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 seventeenth meeting, the report submitted by the Chairman of the Independent Expert Oversight Advisory Committee (see Annex).
ANNEX

REPORT OF THE INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE TO THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE, JANUARY 2013

INTRODUCTION

1. This report is an interim report of the Independent Expert Oversight Advisory Committee (IEOAC) following its meetings in July and November 2012.

2. The Committee met between 2 and 4 July 2012 and again between 5 and 7 November 2012. In July the Committee membership increased to four with Ms Mary N’cube joining the Committee. The Committee looks forward to returning to full membership when it next meets in March 2013.

3. All four members, Marion Cowden (who was confirmed as Chair at the July meeting), John Fox, Mary N’cube and Veerathai Santiprabhob were present throughout both meetings.

WHO REFORM

4. The reform of WHO was a key item on the agenda of the IEOAC during its meetings. In November, the Committee met with the Director-General’s special envoy and was briefed on the discussions that had taken place with Member States and other key parties, noting that the information gathered by the special envoy will provide part of the input to the paper that the Committee was told would be prepared by the Secretariat in mid-November. The Committee regrets that delay in issuance of the paper precluded comment by the IEOAC on it.

5. The IEOAC remains of the view, formed during earlier meetings and reported in our note of meeting in July 2011 and our annual report in May 2012, that a clear implementation plan with dedicated resources, timelines, milestones and communication strategy is essential. The need for such a document, which would provide a necessary overview of the reforms as a whole, is more pressing than ever. We have been advised that a plan is being prepared. We are unable to form a view on the reforms until we see the plan. We reiterate our earlier advice that strong management of the reform process is essential.

6. In regard to the important issue of the future financing of WHO, the Committee questions the continued focus of management to find a way to make voluntary contributions more predictable. The Committee notes that voluntary contributions, by definition, cannot be predictable and suggests that it may be time for the Organization to recognize that it has become much more of a “voluntary” organization than the “assessed” organization that it was originally. The Committee recognizes that a good case could be made for the continuation of at least minimal assessments for membership purposes in view of the history and nature of WHO, which would mean that WHO should not become a fully “voluntary” organization such as UNDP. However, perhaps consideration could be given to following the model of UNHCR, for which basic core administrative expenses are funded by assessments while operational programmes are funded by voluntary contributions. Accepting an alternative such as this, which appears to be the growing reality for WHO, and figuring out how to make it work to meet the needs faced by WHO might be a more practical course to follow.
PROPOSED PROGRAMME BUDGET

7. The Committee received a briefing on the 2014–2015 proposed programme budget, having previously received a copy of the documents that had been circulated to regional committees. In our view, the current list of priorities is too broad and leads to too many outputs for effective focus within the organization. The general programme of work and programme budget represent key elements of the reform and reflect what is seen as a need for a major shift in the organization. We recognise that a shift of this magnitude will take time and for that reason the proposed programme budget is described as transitional. However, in IEOAC’s view, clearer shifts are needed and for that reason we recommend that Member States take a firmer line on streamlining priorities and the associated work programme.

8. The IEOAC looks forward to seeing how the new general programme of work and programme budget will reflect the intended results chain (including the outputs to be delivered by WHO, but also the intended outcomes to be derived and consequent impacts). The Committee regrets that the version of the programme budget presented to it did not yet have any indication of the financial and personnel resources required for it, which made meaningful review of it problematical. Without the indication of resources attached to each priority, the Committee is concerned that the priorities will have to be revisited once resource availability becomes visible.

ENTERPRISE RISK MANAGEMENT

9. The Committee was pleased to note progress in enterprise risk management (ERM) in that a set of organization risks was presented to the meeting. Further work is required in that we are yet to see how risk management will operate at this level. A risk register is required that shows the likelihood and impact of each of the risks identified, mitigation measures planned for each of the risks, identification of the risk owners to be held accountable for their management, and frequency of review. We also understand that plans to assign responsibility for “championing” enterprise risk management to a senior member of the executive have fallen through as a result of personnel changes and assume that an alternative assignment will be indicated shortly.

10. We were reminded of the plans to establish the Compliance and Risk Management Unit and were advised that this will be established within the Director-General’s Office. At our meeting in July 2012 we questioned whether the capacity of the new unit will be sufficient and noted that, since risk management is different from the compliance function, it is likely that, by combining the two together in one unit, ERM will be seen as just another administrative burden imposed on the technical programmes and thus may be limited in its effectiveness and in its strategic focus. As a result we recommended that when the ERM framework is finalized, responsibility for leading implementation of that framework should devolve to another senior manager as the Organization-wide “Risk Champion” and the ERM secretariat work be handled by a separate unit, ideally located within the Director-General’s Office (DGO) and observed that in the meantime, the ADG/GMG should proceed with his efforts to step up the very important, but different, compliance work.

11. The Committee remains unconvinced that there is sufficient shared, organization-wide understanding of strategic risk management at a senior level and suggests that some outside expert assistance be considered and sourced if timely progress is to be made.

PARTNERSHIPS

12. The Committee received an update on the additional work carried out on partnerships and noted that a paper is being presented to the January meeting of the Programme, Budget and Administration Committee. We welcome this development and observe that the further analysis has helpfully focused on the real sources of problems and identified a priority subset of partnerships that need primary
attention. We provided input to the analysis including suggesting that in review of a partnership arrangement, the burden should be on the individual partnerships to justify their continuation and that such reviews occur with defined periodicity. Each review should identify the costs to WHO of hosting the partnership. We further **recommend** that there should be greater visibility to the partnership board of governors and to Member States (via the review process and resultant report) of any internal audit recommendations and the action taken thereon.

13. We reiterate our view, recorded in the note of our July 2012 meeting, that IEOAC **recommends** that the principles of, and arrangements for, partnerships be addressed as a major element of the WHO reform; and that exit criteria as well as an early warning system based on a risk matrix to evaluate the continued soundness of partnerships be developed.

14. When the review programme for this priority set of partnerships is well under way there is scope for such work to extend to other arrangements that fall within the wider partnership description.

**INTERNAL CONTROL FRAMEWORK**

15. The Committee was briefed on the Internal Control Framework and noted good progress. This is an important element of WHO’s accountability framework and will be a key piece of the reform efforts. We noted that Country Offices are the most vulnerable to control weaknesses and breakdowns and need to have sufficient capable resources. Consequently we were concerned to hear that cost-saving measures have led to the replacement of internationally recruited administration officers with locally engaged staff in some regions. The new control risks thus introduced need to be evaluated and carefully managed.

16. Because the topic of control and oversight, along with accountability for direct financial contributions has recurred in external and internal audit reports, the Committee sought a briefing on this topic. We noted the tightening of controls and the actions taken to consistently apply the existing control procedures. The problems experienced with this significant area of expenditure and key means of delivering WHO services at country level provides an example of the importance of maintaining consistent internal controls and understanding the risks to financial integrity if changes are made or standards are relaxed, such as the replacement of internationally recruited administration officers with locally engaged staff at Country Offices as noted above.

**OVERHEAD COST RECOVERY**

17. The IEOAC met with representatives of PricewaterhouseCoopers who are undertaking the review of cost recovery for WHO. We noted that while this study was still a work in progress at the time of our meeting, promising progress is being made. The Committee welcomes this work within the context of the reform process as an important contribution towards efficiency, improved accountability and the future financing of WHO.

**EXTERNAL AUDIT**

18. The IEOAC met with the external auditor in a private session as well as with management representatives. The private session discussions were wide-ranging and the Committee now awaits the outcomes of the annual audit.

19. The external auditor briefed the Committee on the workplan and audit framework, advised us of the audit visit in July 2012 and updated the Committee on the fact that because the financial statements for the African Programme for Onchocerciasis (APOC) were not prepared in a timely fashion, the audit was not undertaken by the outgoing auditor leaving that work for the incoming
auditor to complete. We were advised that this work was unforeseen and not included in their audit plan. The Committee is concerned, first, at the delay in preparing the APOC financial statements, noting the accountability consequences of such a delay, and second, at the impact on the rest of the audit process for the current year since resources have been diverted to this audit.

MEETING WITH MEMBER STATES REPRESENTATIVES

20. The Committee met with representatives from Member States over a working lunch during the November meeting and appreciated the interest shown in the work of the IEOAC, in, for instance, the areas of enterprise risk management, accountability improvement, internal control and partnerships. Concern was voiced about the lack of awareness of the reform effort among staff in WHO.

INTERNAL OVERSIGHT SERVICES

21. The Committee met with the Director and Deputy Director of the office of Internal Oversight Services both in private and with management representatives and received an update on the 2012 evaluation plan and the draft workplan for 2013, noting the steps being taken to translate the evaluation policy into practice.

22. The Committee discussed the subject of public disclosure of internal audit reports with the Director of Internal Oversight Service, noting, inter alia, the additional overhead costs associated with such disclosure including the costs of managing personal privacy and responding to questions regarding the reports disclosed as well as the possible perverse consequences of making public the reports of an internal assurance mechanism.

LONG-OUTSTANDING AUDIT RECOMMENDATIONS

23. The IEOAC received a briefing on actions taken to resolve long-outstanding audit items and was pleased to note the progress made in clearing many of these.

LEADERSHIP DEVELOPMENT

24. The Director of Human Resource Management briefed the Committee on a proposed leadership development programme. The Committee welcomed the general concept of improved leadership development, noting its importance to underpin the reform effort. Following discussion of the proposed content, Committee members were of the view that there should be a rethinking of the programme to ensure it meets the needs of the future organization and external professional guidance might be appropriate. In particular the Committee questions the appropriateness of the content of such an important programme requiring consensus from an internal committee and challenged the proposal that elements of core management responsibility (e.g. risk management, financial management and control) were listed as optional components of the programme.

Marion Cowden (Chair), John Fox, Mary N’cube, Veerathai Santiprabhob