

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

(Geneva, 8 – 11 April 2019)

Item 1 – Opening and administrative matters

1. This was the first of three Independent Expert Oversight Advisory Committee (IEOAC) meetings planned for 2019. The agenda for this meeting is attached as Annex 1 and List of Participants as Annex 2.
2. In attendance throughout: Dr Jeya Wilson (Chair), Leonardo Pereira, Jayantilal Karia, Christof Maetze and Christopher Mihm.
3. The Chair welcomed Mr Mihm to his first meeting and confirmed a quorum with all members present and all declarations of interest or updates duly submitted. No conflicts of interest were recorded. The agenda for the 27th meeting, 8 -11 April 2019, was adopted.

Item 2 – WHO Overview Briefing

4. The Chef de Cabinet provided a briefing to the Committee on the developments in WHO since the last IEOAC meeting in October 2018.

Item 3 – Update on WHO 2018 Financial Statements including SHI

5. The statutory Auditor, the Commission on Audit of the Republic of the Philippines, confirmed that there were no major changes in accounting policies or judgements made by Management in the preparation of the financial statements in accordance with International Public-Sector Accounting Standards (IPSAS).
6. The 2018 financial results were reviewed and discussed in detail following an overview given by the Comptroller a.i. The Committee assessed the key underlying accounting policies, the reasonableness of significant judgments and the clarity of disclosures. The Committee noted that the Financial Statements have been prepared and submitted in a timely manner with minimal audit recommendations.
7. At the end of 2018 WHO shows total assets of US\$5.2 billion including US\$3.5 billion of cash and short-term investments (Notes 4.1 and 4.2 of the Financial Statements) and \$1.3 billion of Receivables (Note 4.3). Total Liabilities and Net Assets/Equity included \$1.3 billion of total accrued staff benefits liability mostly relating to the Staff Health Insurance (Note 4.12), US\$1 billion of inter-entity liabilities (Notes 4.15) and US\$2 billion of net assets/equity. The Committee requested a briefing on the treasury operations and investment policy at the next meeting.
8. Given that the accounts were compliant with IPSAS and that the Auditors would be issuing an **unmodified opinion** on the 31 December 2018 Financial Statements of the WHO, the Committee recommends the submission of the financial statements 2018 to the PBAC, and further to the World Health Assembly.
9. The Committee recognized the work done by WHO Finance team on the Key Performance Indicators (KPI) for financial performance. In future meetings, the

IEOAC looks forward to seeing the concrete changes in improved decision-making and results based on the use of KPIs. The Committee noted the progress made to agree and distribute the monthly financial highlights. It was also briefed on the newly formed Financial Management Council to review financial highlights and financial risks on a monthly basis.

10. The Secretariat manages its own health insurance scheme as a separate entity. The Staff Health Insurance (SHI) has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by staff members, retired staff members and their eligible family members. The Staff Health Insurance is financed by the contributions made by the participants (one third) and the Organization (two thirds) and from investment income. The IEOAC took note of the financial statements of the Staff Health Insurance Fund for the financial year 2018.
11. Professional actuaries determined the 2018 defined benefit obligation of the WHO for the Staff Health Insurance based on personnel data and payment experience provided by WHO. As at 31 December 2018, the unfunded defined benefit obligation amounted to US\$ 1,130 million (US\$ 1,500 million in 2017). The change in the unfunded defined benefit obligation of WHO is mostly due to changes in assumptions and methods that were used by the actuaries in the year-end valuation. Given the very long-term nature of this liability, WHO financial statements are highly sensitive to discount rate and medical costs inflation assumptions.
12. The Committee remains concerned about the issue of having a fully funded staff benefit liability and the overall sustainability of the Staff Health Insurance (SHI) in its current form. At its meeting in March 2018, the Committee had urged Management to find ways of restricting the full-funding year to 2038 and to explore options on cost containment including reduction in benefits, use of generic drugs and increasing contributions. Based on the feedback received from the Finance Team and Staff Health Insurance, the Committee concluded that Management's efforts to date have not addressed the issue adequately. While the Committee recognizes that the forecast date for full funding will vary from year to year depending on actuarial factors, nevertheless **the Committee recommends that for its next meeting, Management shares a plan with the Committee on tactical and strategic measures which, irrespective of any annual fluctuations or adjustments, will ensure overall sustainability of SHI and full funding of WHO's staff benefit liability as soon as possible.**
13. The External Auditor advised the Committee that the audit of the 2018 Financial Statements of the Staff Health Insurance Fund is being finalized and that they are confident that an unmodified audit opinion will be issued.

Item 4 – Results Report and Flexible Funding

14. An overview of the methodology of allocation of flexible funding, some challenges and proposed solutions going forward into 2020-2021, was provided by the Director Planning, Resource Coordination and Performance Monitoring (PRP). This helped the Committee better understand the process of how flexible funds are allocated.

15. The Committee was also provided with a briefing on the results report of 2018, which is similar to the one from 2017. The WHO Secretariat recognized the contribution of the recommendations of the IEOAC in making this report more meaningful, user-friendly and concise. The Committee is pleased to note that WHO continues to produce this report as per its recommended format and looks forward to receiving a final copy of the 2018 Results Report.

Item 5 – Update on the WHO Investment Case and Resource Mobilization

16. An update on the strategic framework for resource mobilization, its goals and principles was given by the Executive Director, External relations and Governance. The overall goals are increased, predictable, flexible and sustainable resources to deliver GPW 13 strategic goals and the triple billion target in the total amount of \$ 14.1 billion.
17. The strategy ties the investment case and has clearly defined principles: **All three levels of WHO jointly deliver on funding requirements**; Resource mobilization is led by a professional corporate function and uses best-in-class processes, systems and tools. Funding targets are defined as Key Performance Indicators and efforts focused on strategic priorities.
18. The Committee appreciates the clearly articulated strategic framework and principles as well as the proposal of preparation of donor impact sheets, to address the issue of coherence between relations with donors at all levels of the organization. At its future meetings, the Committee would appreciate a presentation on progress of the implementation of the strategy, including risk management, change management and the use of technology.

Item 6 – External Audit

19. The External Auditors provided the Committee with the highlights of results of audit of the 2018 Financial Statements and several other audits completed by them during 2018 including those of the Global Service Centre, the Resource Mobilization department at HQ, the WHO Health Emergency Program and the Framework Convention on Tobacco Control (FCTC).
20. The Committee expressed concern over the large numbers of overdue technical reports to donors, where the number of such overdue reports has increased from **757** as on 31 December 2017, to **1016** as on 31 December 2018, an increase of **34%**, resulting in a situation where donors have not released funds to WHO. **The Committee recommends that this issue be addressed urgently by Management. Specifically, the Committee recommends that Management develop a plan with a root cause analysis of the overdue reports, strategies for addressing the issue, and clear milestones for progress going forward.**
21. The IEOAC held a private session with the External Auditors.
22. The Committee would like to thank the external auditors from the Commission on Audit of the Republic of the Philippines for their work and contribution to the WHO. The committee looks forward to receiving information on process and selection of the future statutory auditor of the WHO during its next session.

Item 7 – GPW13, Impact Framework and Budget 2020-2021

23. The Committee was most impressed by the briefing given by the Special Advisor to the DG, ADG for data, analytics and delivery, and Director PRP on the GPW13 implementation strategy for its intellectual clarity, coherence, and clear linkage to the SDGs.

Effective implementation of the Impact Framework throughout the organization and with partner organizations will be vital to its success. The Committee looks forward to reports at its future meetings on progress towards the goals in the Framework and GPW13, as well as specific examples of decisions informed by the use to the Framework. In addition, data quality and availability in disaggregated form that “leaves no one behind”, is a major challenge to the implementation of the 2030 Agenda. The Committee looks forward to continuing conversations with Management about data gaps, and strategies to address those gaps. Overall, implementation remains key as does concerns on data governance being addressed through the newly established data governance division.

Item 8 – Update on Human Resources matters

24. The Committee had a brief discussion with the outgoing Human Resources Director about the Human Resources planning resulting from the recently announced organizational changes as part of the wider Transformation exercise. While the Committee understands that this is work in progress, it would like to see a strategic human capital plan that will align with the GPW13 and lead to the strengthening of country talent capacity.
25. The Committee is concerned about the absence of a WHO strategic human capital plan that focuses both on addressing any existing critical skills gaps and on positioning the WHO for the future. For example, the Committee was impressed with Management’s plans to pilot an agile project and program management approach. However, such an approach requires specific skill sets and a change in culture that must be carefully developed and planned. The Committee would therefore expect to see that staff training and development to meet these needs be included in a strategic human capital plan. In short, since an organization’s people strategy needs to be the centerpiece of any successful transformation effort—such as the one underway at WHO—the lack of a robust human capital plan risks undermining the entire transformation effort.

Item 9 - Update on Internal Oversight Services (IOS)

26. The Director IOS provided an update on the status of 2018 internal audits. The Audit workplan for 2018 has been finalized and the respective reports have been issued except 4 - CDS, EMRO DAF, Award Management and WCO Yemen that are drafted and awaiting Management’s response. Out of the total of 21 reports and drafts issued, the distribution of Audit opinions is as follows

Audit Opinion	Number of Audits	% of total
Satisfactory	4	19 %
Partially satisfactory with some improvement needed	13	62 %
Partially satisfactory with major improvement needed	3	14 %
Unsatisfactory	1	5 %
Total	21	100%

27. The Committee took note of the top five areas of highest level of residual risk:

- Further strengthening assurance activities over Direct Financial Cooperation, as the intended plans to conduct such activities have not been fully implemented in a consistent manner and more focus is required to implement corrective actions;
- Strengthening controls over direct implementation assurance activities;
- Improving vendor management (selection and evaluation of vendors) and the completeness of procurement documentation for goods and services (including bidding and selection process), which has a potential negative impact on fraud risk;
- Implementing action plans to improve alignment of the staffing levels with the mandates and the strategic objectives of the programmes and/or offices in line with GPW13; and
- Improving resource mobilization for some key programmes that remain underfunded (such as those addressing noncommunicable diseases, neglected tropical diseases, social determinants of health and the effects of climate change on health), given their high dependence on specified voluntary contributions.

28. The Committee is pleased to note that the ‘overdue open’ audit recommendations have reduced from 8.2% in October 2018 to 4.2% in February 2019. However, the Committee remains concerned that the progress on the implementation of individual internal audit recommendations during previous years has not yet led to significant, sustained, systematic improvement across the Organization. **The Committee recommends that Management take appropriate actions to ensure that all audit recommendations are implemented on a timely basis with appropriate follow up. Management may also wish to include this item as one of the KPIs.**

29. The Committee was also briefed about the Internal Audit workplan for 2019 and is satisfied with the distribution of audit assignments across Head Office, Regional Offices, Country Offices, cross cutting audits and other projects.

30. The IOS has initiated the Data Analytics Project which will develop tests for complete GSM data sets in areas that have been identified as high-risk areas in Country Office audits. The Committee welcomed the data analytics capability of the IOS department and looks forward to receiving further information and updates on this initiative at its future meetings.

31. The audit function of IOS undertook a self-assessment that was independently validated by KPMG which confirms that the Office conforms with the standards of the Institute of Internal Auditors. The Committee will continue to monitor the implementation of recommendations to improve IOS’ audit function.

32. The Committee received confirmation that in order to ensure institutional independence, IOS is organizationally part of the Director General’s Office. It has a direct reporting line to the Director General and is guaranteed direct access to him.

The Director General is the first level supervisor of the Director of IOS; day-to-day administrative and managerial supervision is delegated to the Chef de Cabinet.

33. As the WHO approach to Enterprise Risk Management (ERM) continues to mature and become more robust, it creates opportunities for IOS to base its planned audit program on both key inherent risks and residual risks. The Committee looks forward to seeing such a risk-based approach to audit planning at its future meetings.

Investigations

34. The investigation function of the WHO provides investigation services to the WHO as well as to UNAIDS, Unitaid, and IARC. It had its first external assessment and quality review in late 2017.

35. As a basis of discussion, the Committee reviewed the intake of cases over recent years. The Committee is of the view that given the size and complexity of the WHO, the overall number of cases appears to be at the lower end of expectations. It therefore suggests preparing the investigation function for a continued increase in the future in both case intake and case complexity.

36. Overview of investigation cases received by type 2014 – 2018

Type of cases received by year					
	2014	2015	2016	2017	2018
Abuse of authority	1	1	1	1	7
Assault	1	2		1	5
Breach of confidentiality		1	3		1
Breach of neutrality			1	2	
Bribery				6	3
Conflict of Interest		4	2	6	5
Failure to comply with professional standards	3	8	7	2	4
→ Fraud	14	10	15	11	30
→ Harassment	17	21	9	14	21
→ Medical insurance fraud	2		4	5	10
Mismanagement		2	2	1	5
Misuse of funds				1	
Other	2	1	5	7	17
Outside activity	2	3	1		
Procurement irregularity	4	11	11	5	9
Recruitment irregularity		6	6	9	5
Retaliation	1	3		1	5
Sexual Exploitation and Abuse				1	4
→ Sexual harassment	1	2	5	2	9
Theft	2	8	7	7	7
Leak during an investigation.					1
Grand Total	50	83	79	82	148

37. While much has been achieved in the area of investigations at the WHO in recent years, there appears to be a need for further improvement. The issues and challenges include:

- Substantial increase in number of reported cases;
- Increasingly complex cases;
- Substantially enhanced media and civil society interest;

- Investigations of allegations of a sensitive nature, in particular, sexual harassment, harassment, and sexual exploitation and abuse;
 - Timelines for concluding investigations;
 - Investigations of complaints against third-party actors;
 - Substantial backlog of cases requiring attention
38. The Committee noted and welcomed the measures taken to increase short-term investigation capacity to address both the increased intake as well as the backlog of cases:
- a. External roster is being used to add temporary capacity of 3 full-time equivalent positions;
 - b. External contract with proven harassment investigations capacity (200 days, until year-end 2019).
39. The Committee believes that further to finding short-term solutions, there is a need for addressing investigation challenges in a more fundamental way. Hence the Committee is pleased to note that, in line with the overall ongoing transformation of the WHO, Management is planning to develop a blueprint for a “best in class” investigation function that is fit for purpose for the WHO. Such a blueprint will allow for a more informed discussion on investigations going forward including the allocation of resources. The Committee stands ready to support this exercise and has undertaken to review the terms of reference for a “Request for Proposal” for external assistance in this project.
40. The Committee also held a private session with the Director IOS.

Item 10 – Compliance, Risk and Ethics (CRE)

41. An update was provided by the Director CRE on the activities in the area of compliance, risk management and ethics, including a status update on WHO’s principal risks, an update on Internal Control Framework self-assessment results and an update on prevention of sexual harassment.
42. The Committee noted that the risk management process has progressed over the past few years, and an increasing degree of risk maturity will be required during the implementation of the GPW13. As with all management initiatives, the key to success lies in effective implementation. In this regard, the Committee expects to see Management cascading ERM throughout the organization and using it to inform decision-making at all levels. Central to this process will be the degree of progress in embedding a risk-based culture in the WHO. **The Committee recommends that the transformation process have a dedicated risk register, and that the WHO’s principle risks be owned and monitored by Senior Management.**
43. As in previous sessions, the Committee had a detailed discussion on the reporting and response to sexual exploitation and abuse. The Committee will continue to review and assess progress in this area at its future meetings.

Item 11 - WHO Transformation Project

44. The Senior Advisor on Organizational Change provided an update on the WHO Transformation Project and gave the four principles guiding the transformation work:
- GPW13's 'triple billions' must drive our work
 - We need stable, uniform & predictable processes
 - Our 3 levels must be aligned for seamless delivery
 - We need agile ways of working for cross-level/function work
45. The Committee noted that good progress has been made in the transformation project over the past year. There is significant improvement in the status of the project, and the Committee looks forward to seeing demonstrable outcomes in the coming months. The new organigram and reorganized structure at HQ were noted.
46. The Committee further noted that agility is an important component of transformation. In welcoming this approach, the Committee gave due cognizance to the ambitious nature of the project and the effort that will be required to bring the expected results, for example, the need for a strategic human capital plan discussed under Item 8. A tectonic culture shift will be required not only on the part of the Organization, but also on the part of the Governing Bodies.

Item 12 – Evaluation and Organizational Learning

47. The highlights of the annual report on evaluation to be presented to the EB through PBAC in May 2019 were given by the DG's Representative for Evaluation and Organizational Learning. A status update on the completed and ongoing evaluations was also provided and the Committee is satisfied with the progress made so far.
48. The Committee noted that with the triple billion target, the role of evaluation becomes even more critical as it informs about the relationship between outputs and outcomes. Therefore, there is a need for the work of the Department to be fully aligned with the needs of the programmes.
49. Upon request, the Committee was provided with samples of brief summary evaluation report. These reports, complemented by a detailed report, help to address the needs of a varied audience. The Committee saw this as a positive development in its recognition that different users (e.g. line managers, senior leadership, funding and delivery partners, Member States) will need different levels of detail in evaluation results. The value in evaluation, and research more generally, is in the extent to which it is useful and used by decision-makers and stakeholders.
50. The Committee was also pleased to note that an evaluation of FENSA has been proposed and it looks forward to seeing the results of this evaluation at one of its future meetings.

Item 13 – Update on Value for Money Project

51. A presentation made by the Head of Expenditure Analysis and Control included a definition of 'Value for Money' with the dimensions of Economy, Efficiency, Effectiveness, Equity and Ethics. The inclusion of 'Equity' implies that the language of the 2030 Agenda and the core principle that 'no one is left behind' are being applied to the day to day work of WHO. The Committee sees this as an important point of view

and it looks forward to seeing how this principle along with the others is applied by WHO across its work at all levels.

Item 14 – Update on Information Technology

52. The Chief Information Officer provided an update on the various initiatives, projects and the key strategic direction for the Information Management and Technology Department (IMT). He also shared the Vision and Mission of IMT which is aligned with GPW13 and the triple billions target.
53. The Committee notes that the IT structure of WHO is currently fairly decentralized. While this is explained by the nature of the organizational set-up, it does pose challenges with regard to IT investment and data functions that should be uniformly shared across an entire organization and coordinated for the sake of efficiency and effectiveness. Ensuring data integrity and achieving full benefits from digital undertakings supporting the GPW13 would benefit from a more centralized approach. **Therefore, the Committee advises Management to move forward to improve the coordination and alignment of resources, through the adoption of an enterprise-wide IT, data and cybersecurity approach.** Furthermore, the Committee encourages Management to separate more clearly “run the WHO” and “change the WHO” resources to ensure that the ambitious digital agenda can be implemented.

Item 15 – Terms of Reference of the IEOAC

54. Under paragraph 5d of the IEOAC’s Terms of Reference approved by the Executive Board and as a matter of good practice, the Committee discussed the need for a review of its existing terms of reference against accepted best practice and external sources of guidance on oversight committees. As a result of this discussion, it was felt that in order to carry out a thorough review of existing Terms of Reference and suggest potential improvements on them, the Committee will continue to discuss the subject in its future meetings over the course of the year 2019.
55. Furthermore, with the important developments in WHO in the areas of review by the Committee, including Transformation, GPW13 and Budget for 2020-2021, the Committee felt that the continuity of contribution from two of its senior members, Dr Jeya Wilson and Mr Leonardo Pereira, beyond their current tenure which is due to end in April 2020, is pertinent.
56. As a result, the Committee unanimously proposes that the term of office of the aforementioned two members be extended until 31 December 2020.

Other Matters

57. The next meeting of the IEOAC in 2019 is scheduled from 8 to 10 July 2019 in Geneva.

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