Annual 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-fourth 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, MAY 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 (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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<th>Name</th>
<th>Date of appointment by the Executive Board</th>
<th>Decision reference</th>
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<tr>
<td>Mr Robert Samels (Chair)</td>
<td>May 2013</td>
<td>EB133(8)</td>
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<tr>
<td>Ms Mary N’Cube</td>
<td>May 2012</td>
<td>EB131(4)</td>
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<td>Mr Farid Lahoud</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>Mr Steve Tinton</td>
<td>May 2013</td>
<td>EB133(8)</td>
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3. This report is the sixth annual report of IEOAC to PBAC and summarizes progress achieved in its work throughout the 12 months ending April 2016.

4. IEOAC held its sixteenth, seventeenth and eighteenth sessions on 1 to 3 July 2015; 20 to 22 October 2015; and 4 to 6 April 2016, respectively. The seventeenth session was originally planned to be held at Brazzaville, however, due to the security assessment made by the senior officers responsible for the security of United Nations agencies in Brazzaville, it was decided to shift the meeting venue to Geneva. The meeting agenda had been agreed and was followed as closely as possible. Colleagues from the Regional Office for Africa joined the meeting via videoconference.

5. Ms Mary N’Cube could not attend the sixteenth session and Mr Steve Tinton was unable to attend the eighteenth session.

1 The “date of appointment” refers to the date of adoption of the relevant decision by the Executive Board.
6. The terms of two members of the current committee, Mr Farid Lahoud and Ms Mary N’Cube, are due to expire in May 2016. The two new members to replace them are Ms Jeya Wilson and Mr Leonardo Gomes Pereira, who were appointed in May 2015 under decision EB137(4). The two new members attended the eighteenth session as observers.

7. Throughout its meetings, the Committee received a commendable level of support from management and was 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.

FINANCIAL STATEMENTS

8. The Committee reviewed and discussed with management the 2015 financial statements. It addressed the key underlying accounting policies, the reasonableness of significant judgements and the clarity of disclosures. It noted that the Organization is for the first time presenting a combined report, which included financial statements for 2015 and the financial and performance assessment report for 2014–2015, compared to the Programme budget 2014–2015.

9. It observed that the growth in expenditure was mainly due to the Organization’s polio and Ebola activities in 2015. The Committee also discussed briefly the hedging policies and the investment policies followed by WHO.

10. The Committee further noted that the accounts were 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 1 January 2017). The Committee was informed that though WHO had not yet fully capitalized its equipment costs, the project for the same was on track to ensure full compliance by the end of the year.

11. The Committee was pleased to note that an unqualified opinion would be issued by the External Auditor on the financial statements. The Committee had no reservations with regard to the submission of the financial statements to PBAC and the World Health Assembly.

12. IEOAC had taken note of the financial statements of the Staff Health Insurance fund for the year 2015. The Committee observed that the health costs for retired employees continue to rise, especially in “high cost” regions. That trend would continue due to demographics, which would put pressure on the unfunded liability of the plan. The Committee urged management to complete a detailed review of the coverage and financing being provided to both active and retired employees, in order to mitigate future costs.

EXTERNAL AUDIT

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

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1 Document A69/45.
14. The External Auditor provided the Committee with a comprehensive briefing on the audit results of 2015 financial statements, review of control activities and implementation of audit recommendations. The Committee also took note of the status of implementation of previous external audit recommendations. The Committee was satisfied to note that management had implemented a large majority of the recommendations and that the External Auditor was satisfied with the progress made.

15. The draft external audit recommendations for the current year were under review with management and were therefore not available. The Committee was reassured to learn from the External Auditor, however, that there were no significant draft audit recommendations that would impact the financial statements. It was agreed that at the next IEOAC meeting, the external audit recommendations and management’s responses would be reviewed in greater detail.

INTERNAL OVERSIGHT SERVICES

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

17. The Committee reviewed the current state of outstanding audit recommendations and the work programme and was pleased to note that the number of old outstanding open recommendations had significantly reduced; it stood at 3.6% compared to 8% in March 2015. It was encouraged to note that awareness about “open audit issues” has clearly improved across the Organization; and urged management to continue with that trend and address all open issues in a timely manner.

18. In terms of fixing accountability, however, the Committee observed that there still appeared to be no consequences for non-compliance, as was evidenced from the fact that several audit recommendations over two years old remained open. The Organization needed to consider adopting a standardized “process of escalation” linked to the length of outstanding age of an open recommendation in place, in order to ensure better visibility and the attention of senior management.

19. With regard to country audits in the African Region over recent years, the Committee noted that key recommendations for 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 IOS on country offices in the African Region but advised that the trend needed to be accelerated to earn a satisfactory rating in the outcomes of such reports in future. The Committee took note of the measures that were being undertaken by the Regional Office for Africa to strengthen the Internal Control Framework for improving compliance results, and was looking forward to seeing the effect of the Transformation Agenda becoming evident in audit results during 2017. It was satisfied to note that one of the performance indicators used by the Organization was the full implementation of audit recommendations.

20. The Committee found it encouraging that several initiatives were being undertaken by management to strengthen controls across the three levels of the Organization, such as the Internal Control Framework, establishing a Risk Register, self-assessment checklists and the Accountability Compact to deal with partially satisfactory or unsatisfactory rating by IOS in respect of the operational effectiveness of budget centres. There appeared to be a positive trend with many process areas showing improvements, however the full impact of all such initiatives had yet to show that all systemic control weaknesses were resolved.
21. The Committee reiterated its earlier observation that there needed to be a better process for sharing the learning from IOS findings. It pointed out the importance of the need for communicating the lessons drawn from IOS reports, and sharing positive findings and good practices across the Organization.

**COMPLIANCE AND INTERNAL CONTROL FRAMEWORK**

22. The Committee noted the focus on compliance with rules and policies and several new initiatives being undertaken by regional directors to bring improvements in that area.

23. The focus of the seventeenth meeting was on the Regional Office for Africa. The Regional Director spoke to the Committee of her strong commitment, and that of her senior management team, to take forward the Regional Transformation Agenda. The Committee was very pleased to note such commitment and was very supportive both of the development of a dashboard with key performance indicators for the Regional Office for Africa, and the measures taken in the Regional Office to improve internal controls. It considered that the results of all such improvements would take time to translate into more satisfactory reports from IOS, however, it was encouraged to see the Regional Office for Africa taking positive action.

24. IEOAC observed that the ICF checklist had been rolled out successfully in all regions and noted that the Office of Compliance, Risk Management and Ethics (CRE) was taking steps to roll it out in HQ clusters, and that a high level of attention continued to be given also by senior management in HQ to the new checklist. However, the Committee was concerned that since the checklists were based on self-assessments, there was an inherent risk of over scoring by the budget centres. The results of such checklists needed to be read in conjunction with the Risk Register and the findings of audit reports.

25. Overall, the Committee was encouraged to note the significant amount of work done by the Organization in putting in place appropriate policies and tools to enhance the overall effectiveness of the Internal Control Framework at all levels. It encouraged management to strengthen proactive buy-in at all levels so that the impacts of all such tools were visible in audit findings. The Committee looked forward to the outcome of the change in the form of measurable evidence in future.

**ACCOUNTABILITY COMPACT, RISK MANAGEMENT AND ETHICS**

26. Monitoring the progress of matters relating to compliance, risk management and ethics continued to be a key recurring item on the IEOAC agenda. The Committee acknowledged and was appreciative of the substantial amount of work done by CRE in a short period of time on some of the most strategic initiatives. The Committee was reassured that management recognized the need for CRE to be adequately resourced in order for it to deliver on its significant objectives and that it received the right attention and support from senior management.

27. In the area of risk management, IEOAC noted the progress made in the last two years starting from the bottom-up process of risk identification at budget-centre level, followed by validation and verification at regional and HQ level. The emphasis was on the reconciliation between risks identified through the bottom-up process with strategic risks. In the meantime, it was important to ensure that appropriate mitigation measures were in place, including adequate escalation procedures.

28. In its eighteenth session, IEOAC received an overview of the strategic risks considered by executive management, such as (i) reputation risks in the process of electing a new DG; (ii) carrying
forward the initiatives under Emergency Reform in response to the lessons learned from the Ebola crisis; (iii) the pace of Governance Reform; and (iv) risks associated with the financing of the Organization.

29. The Committee was informed that going forward, strategic risks as determined by executive management, would be included with the critical risks identified through the bottom-up approach, and together with mitigation measures, would be presented to the GPG for review before the WHA. The Committee urged the Secretariat to expedite the process of reconciliation of risks identified through the bottom-up and top-down process. Further, it suggested that high-level analysis and the mitigation measure plans of significant risks be shared with Member States and Governing Bodies, as appropriate, so that the latter can take some ownership and to provide a shared understanding of mitigation measures.

30. The Committee encouraged CRE to continue with its work and complete the current phase quickly. It reiterated its earlier suggestion to operationalize the Risk Register quickly so as to use it 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.

31. The Committee once again stressed the importance of the operationalization of the Risk Register, or embedding it in the management functions as of priority. The Committee recommended that Risk Register 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.

32. IEOAC also took note of the development of the Accountability Compact between DG and ADsG. The Committee reviewed the critical elements and performance indicators of the Accountability Compact between DG with ADsG, and considered the Compact to be an impressive tool of governance and commended the Secretariat for making them public. To preserve the overall integrity of the Compact, while maintaining the intricacies of federal structure, the Committee encouraged management to continue the development of these compacts throughout the three levels of the Organization, suggesting that these could also be endorsed through the regional committees, to strengthen the accountability framework.

EVALUATION AND ORGANIZATIONAL LEARNING

33. The Committee reviewed the evaluation workplan for the biennium 2016–2017 and also received a briefing on the annual report to be presented to governing bodies in May 2016. The Committee considered the evaluation and organizational learning to be an important area of management and was supportive of the work being done under that function. It urged management to set up systems to institutionalize shared learnings resulting from evaluations across three levels of the Organization. The Committee further encouraged the Evaluation office to develop a tool to monitor and track the implementation of recommendations based on specific evaluations. IEOAC looked forward to being briefed regularly on progress.

WHO EMERGENCY REFORM: GENERAL UPDATE

34. At its sixteenth meeting, the Committee was provided with a briefing on the Interim Assessment of the WHO response to the Ebola crisis, undertaken by a panel of external independent experts. At its seventeenth meeting, the chairperson of the Ebola Interim Assessment Panel briefed the Committee 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 the “reform of WHO work in outbreaks and emergencies with health and humanitarian consequences”.

35. 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 across the three levels of the Organization. It identified the following success factors critical to creating 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.

36. At its eighteenth meeting, the Committee noted that senior management considered itself sufficiently aware of the complexity of the project, extent and depth of the critical issues involved, and the challenges of working with several stakeholders both internally and externally in order to make the new emergency programme a success. It received an update from Outbreaks and Health Emergencies (OHE) senior management in respect of the WHO Health Emergencies Programme, covering the main lessons learned from the Ebola crisis, the expectation of the world from WHO in emergencies, the progress made by WHO in putting in place one WHO Health Emergency Programme and the financial requirements in the next few years to maintain the programme.

37. It is critical to note that the WHO Health Emergency Programme is to have a common set of emergency management processes, emergency business rules and emergency operating systems across the Organization to enable WHO to deploy staff and transfer funds at the time of emergency, within the established time-sensitive standards. The Organization has agreed to have a standard emergency structure, reporting lines and accountabilities across all major offices, however, the Committee wishes to emphasize that the success of the programme depends upon the development of an aligned structure and common processes.

38. One significant challenge is the Organization’s ability to switch from a normative to an operational role, in case of emergency, in its decision-making process. As a normative agency, it usually has consensus-based decision-making, whereas as an operational agency, it will need to take executive decisions that may or may not be consensual at a specific point in time.

39. The Committee also took note of the additional funding requirement over the next few years to create and maintain the emergency structure, however it reiterated a concern about WHO’s ability to attract the necessary resources, given its dependence on voluntary funding from a relatively small number of donors.

40. The Committee welcomed the progress already made in establishing a consolidated emergency cluster, the definitive implementation plans for a dedicated emergency structure with a clear timeline and a strong buy-in from GPG. However, it pointed out the importance of the endorsement of those plans and the financing needs from Governing Bodies, for the Organization to be able to take it forward. The Committee looked forward to receiving updates on the progress of the roll-out of the implementation plan.
OTHER MATTERS

41. The Committee was briefed on the operationalization of the Proposed programme budget 2016–2017\(^1\) and the implementation and performance assessment of the Programme budget 2014–2015 at its sixteenth meeting. The Committee recognized the excellent level of detail and financial information provided in the Mid-term Review.\(^2\) It encouraged the Secretariat to strengthen the self-evaluation process in terms of matching the outcomes and outputs with financial resources. It considers the reconciliation of programmatic assessment with financial numbers a critical element in the in-depth assessment of the Organization’s performance.

42. The Committee was pleased to take note of the combined report improving timeliness and quality while enhancing transparency and accountability through the presentation of information over the WHO PB web portal. The Committee was quite appreciative of the excellent information available on the web portal, which provided detailed analysis by major office, by country, by programme area, etc.

43. At the seventeenth session, the Committee was briefed on the progress and preparation in respect of the Financing Dialogue in the first week of November 2015. It noted that there had been steady progress in the predictability of funding in the last three biennia, however, the areas of alignment and flexibility, despite making significant progress, still posed some critical challenges.

44. The Committee considered that, in respect of financing, WHO’s operation in the medium and long term, there were risks related to: (a) dependence on voluntary contribution; (b) small donor base; (c) meeting the long-term SHI liability; (d) the building renovation project; (e) polio funding supporting some cross-cutting and non-polio functions; and (f) sustainable funding for emergency operations. IEOAC recommended that WHO raise those risks related to medium- and long-term sustainable financing with its Governing Bodies.

45. The presentation on post-polio eradication transition planning was well received by IEOAC. It was reassured to see the alignment of views between HQ and regional offices on the objectives for legacy planning. The Committee considered the management of the following five aspects to be critical in legacy planning: (i) financial, whereby some other health programmes were being partially funded through the polio programme; (ii) human resources – if not managed well may result in reputation risks for the Organization; (iii) reallocation of resources, which needed careful planning to ensure that the health activities currently supported by polio-funded staff did not get negatively affected in the transition; (iv) retaining knowledge, which is embedded in people and process; and (v) impact of the end of the polio programme on the health systems of vulnerable countries.

46. IEOAC is aware that a global transition plan is being developed that includes knowledge transfer, staffing impacts and financial estimates. It also noted that the polio workforce is a valuable but temporary resource and that a comprehensive human resource plan should be developed, which identifies high performers in order to redeploy them throughout the Organization.

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

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\(^1\) Document A68/7.
\(^2\) Document A68/6.