audit standards called for such a letter as a matter of good practice, including confirmation that the audit would be carried out in accordance with international standards and requirements. The Committee also advised the Secretariat in relation to the standard audit practice requirement for a Letter of Representation signed by the Director-General; and **RECOMMENDED** that consideration be given at an appropriate point to issuing an annual, published statement on internal control by the D-G, to accompany the Organization’s financial statements, once compliance with IPSAS was achieved.

23. The Committee noted that an external auditor would normally prepare an audit strategy and yearly audit plan as a separate matter from the engagement letter; and the IEOAC would expect at appropriate times to take note of and discuss the intended audit approach as articulated in these documents.

24. Finally, Director IOS presented the status of open internal audit recommendations, using the new IOS Access-based recommendations tracking matrix. This "dashboard" system featured useful categorisations and statistics on open recommendations, permitting IOS to monitor and report on their relative importance, the difficulty of implementation, and priority. It furthermore enabled IOS to compare and contrast these categories with the average number of months during which recommendations remained outstanding.

25. The Committee was pleased to note the increasingly improved monitoring of the age and status of audit recommendations. The improvements in the Secretariat’s monitoring of action taken in relation to both internal and external audit recommendations should facilitate more useful and usable reporting on action, both internally for management purposes and to governing body level where appropriate.

**Item 6 - Internal Oversight Service matters**

26. Director IOS reported on internal oversight developments since the previous IEOAC meeting, including the issue of available and planned resources; and changes in the focus of IOS’ work towards more compliance audits, necessitated by the relative shortage of staff and cost increases related to the strengthening of the Swiss Franc. Related planning, risk analysis and the ongoing revisions to the IOS risk model, plus associated budgeting issues, were discussed with the Committee. Mr Webb also provided an update of his response to the External Auditor’s review of IOS, and on the most recent developments with regard to the IOS staffing situation.

27. The shortage of staff in IOS compared with other UN organisations such as UNDP or the FAO had been highlighted time and again by various audit reports and external assessments, such as the recent external auditor’s report on IOS. In the IEOAC’s view, an underlying factor in the persistence of these types of funding challenges (which are not limited to IOS) lies in the difficulty of adapting the level of a politically-established programme support cost (PSC) arrangement which has become inadequate to fund the related overheads that it is intended to cover: perhaps exacerbated by the way in which WHO structures its budget for strategic objectives 12 and 13.
28. In other words, there appeared to be increasingly severe resource constraints in relation to WHO’s administrative services and the Committee therefore suggested possible ways of coping with this challenge, on the assumption that it was not feasible in the medium term to attain a sufficient level of programme support costs. Essentially, WHO may need to recognise that its existing funding model was no longer viable, and view the financing of overheads as less of a funding issue and more a matter of redistribution of income.

29. For strategic planning and budgeting purposes, WHO handles overheads under two specific Strategic Objectives (SOs 12 and 13), which are funded by a combination of a specific support cost charge or levy in the form of a Post Occupancy Charge; the programme support costs levied on all voluntary contributions, normally at a rate of thirteen percent but in reality often at exceptionally agreed lower rates; parts of the regular budget; and some unspecified donor funds. WHO might alternatively distribute the budgetary provision for support functions to the remaining core objectives of the Organization, which would then be funded through deduction of a corresponding percentage from incoming donor contributions, on the model of the present Post Occupancy Charge.

30. In the context of providing broader support to the ADG/GMG, the Financial Comptroller and others in establishing the new WHO Internal Control Framework, IOS presented to the Committee their past work on developing a risk assessment and internal control matrix for the scope of business processes in the GSM environment. The IEOAC was informed that the internal control framework had been the main agenda item at a meeting of WHO Budget and Finance Officers in Cairo in June 2011. The Committee further considered some of the internal control issues in more detail under agenda item 7 (the Comptroller function).

31. The Committee took note of a forthcoming external Quality Assurance Review of IOS, scheduled for 2012, and the proposed set of twelve IOS Key Performance Indicators in the managerial area, which were however not yet synchronised with WHO’s overall KPIs. The Committee agreed that in principle the proposed IOS KPIs appeared reasonable, and welcomed receiving an update at the next meeting.

**Item 7 - WHO’s Comptrollership function**

32. The Comptroller presented the key findings of a 2009 audit by Ernst & Young on behalf of IOS on this issue and informed the IEOAC on action taken in response. Some of the recommendations had been implemented, such as a change in supervisory arrangements for GSC staff in Kuala Lumpur (where the Comptroller was now the second-line supervisor of the GSC Head of Finance); the addition of a risk manager post in Treasury; the review and update of WHO’s investment policy and strategy; and the selection of new fund managers for WHO’s investments.

33. However, he noted that some areas were still under discussion internally, such as the role of the Comptroller in the WHO budgeting process. Furthermore, financial planning and determining the overall financial strategy are not clearly-defined functions within the Planning, Resource Coordination and Performance Monitoring department which has responsibility for planning and budgeting, nor are these included or resourced as part of the Comptroller’s office. Some IEOAC members felt that there appeared to be a lack of matching between income and budget, arising
from a lack of adequate, structured income planning, since cash flow is not being managed at the right level. Without associated income, action cannot be taken at the appropriate level to reduce resources: for example by moving resources from one place to another; cutting expenses according to priorities rather than categories; or trying to match resources with results. Another area of concern for the auditors had arisen from WHO’s highly decentralised structure which meant that, once budget was allocated, control over financial implementation was not under the direct authority of the Comptroller.

34. In summary, the arrangements in WHO are still not consistent with the authority and control exercised by a typical chief financial officer in many other organisations.

35. The meeting further considered whether WHO’s financial forecasting was insufficiently complete, since it does not adequately include anticipated expenditure at budget centre level, where decisions on actual expenditure are being taken. Corporate cost-cutting decisions were normally taken at too high a level and often in an across-the-board manner, so that potentially adverse implications on programme management are difficult to ascertain. The Committee noted that reporting to Member States on results omitted the most important aspect of the costs required to achieve them, since cost reporting was only carried out at the very high level of WHO’s Strategic Objectives. The Comptroller can only ensure that cash will be available when needed at an aggregate level. He does not have adequate cash flow forecasting information on how expenditure and income are matched and will be matched at the operational level. This analysis should be carried out on a monthly basis at the minimum.

36. Additionally, while programme managers were able to view their allocated income, they were not always aware of additional income which would be distributed to them but which was as yet unallocated. For top management purposes, the existing income forecasts may not be robust enough to ensure that the expected income will eventually prove to be sufficient in the face of currency fluctuations and cost increases. In consequence, there is no adverse consequence for programme managers who exhausted their funds prematurely and thus had to be “bailed out”. The IEOAC therefore RECOMMENDED that consideration be given to requesting individual budget centre managers to submit regular monthly financial forecasts of expenditure and income, for review by FNM and/or PRP, with subsequent aggregation for review and decision making by the Director-General’s Office.

37. The IEOAC noted that much work remained to be accomplished to achieve a robust internal control framework that was consistent with best practice, which would be affected by the adequacy of necessary resources to establish such a framework.

Item 8 - External Audit matters

38. The representative of the External Auditor reported on progress and developments since the last IEOAC meeting in April 2011; and some of the findings contained in its most-recently issued Management Letters on UNAIDS, UNITAID, the International Agency for Research on Cancer and the International Computing Centre were discussed in more detail. One of the points raised relating to some of the audit reports for the entities associated with and administered by WHO, but having their own governance mechanisms, was that the External Auditor’s management letters were submitted only to their respective governing bodies but not to the WHO Executive
Board and the World Health Assembly (with the exception of the International Computing Centre).

**Item 9 - Enterprise Risk Management**

39. This item was discussed only briefly as at the request of the Secretariat it was further deferred to the November 2011 meeting of the IEOAC to allow for a fuller review of related developments.

**Item 10 - Information and exchange meeting with WHO senior management on the Director-General’s reform agenda**

40. The Committee was provided with three draft concept papers on aspects of the WHO reform process and an overview paper entitled “WHO Reform for a Healthy Future: An Overview”.

41. The Committee welcomed the fact that it would be kept abreast of these developments in good time; and expressed its desire to be kept informed of related developments at the draft rather than the final submission stage. The IEOAC had an initial discussion with WHO executive management about the documents in question and noted that, at this stage, there were no details contained in the proposals matching indicative related costs and income. In the view of the Committee, the proposals would thus require to be supported by a business plan; action plans; and analysis of financial consequences.

42. With regard to the concept paper entitled “Independent Formative Evaluation of the World Health Organization”, the Committee expressed concern at the proposed direction of this planned external evaluation, which appeared to be a very bureaucratic exercise. The proposed timing for this exercise was also seen as perhaps overly ambitious, while the funds allocated for the evaluation seemed too low in relation to its stated purposes (perhaps fortunately, given the risk to value for money) compared with recent similar experiences within the UN family, specifically in FAO, UNESCO and UNAIDS. Disappointing results would not encourage the undertaking of such an evaluation.

43. More generally, with regard to the overall scope of reform and while reserving a fuller assessment for its next meeting in November 2011, the IEOAC noted that what had originally started out as an analysis focused on the future financing of WHO had expanded in several further directions, thus finally covering all of WHO’s five core functions.

44. At the same time, WHO Member States had become increasingly interested in participating actively in all aspects of this process and thus wanted an increasing amount of detailed information on it. While this was positive in exemplifying the WHO membership’s commitment, this also slowed down some elements of the reform process and could run the risk of deviating from the basic objective of WHO priorities and financing. The Committee also saw a certain risk of the process being micro-managed by Member States rather than it being led by WHO senior management with ultimate governing body oversight.

45. The lack so far of a direct link of the WHO reform process to a clear action plan with a set timeframe, a related budget and a business plan also meant that the consequences of
implementing various reform concepts under discussion could not be ascertained. Therefore, the discussion was at the risk of remaining at a rather high conceptual and philosophical level rather than getting into the practicalities and concrete implications of any measures to be taken.

**Item 11 - Any other business, and preparations for the Fifth IEOAC meeting in November 2011**

46. The Committee discussed and decided on its follow-up of various additional items which had been brought to its attention, notably a statement by the representative of the WHO Staff Associations at the 64th session of the World Health Assembly in May 2011, where the Staff Associations asked to be heard by the IEOAC concerning various staff and management concerns and related issues (document EB129/8 referred).

47. The Committee noted its overarching and advisory role in governance for the Organization as a whole; and observed that since the IEOAC was not part of the WHO management structure, which already had specific forums in place to address the concerns expressed by the WHO Staff Associations, it would be appropriate for the Committee to take cognisance of the Staff Associations’ statement and subsequent developments, rather than to follow up on the “open invitation” in any more explicit manner.

48. In accordance with good practice for oversight committees, the Committee wished to include in the agenda for its November meeting an item concerning review of its own performance and terms of reference, under paragraph 5(d) of the approved Terms of Reference, which provide that the Committee may propose amendments to its terms of reference for consideration by the Executive Board, through the Programme, Budget and Administration Committee.

49. The Committee also expressed its availability to meet directly with interested representatives of WHO Member States at an appropriate time. The Committee planned an announcement to this end in its next report to the PBAC in January 2012, so that the most appropriate timing for this would appear to be the IEOAC’s meeting in April 2012.

50. With regard to the agenda of the IEOAC’s November 2011 meeting, the Committee wished to again include the currency hedging issue and to be given an update by management on related developments, with a view to enabling the IEOAC to formulate more concrete recommendations for longer term management of currency risks in its report to PBAC15 in January 2012. Other agenda items for the November 2011 meeting would be a discussion of WHO’s **partnerships and related hosting** issues (including the governance and cost to WHO of hosting these entities); **IPSAS** (including the outcome of the WHO inventory count and related identified risks; review of the checklist of tools for assessing IPSAS compliance; and discussion of the options for moving towards an accruals based budgeting system in WHO); the **WHO Staff Health Insurance Fund; Enterprise Risk Management; audit tracking** (in particular a full listing of external audit recommendations with a timetable for implementation, a grading scale as to their relative priority and importance, and an assessment of their systemic nature); an update in follow-up to the letter from the German ambassador to WHO on the subject of salary advances; **IOS issues**, in particular potential new key performance indicators and the new IOS risk assessment framework; and **WHO reform** (to include a briefing from the Secretariat on the Special Session of the WHO Executive Board scheduled for November 2011 and reflection on the allocation of
income and costs to each core activity, as well as the continuous monitoring of costs by category).

51. The intended date of the next meeting of the IEOAC was confirmed as 7-9 November 2011.
ANNEX 1

Independent Expert Oversight Advisory Committee

4th Session - 21 & 22 July 2011

Thursday 21st July 2011

India Meeting Room

1. 09:15-10:15 Welcome, followed by a private session for IEOAC members only.

2. 10:15-11:15 Administrative matters: Confirmation of quorum; declarations of interest; adoption of the agenda; Chairman’s feedback following PBAC in May 2011; discussion of the new IEOAC website within WHO’s Governance website, including a briefing/demonstration (ADG/GMG; Comptroller; Legal Counsel; Coordinator GBS/TRA; WHO Web Manager)

   11:15-11:30 Coffee break

3. 11:30-12:30 Treasury management: (a) Update by Comptroller and Treasurer on measures to address the currency mismatching problem and related currency management/hedging issues, including the proposed hedging strategy for 2012-13; (b) Presentation by the Treasurer of WHO’s Forex risks, its current practices for managing these; issues for the present biennium; and plans for the next biennium 2012-13 (Comptroller; Treasurer; Chief Accountant; Coordinator, Planning, Monitoring, Assessment and Quality Assurance (PRP/PRQ); Budget Officer, Budget and Resource Coordination (PRP/BCR))

   12:30-13:45 Lunch with Comptroller, Director Oversight Services and Financial Policy & Governance Officer

4. 13:45-14:45 IPSAS: Update by FNM on the progress of preparations and readiness; (b) Presentation of the WHO Project Plan and progress report; and (c) Presentation of the IPSAS draft manual (Comptroller; Chief Accountant; IPSAS Project Coordinator, FNM/ACT)
5. 14:45-15:45  **Audit tracking**: (a) Overview by FNM of Secretariat preparations for the next WHO External Auditor from 2012, including the draft Engagement Letter; (b) Update on outstanding external audit recommendations, including their ageing and status; (c) Presentation by the Chief Accountant of the electronic tracking tools for EA recommendations; (d) Update by Director IOS on the status of current internal audit recommendations; (e) Demonstration of the new IOS recommendations tracking and statistical analysis tool (Comptroller; Chief Accountant; Finance Officer, FNM/ACT; External Auditor; Director IOS)

   15:45-16:00  Coffee break

6. 16:00-17:30  **Internal Oversight Services matters**, to include internal audit, investigations and evaluations: update on progress against IOS work plan since last IEOAC meeting; IOS key performance indicators; monitoring and follow up of internal audit recommendations; (b) Briefing on the IOS internal control matrix (Director IOS; Comptroller; External Auditor)

7. 17:30-18:00  **WHO Comptrollership function**: Examination with ADG/GMG and Comptroller of the present shortcomings regarding the WHO Comptrollership function in the wake of the Ernst& Young audit and ways of redressing these. (To be concluded on 22 July.)

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**Friday 22nd July 2011**

**India meeting room**

7 09:00-10:00  Conclusion of Agenda item 7 above (ADG/GMG; Comptroller).

8. 10:00-11.00  **External Audit matters**, to include matters arising from the PBAC and World Health Assembly; progress/developments since last IEOAC meeting, in particular a discussion of the recently issued Management Letters (External Auditor; Director IOS; Comptroller).

   11:00-11:15  Coffee break

9. 11:15-11:45  **Risk management**: Progress report (ADG/GMG; GMG Risk Management Focal Point).

10. 11:45-12:15  **Information and exchange meeting** with WHO Management, including topics for next IEOAC meeting (EXD/DGO; Comptroller).

   12:15-13:30  Lunch break

11. 13:30-14:30  **Any Other Business** and recap.

12. 14:30-17:00  **Preparation of report of meeting** with WHO Management.
ANNEX 2

INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE

TERMS OF REFERENCE\(^1\)

PURPOSE OF THE COMMITTEE

1. As an independent advisory committee established by the Executive Board of WHO, and reporting to the Programme, Budget and Administration Committee, the purpose of the Independent Expert Oversight Advisory Committee is to advise the Programme, Budget and Administration Committee and, through it, the Executive Board, in fulfilling their oversight advisory responsibility and, upon request, to advise the Director-General on issues within its mandate.

FUNCTIONS

2. The functions of the Committee shall be:

   a) to review the financial statements of WHO and significant financial reporting policy issues, including advice on the operational implications of the issues and trends apparent;

   b) to advise on the adequacy of the Organization’s internal controls and risk management systems, and to review management’s risk assessment in the Organization and the comprehensiveness of its ongoing risk management processes;

   c) to exchange information with, and review the effectiveness of, the Organization’s internal and external audit functions, as well as to monitor the timely, effective and appropriate implementation of all audit findings and recommendations;

   d) to advise on the appropriateness and effectiveness of accounting policies and disclosure practices and to assess changes and risks in those policies;

   e) to provide, on request, advice to the Director-General on the matters under points (a) to (d) above;

\(^1\) (Document EB 126/25 and Resolution EB125.R.1, Annex)
f) to prepare an annual report on its activities, conclusions, recommendations and, where necessary, interim reports, for submission to the Programme, Budget and Administration Committee by the Chairman of the Independent Expert Oversight Advisory Committee.

COMPOSITION

3. The composition of the Committee and the qualifications of its members shall be as follows:

a) The Committee shall comprise five members of integrity and objectivity and who have proven experience in senior positions in the areas covered by these terms of reference.

b) Following consultations with Member States, the Director-General shall propose to the Executive Board candidates for membership of the Committee. Members of the Committee shall be appointed by the Executive Board. No two members shall be nationals of the same State.

c) Members shall provide their services free.

d) Members must be independent. They shall serve in their personal capacity and cannot be represented by an alternate attendee. They shall neither seek nor accept instructions in regard to their performance on the Committee from any government or other authority external to or within WHO. All members will be required to sign a declaration of interest and a confidentiality agreement in accordance with WHO practice in this respect.

e) Members shall collectively possess relevant professional, financial, managerial and organizational qualifications and recent senior-level experience in accounting, auditing, risk management, internal controls, financial reporting, and other relevant and administrative matters.

f) Members shall have an understanding of and, if possible, relevant experience in the inspection, investigative processes, monitoring and evaluation.

g) Members should have or acquire rapidly a good understanding of WHO’s objectives, governance structure and accountability, the relevant regulations and rules, and its organizational culture and control environment.

h) Committee membership should have a balanced representation of public and private sector experience.

i) At least one member shall be selected on the basis of his or her qualifications and experience as a senior oversight professional or senior financial manager in the United Nations system or in another international organization.

j) In the selection process, due regard shall be given to geographical representation and gender balance. In order to retain the most equitable geographical representation, membership should be rotated among the WHO regions to the extent possible.
TERM OF OFFICE

4. The term of office shall be four years, non-renewable, except that the term of office for two of the initial members shall be two years, renewable once only for four years. The Chairman of the Committee shall be selected by its members. He or she shall serve in this capacity for a term of two years.

ADMINISTRATIVE ARRANGEMENTS

5. The following arrangements shall apply:

   a) Members of the Committee not resident in the Canton of Geneva or neighbouring France shall be entitled to the reimbursement of travel expenses in accordance with WHO procedures applying to members of the Executive Board.

   b) The Committee shall meet at least twice per year.

   c) The quorum for meetings of the Committee shall be three members.

   d) Except as provided for in its terms of reference, the Committee shall, mutatis mutandis, be guided by the rules of procedure of the Executive Board concerning the conduct of business and the adoption of decisions. The Committee may propose amendments to its terms of reference for consideration by the Executive Board, through the Programme, Budget and Administration Committee.

   e) The Committee may decide at any time to obtain independent counsel or outside expertise if necessary and shall have full access to all WHO files and archives, which shall be treated on a confidential basis.

   f) The WHO Secretariat will provide secretariat support to the Committee.