

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-third 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 2016**

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, and through it the Executive Board, on matters within its mandate, which include:

- review of WHO 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:

Name	Date of appointment by the Executive Board¹	Decision reference
Mr Farid Lahoud	January 2013	EB132(2)
Mr Mukesh Arya	May 2013	EB133(8)
Ms Mary N'Cube	May 2012	EB131(4)
Mr Robert Samels (Chair)	May 2013	EB133(8)
Mr Steve Tinton	May 2013	EB133(8)

3. This report is an interim report of IEOAC following its meetings in July and October 2015. During 2015, IEOAC held its fifteenth, sixteenth and seventeenth sessions on 8–10 April 2015, 1–3 July 2015 and 20–22 October 2015.

4. All members attended the aforementioned meetings, except Ms Mary N'Cube, who could not attend the sixteenth session.

5. The seventeenth session was originally planned to be held at Brazzaville. However, due to the security assessment made by the United Nations heads of agency in Brazzaville on 16 October, it was concluded that non-critical missions could not take place there between 20 and 30 October, thus the meeting venue was switched to Geneva. In addition to the usual topics, the agenda contained a specific focus on the operations of the Regional Office for Africa, with extensive contributions from colleagues from the Regional Office, who joined via videoconference.

¹ Date of adoption of relevant decision by the Executive Board.

6. The Committee was informed about the selection process undertaken by the Secretariat to replace the two current members whose tenure would come to end in May 2016 and the decision of the Executive Board at its 137th session to approve the appointments of Ms Jeya Wilson (South Africa and New Zealand) and Mr Leonardo P. Gomes Pereira (Brazil) for four-year, non-renewable terms starting in May 2016.

7. As usual, the Committee received an excellent level of support from management and expressed gratitude to the Director-General and her team for their openness in sharing information with the Committee and for having allocated enough time to listen to the Committee's concerns and provide the necessary clarifications and answers.

8. Matters from the first meeting, held in April 2015, were reported in the annual report presented to the Committee at its twenty-second meeting, in May 2015.¹ The subsequent two meetings addressed all areas of the Committee's mandate, with a particular focus on those below.

INTERNAL OVERSIGHT SERVICES

9. 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.

10. The Committee reviewed the current state of outstanding audit recommendations and the work programme. It noted with satisfaction the progress made in the implementation of audit recommendations and the closure of several audits. It was further encouraged by the significant reduction (from 14.6% to 5.2%) in "open" recommendations from the previous year and noted the strong focus placed by auditees on reporting on actions taken in implementation of the recommendations of the Office of Internal Oversight Services. However, there were still a number of open audit recommendations from prior years that should be addressed. The Committee would monitor progress closely at its future meetings.

11. The Committee received an update on the Ebola performance audit in both its last two meetings. The findings revealed insufficient alignment among planning, budgeting and resource mobilization, and highlighted the inadequacy of existing emergency Standard Operating Procedures (SOPs) and the lack of strong organizational structure to deal with emergencies. The Office of Internal Oversight Services noted that short-term systems were being developed to deal with individual emergencies on an ad hoc basis rather than building on existing mechanisms. Most importantly, the absence of a clear chain of command and contingency funding made it difficult for WHO to respond rapidly and efficiently to such public health emergencies, thus creating a substantial reputational risk to the Organization.

12. With regard to country audits in the African Region over recent years, the Committee noted that key recommendations regarding the Region were broadly the same as those found in the global analysis. The main areas of concern were direct financial cooperation agreements (DFCs), inventory and fixed asset management, and procurement. It noted the good progress made in improving DFC reporting. The Committee observed the trend of improvement in addressing weaknesses observed in reports of the Office of Internal Oversight Services on country offices in the African Region but

¹ Document EBPBAC22/3.

advised that the trend needed to be accelerated to reflect a satisfactory rating in the outcomes of such reports in future.

13. With regard to fixed assets and inventory management, the Committee considered that the Organization must ensure that adequate resources are allocated to ensure full compliance with International Public Sector Accounting Standards (IPSAS) for fixed assets and inventory management. It also encouraged the Secretariat to manage the materiality issues related to fixed assets with external auditors.

EXTERNAL AUDIT

14. At its sixteenth session, the Committee met, both in private and in the presence of representatives of management, with the External Auditor and heard an update regarding 2014 management letters and operational reviews. The Committee also reviewed the audit plan for 2015.

COMPLIANCE AND INTERNAL CONTROL FRAMEWORK

15. The IEOAC had previously recommended that the compliance function be harmonized under a central framework established by the Office of Compliance, Risk Management and Ethics (CRE) consistently across all offices. In this respect, the Committee noted that CRE had begun reviewing existing practices, scope of function, reporting lines and associated risks in all major offices. The Committee was pleased to note that, upon CRE's recommendation, the Regional Office for Africa had agreed to move the compliance unit under the area of responsibility of the Director of Administration and Finance to ensure that compliance units act as a "second line of defence". The Committee encouraged the CRE to undertake such reviews for other regional offices in a time-bound programme.

16. The Director of Administration and Finance updated the Committee about measures taken under the African Region Accountability and Internal Control Strengthening Project (AICS). The Project linked directly to one of the outcomes of WHO reform – "Managerial accountability, transparency and risk management". The AICS Project aims to strengthen control, streamline processes and measure progress while improving accountability, transparency and compliance. The Regional Office for Africa had embarked on a major transformation project so as to bring all the pieces of reform together in a cohesive manner and "make them real" for all staff. An important part of the Project is that a number of key performance indicators are measured over time, and performance targets linked to staff performance. The Committee was very supportive of this initiative and the other measures taken in the Region to improve efficiency and looked forward to seeing its endorsement translated into tangible results in the upcoming audit reviews of country offices in the African Region. The Committee further recommended that other regional offices explore the possibility of adapting this model to their own specific regional requirements.

17. The Committee was apprised of certain other measures taken by the Director of Administration and Finance at the Regional Office for Africa in order to improve compliance and controls in the Region, such as translating critical guidelines, SOPs, policy notes and manual provisions into French. The Regional Office for Africa had also taken steps to upgrade its information technology (IT) architecture for easy accessibility, creating an interactive "collaborative space" for country staff to access documents, share best practices and use as a forum to discuss common issues.

18. The IEOAC was very encouraged to see the strong determination and commitment of the Regional Director for Africa and her team to provide the necessary tools and training to country managers to improve compliance with internal controls.

RISK MANAGEMENT

19. The Committee continued to follow the progress in the development of the risk register with keen interest. It received an update on corporate risk policy, the status of the risk register, analysis of top risks, the hotline for whistleblowers and work in progress on ethics.

20. The Committee acknowledged with appreciation the significant progress made in the development of the risk register through a comprehensive, bottom-up approach, with a 100% response rate in the risk-identification and -validation process. Three out of the five leading corporate risks before validation by the budget centre heads related directly or indirectly to the financing of WHO operations, especially in regions where polio funding would cease in a few years. The Committee was concerned about the risks associated with the financing of the Organization in the medium and long term.

21. The IEOAC re-emphasized its suggestion for the reconciliation of risks identified through bottom-up and top-down approaches. The top-down approach would provide a holistic view of corporate risks, identify gaps in the bottom-up approach and ensure consistent risk names and definitions throughout the Organization. The Committee looked forward to receiving senior management views on and analysis of the most critical corporate risks.

22. The Committee further recommended that the excellent data which had been gathered during the bottom-up risk-identification approach be used to develop mitigation measures and mapped to internal controls.

23. The Committee remained concerned at the number of significant initiatives running in parallel in the CRE area. At its next meeting, the IEOAC would like to see a clear implementation plan with dedicated resources, timelines and concrete deliverables for all initiatives under CRE.

FINANCIAL DIALOGUE AND OVERALL FINANCIAL UPDATE

24. The Committee was briefed on the progress towards and preparation for the Financing Dialogue, to be held in the first week of November (2015). It was noted that there had been steady progress on the predictability of funding over the past three bienniums. However, the areas of alignment and flexibility, despite significant progress, continued to pose critical challenges.

25. The Committee expressed concern about the issues related to funding patterns, the duration of funding commitments, dependence on polio financing to carry out tasks related to non-polio functions and the need to align priorities with the Sustainable Development Goals (SDGs). The projected elimination of polio funding and the adoption of the SDGs could make WHO more vulnerable to the risk of raising adequate funding resources in a sustainable manner.

26. The Committee would like to be briefed at its April 2016 meeting on the impact on and implications for WHO operations, in terms of funding and human resources issues, of the projected conclusion of the polio programme.

EBOLA CRISIS ASSESSMENT

27. At its sixteenth meeting, the Committee heard a briefing on the Interim Assessment of the WHO response to Ebola crisis, undertaken by a panel of external independent experts at the request of the Executive Board and chaired by Dame Barbara Stocking, former Chief Executive of Oxfam UK, on all

aspects of WHO's response in the Ebola outbreak. At IEOAC's seventeenth meeting, the Chair of the Ebola Interim Assessment Panel briefed the Committee via videoconference from Cambridge, United Kingdom, on a number of the Panel's key findings and recommendations. The Regional Director for Africa and senior staff from the Region also participated in the session via videoconference. The Committee received an update on the Secretariat response to the report along with a presentation on "reform of WHO work in outbreaks and emergencies with health and humanitarian consequences".

28. As numerous review panels were evaluating the Ebola response and making recommendations for future outbreaks and emergencies, the Committee was impressed with the detailed diagnosis undertaken by the Organization in an open and transparent manner. However, it was imperative for the Organization to move quickly from "diagnosis phase" to an "implementation phase" including reforms of the structures and management systems that would enable WHO most effectively to fulfil its mandate in this critically important aspect of the work.

29. The Committee recognized the significant work already undertaken by the Secretariat but noted that consideration should be given to quickly putting in place a preliminary cost-effective structure for emergencies with functions, roles and responsibilities defined across the spectrum of preparedness. SOPs and policies could evolve and become more precise over time. The IEOAC also recognized the importance of long-term sustainable funding for emergencies and the significance of expanding the ongoing partnerships with other organizations in a formal manner.

30. The Committee reiterated its earlier observation that WHO needed to have an effective management structure with clearly defined roles, responsibilities and authority among senior management at the three levels of the Organization. The following critical success factors were required to create an efficient and responsive emergency structure: strong leadership to drive the change; a clear definition of the scope of the project, preliminary budget envelope and annual operating cost implications; and a clearly defined timeline with concrete deliverables. It suggested that the Organization take into account the Office of Internal Oversight Services findings and the observations and recommendations made by external review panels, and prepare an integrated plan with clearly defined deliverables and indicators to be implemented for all future outbreaks and emergencies.

INFORMATION TECHNOLOGY

31. As indicated previously, IEOAC views the GSM transformation project as a significant enabler of the internal control framework and an important tool for reducing financial, operational and compliance risks. At its sixteenth meeting, the Committee received an update from the Director of the Department of Information Technology and Telecommunications, who shared his vision of WHO's IT operations globally and informed the Committee about some of the major initiatives under way and key challenges and issues faced by the Department.

32. The IEOAC noted the progress made in a broad range of areas, such as shared services, the GSM transformation project and the Emergency and Disaster Management System. The Committee expressed no reservations and made no comments but did reiterate its concern about the lack of an appropriate IT governance structure, which may impact the efficiency of IT service delivery in the long term.

EVALUATION AND ORGANIZATIONAL LEARNING

33. The Committee reviewed the evaluation workplan for the biennium 2016–2017. It noted that the workplan, including both corporate/centralized and decentralized evaluations, had been developed in consultation with senior management, and looked forward to reviewing the results of the upcoming evaluations.

OTHER MATTERS

34. At its sixteenth meeting, the Committee heard a brief presentation from the Ombudsman on his role in facilitating informal conflict resolution within WHO. The Committee appreciated the briefing and the exchange of views with the Ombudsman on this topic.

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

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