Report of the Independent Expert Oversight Advisory Committee

The Director-General has the honour to transmit herewith to the Programme, Budget and Administration Committee of the Executive Board, for the Committee’s consideration at its twenty-second meeting, the report submitted by the Chairman of the Independent Expert Oversight Advisory Committee (see Annex).
ANNEX

FIFTH ANNUAL REPORT OF THE
INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE TO THE
PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE

MAY 2015

BACKGROUND

1. The Independent Expert Oversight Advisory Committee (IEOAC) was established by the Executive Board in May 2009 under resolution EB125.R1, with terms of reference to advise the Programme, Budget and Administration Committee (PBAC), and through it the Executive Board, on matters within its mandate, which include:
   
   • review of WHO’s financial statements, financial reporting and accounting policies
   • provision of advice on the adequacy of internal control and risk management
   • review of the effectiveness of the Organization’s internal and external audit functions, and monitoring of the implementation of audit findings and recommendations.

2. The current members of IEOAC are:

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<tr>
<th>Name</th>
<th>Date of appointment by the Executive Board (^1)</th>
<th>Decision reference</th>
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<tbody>
<tr>
<td>Mr Farid Lahoud (Chair)</td>
<td>January 2013</td>
<td>EB132(2)</td>
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<td>Mr Mukesh Arya</td>
<td>May 2013</td>
<td>EB133(8)</td>
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<td>Ms Mary N’Cube</td>
<td>May 2012</td>
<td>EB131(4)</td>
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<td>Mr Robert Samels</td>
<td>May 2013</td>
<td>EB133(8)</td>
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<td>Mr Steve Tinton</td>
<td>May 2013</td>
<td>EB133(8)</td>
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3. This report is the fifth annual report of IEOAC to PBAC and summarizes progress achieved in its work throughout the 12 months ending April 2015.

4. IEOAC held its thirteenth, fourteenth and fifteenth sessions on 30 June to 2 July 2014, 15 to 17 October 2014, and 8 to 10 April 2015.

5. All five members attended the aforementioned meetings.

6. Throughout its meetings the Committee received a commendable level of support by management and is thankful to the Director-General, personally, and to her team for their openness in sharing information with the Committee and for allocating enough time to listen to the Committee’s concerns and provide the necessary clarifications or answers.

\(^1\) Date of adoption of relevant decision by the Executive Board.
FINANCIAL STATEMENTS

7. The Committee reviewed, and discussed with management, the 2014 financial statements. It addressed the key underlying accounting policies, the reasonableness of significant judgments and the clarity of disclosures.

8. It noted that the accounts are deemed IPSAS compliant (noting that, as allowed under IPSAS rules, WHO opted for the transitional provision to implement IPSAS requirements for property and equipment until 2016). The Committee was briefed, in particular, on the current status of development of WHO’s inventory and fixed assets management system to integrate fully with GSM and was informed that a detailed plan has been put in place for the AFRO region to have all the assets valued by mid next year (this being the one remaining region for which asset valuations are outstanding). The Committee will continue to review and monitor the steps being taken by the Secretariat in this direction, together with the work under way on the global inventory management system. It suggests to try to bring forward the implementation deadline as much as possible in order to accelerate inventory controls and improvements.

9. The IEOAC further received a presentation on the financial statements of the Staff Health Insurance fund for the year 2014.

EXTERNAL AUDIT

10. As per its usual practice, IEOAC met with the External Auditor in private as well as with management representatives at each of its meetings.

11. The External Auditor briefed the Committee on audit recommendations for 2013, on the audit scope of 2014 and on the contents of the 2014 financial statements.

12. Relying on the reviews and discussions with management referred to above, and on the reported intention of the external auditors to issue an unqualified opinion on the financial statements (such opinion not having been finalized in time for the Committee to review it) the Committee expressed no reservations in connection with the submission of the financial statements to PBAC and to the World Health Assembly.

13. The Committee was also briefed about the implementation of previous external auditors recommendations and was pleased to observe the concurrence of views between management and the external auditors.

14. The Committee also examined the draft management letters of the external auditors encompassing their appraisal, and recommendations, in connection with programmatic and administrative reviews (non-financial “operational” review). The Committee suggested that the External Auditors and management, should coordinate optimally in the preparation of management letters and management response thereof so as to ensure (i) accuracy and consistency of language used to report matters and (ii) management accountability for responses, all in time for submission of the management letters, in final form, to the concerned bodies. It also looks forward to receiving the final version of the management letters.
INTERNAL OVERSIGHT SERVICES

15. At each of its meetings, the Committee met with the Director of the Office of Internal Oversight Services, both privately and with members of management present.

16. The IEOAC was apprised by the Director Internal Oversight Services about the establishment of a new risk assessment process to define audit priorities and the current perimeter of the audit universe. The Committee reviewed the current state of outstanding audit recommendations and the work programme. It noted with satisfaction the acceleration in the implementation of audit recommendations.

17. The Committee, however, renewed its concern at the apparently persistent systemic weaknesses and ineffective controls, across the organization. The Committee particularly noted the unsatisfactory internal audit reports as regards the country offices that could be a symptom of a “culture of tolerance” for non-compliance with rules and policies. It draws management attention to this matter and to the need to enhance accountability.

18. The Committee believes that the issues highlighted in the IOS reports are being dealt with at an individual level rather than at a collective level for the whole organization. Drawing lessons from audit report findings, across the organization is, therefore strongly recommended by the Committee.

19. The Committee renewed its support for the many initiatives for strengthening the controls and compliance that are under way but noted that their impact is not yet visible at all levels of the organization and that the new Internal Control Framework and Accountability Framework are still not fully integrated in the work culture.

STAFF HEALTH INSURANCE FUND

20. An update on the after-service health insurance funding projections was also received by IEOAC. The Committee suggested that the administration of staff health insurance fund should be integrated within the overall internal control framework of the organisation, with associated risks being captured in the new risk register.

INTERNAL CONTROL FRAMEWORK

21. At its thirteenth and fourteenth session, The IEOAC held video conference calls with Directors Administration Finance at SEARO and at EURO and EMRO respectively, to better assess the progress made in WHO reform and to review the internal control challenges in the regional offices. The Committee was reassured to find headquarters’ and the regional offices’ common view of the most significant challenges the Organization is facing. The Committee also discussed the reports of the Internal Auditor and the roll out of the internal control framework. The compliance units that support the internal control framework were described and it was noted that the roles, responsibilities and reporting were different in each region.

22. The Committee is of the view that, to strengthen internal controls, the compliance units in all the regions should be established in a harmonious and comparable manner and should be managed in a consistent and consolidated approach under the framework established by the Office of Compliance, Risk Management and Ethics centrally, building in the flexibility required for each regional office. The Committee further recommends that the compliance functions become an integral part of
management process. The compliance units must act as a “second line of defence” with a clearly defined mission within the overall control framework.

23. The Committee also received an update on the roll out of ICF and the internal control self-assessment checklist in regional and country offices. The check-list is a management tool to be used by heads of country offices and other budget centres to assess and monitor the status of internal control in key functional areas. The Committee expects the regional directors to take responsibility for the implementation, roll out, and completion of the self-assessment checklists in their respective regions. It notes the need for a better understanding of the purpose and use of such tools rather than treating them as an administrative burden. There appears to be a lack of communication at various levels and missing linkage between various tools, policies and procedures.

24. The Committee wishes to emphasize the importance of establishing a culture of Compliance with Rules and Policies. It notes the lack of sanctions or measures in case of non-performance and it suggests establishing linkages between check-lists, audit results and performance evaluation to ensure accountability for the delegated authority. It encourages WHO to explore the possibility of including adherence to and abidance by internal controls as one of the criteria for performance assessment.

25. The IEOAC is supportive of the huge amount of work already done in developing strategy and policy documents, producing the tools, rolling these out at three levels of the organization, increasing awareness of the accountability and control but it is concerned about the lack of harmonization within major offices for the implementation of these initiatives. The Committee would like to see an effective roll out strategy reflecting one coherent message encompassing all the tools and initiatives.

26. At its fourteenth session, the Committee sought a briefing on direct financial cooperation (DFC) due to recurring weaknesses reported in several audit findings. The Committee feels reassured that some of the recommendations made to deal with these weaknesses have already been put in place. It is pleased to note that there has been a significant reduction in the outstanding reports relating to DFC and that the policy of not releasing funds for future DFC unless previous ones are reported and closed is now being better enforced.

COMPLIANCE RISK MANAGEMENT AND ETHICS

27. The Committee took note of the roll out of the risk register in two phases in 2014. After the identification of risk, the process of validation including the analysis of mitigation strategies has been initiated by CRE. It found the analysis of the risks encouraging, setting up a platform for a good debate. The Committee also noted that the risk register, the audit universe, and the internal control framework should be fully aligned, and encouraged strong and flawless coordination between the owners of the aforementioned tools.

28. The Committee once again stressed the importance of the “operationalization of the risk register” or embedding it in the management functions on an urgent basis. The Risk Register should be used as a management tool to further strengthen the mapping of risks in internal audit plans along with mapping it to the functions of compliance units.

29. The IEOAC is of the view that it is important at this stage for the Global Policy Group (GPG) to list key strategic risks facing the organization, from their perspective. There is a need to reconcile the risks identified through a bottom-up approach with a “top-down” view. This will help in addressing the gaps and will also support linking the organization’s main identified risks with its strategic priorities by refining the risk response strategy.
30. The Committee was pleased to note that an extensive and comprehensive Whistle Blower Policy has been in force since March 2015. It looks forward to the completion of the implementation procedures, including the identity and terms of reference of the whistle blowing alert recipients. It also noted the work in progress on the policy on Declaration of Interest for external experts and code of ethics and training. It looks forward to further updates on these important issues in the forthcoming meetings.

31. The Committee observed that several initiatives currently driven by CRE are of a strategic nature, like the Risk Register, the Internal Control Framework, the Whistle Blower Policy, the Harmonization of Compliance Functions across the organization etc. The IEOAC emphasized the importance of alignment required between (i) adequacy of the resources at CRE’s disposal, (ii) criticality of the strategic initiatives and (iii) responsibility at a senior level of management, in order to sustain the current momentum.

EVALUATION AND ORGANIZATIONAL LEARNING

32. The Committee was informed that a separate unit for Evaluation and Organizational Learning (EOL) has been established within the office of Director-General. It received a briefing from the Representative for EOL on the status of ongoing activities under “strengthening evaluation and organizational learning”. The IEOAC considers the evaluation and organizational learning to be an important area of management and notes that a culture of evaluation can help in the analysis of root causes of issues and can bring in a culture of collective learning. There is a need for integrating the culture of evaluation as part of the routine management tools.

33. The Committee is very supportive of the evaluation function and looks forward to reviewing the 2016–2017 work plan and its resourcing in its October 2015 meeting. The Committee is also encouraged to hear that some of the evaluations are already under way and would have been completed by end of the year.

34. The Committee is however concerned about the capacity of the organization to change, especially with so many initiatives being implemented at the same time. It is also concerned about the concentration of all such initiatives in HQ and the challenge of seeing the impact at the country level.

WHO REFORM: GENERAL UPDATE

35. Throughout its meetings, IEOAC received updates on the Reform progress.

36. As mentioned in its interim report to PBAC in January 2015, IEOAC received a briefing from senior members of the Secretariat on the challenges being faced by the Secretariat in the area of governance reform and was informed about the significant growth in the number of resolutions and agenda items, which results in increased time and capacity constraints for the governing bodies. IEOAC has already expressed concerns that unless steps are taken to streamline this process, it could impair the effectiveness of the governing bodies to deliver on their mandates and could impede the implementation of the overall WHO reform agenda for WHO.

37. The Committee noted with interest, progress made in the implementation of several key reform initiatives like the development of Programme Budget 2016–2017 on a bottom-up approach; preparation of the draft framework of engagement with non-state actors, roll out of performance management framework and others.
38. The Committee received with interest a presentation on the proposed Programme Budget 2016–2017 and mid-term review (MTR) for implementation of programme budget 2014–2015. The Committee is encouraged by the concrete progress made in the programmatic reform area and it looks forward to receiving an update in its July meeting.

39. The Committee also discussed issues linked to the communication strategy of reform. It suggested that the communications strategy encompasses a highlight of the results or key achievements in the areas of planning, the Internal Control Framework, finance, and human resources, among others, and how these contribute to the overall reform objectives.

40. The Committee received presentations on HR reform. These reforms such as mobility, objective setting and appraisal and consistent HR policies and procedures underpin the accountability and internal control frameworks.

41. The Committee is concerned at the lack of alignment in priorities at the three levels of the Organization. It fears that organizational barriers are inhibiting integrated and coordinated efforts to tackle issues related to compliance, risk, asset tracking, human resources and information technology.

42. The Committee noted the need for WHO to have an effective management coordination and decision making structure. It finds the Global policy Group (GPG) as a suitable vehicle to drive home the beneficial actions in providing clear direction, decisions, and oversight in connection with cross departmental organizational issues and in coordinating the activities of WHO. The IEOAC recommends that the role, responsibilities and mandate of the GPG be formalized and institutionalized, as part of the normal management structure of the organization. This would allow GPG to provide a stronger coordinated decision making leadership role that the Committee deems critical to ensure the success of future broad organizational initiatives and to enable the consistent delivery of programmes in all regions.

OTHER MATTERS

43. During its fifteenth session, the Committee received an update on the response to, and some of the preliminary lessons learnt from, the Ebola crisis. The committee welcomed the open and candid approach adopted in the reviews. The lessons from the Ebola crisis will have far reaching implications for the effective running of WHO and it is clear management is determined to take appropriate actions. In relation to emergencies, the Committee was informed, that the Ebola crisis has made it evident that there is a need for a flexible dynamic workforce which is not constrained with normative functioning, has well defined roles and responsibilities and can be deployed in a short period of time. The concept of “pre recruited, pre-trained and pre certified” staff is being explored by the organization. WHO will also need access to readily available funds to mobilise resources on a timely basis. The Committee also appreciate the challenges in preparing budgets for implementing the Ebola strategy for the remainder of 2015 and beyond.

44. At the request of the DG, the Committee also examined a costs recovery study for hosted entities and partnerships in respect of cost recovery model to be applied to WHO hosted entities and partnerships. The Committee received a presentation on the topic which provided the background, the current situation and two cost sharing options being considered. After reviewing the options presented by the management, the IEOAC recommended a process as a way forward with hosted entities. The Secretariat will be reporting thereon to the Governing bodies and will work out a formal process to ensure either (i) a full costs recovery as mandated by EB, or (ii) a transparent reporting and explicit ratification of any persisting subsidy or cross-subsidy.
45. The Committee also examined the status of the Joint Investigation Unit (JIU) recommendations, noting the now satisfactory status of WHO.

46. The Committee was informed about WHO’s IT operations globally and was also updated on the status of the GSM Transformation Project. The Committee considers this project as a significant enabler of the internal Control Framework. It relayed its recommendations to management and looks forward to being updated on this matter.

47. The Committee undertook a self-assessment exercise for its own working. It was satisfied to note an enhanced timeliness of its access to information and a better alignment of work with its mandate. As a result of the self-assessment exercise it also modified its work practices in order to further enhance the use of the Committee’s time. The Committee also reviewed its own Terms of Reference and made no recommendations for changes in connection therewith.

Farid Lahoud (Chair), Mukesh Arya, Mary N’Cube, Robert Samels, Steve Tinton.

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