



**World Health  
Organization**

**PROGRAMME, BUDGET AND ADMINISTRATION  
COMMITTEE OF THE EXECUTIVE BOARD  
Thirty-second meeting  
Provisional agenda item 2.1**

**EBPBAC32/2  
28 September 2020**

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## **Independent Expert Oversight Advisory Committee: annual report**

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 thirty-second meeting, the report submitted by 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 2020****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 primarily include:

- reviewing the **financial statements** of WHO and significant financial reporting issues;
- advising on the **adequacy of the Organization’s internal controls and risk management systems**;
- reviewing **management’s risk assessment** and the comprehensiveness of the ongoing **risk management processes**;
- reviewing the effectiveness of the Organization’s **internal and external audit functions, investigation function and the evaluation function**;
- monitoring the timely, effective and appropriate **implementation of all audit findings and recommendations**.

2. The current members of IEOAC are:

<b>Name</b>	<b>Date of appointment by the Executive Board</b>	<b>Decision reference</b>
Dr Jeya Wilson	May 2016	EB137(4) (2015)
Mr Leonardo P. Gomes Pereira	May 2016	EB137(4) (2015)
Mr Christof Gabriel Maetze	January 2018	EB141(2) (2017)
Mr Jayantilal Karia	January 2018	EB141(2) (2017)
Mr Christopher Mihm	January 2019	EB141(2) (2017)

3. This report is the tenth annual report of the IEOAC to the PBAC and summarizes progress made in its work from May 2019 to April 2020. It covers the twenty-eighth, twenty-ninth and thirtieth meetings of the IEOAC held on 8–10 July 2019 (physical presence), 7–11 October 2019 (physical presence) and on 7 April 2020 (virtual meeting) respectively. Further information on the July 2019 and October 2019 meetings of the IEOAC can be found in the Committee’s interim report, contained in document EBPBAC31/2.

4. The Committee received the required support from management.

## CORONAVIRUS DISEASE (COVID-19) RESPONSE

5. Because of the COVID-19 situation the originally scheduled presence meeting in April had to be postponed, shifted to a virtual meeting, and the agenda substantially curtailed accordingly. **Time constraints did not permit the Committee to address and review all of the issues raised by the PBAC to the IEOAC in its meeting of 29–31 January 2020.** This will be considered in the next meetings of the IEOAC.

6. The Committee reviewed and discussed with management **the impact of COVID-19 on the continuity of WHO core activities and the delivery of the Thirteenth General Programme of Work, 2019–2023 (GPW 13), the Business Continuity Plan (BCP) and staff protection measures.** The Committee noted that teleworking practices for non-critical WHO staff, currently in place as part of the BCP, were running smoothly with approximately 4000 staff logging in daily, that the necessary capacity enhancements were implemented and that there had been no major cybersecurity-related issues. The Committee reminded management of the enhanced data leakage and cybersecurity risks associated with remote working at scale.

7. With regard to the GPW 13, the Deputy Director-General informed the Committee that in spite of all ongoing work for COVID-19, approximately 60–80% of the original workplans are being implemented as planned: WHO leadership/advocacy; global goods and normative work are going ahead as planned and work on technical cooperation with countries is adapted to the current situation with virtual and online arrangements. The IEOAC **recommended the use of the WHO results framework as a reference to managing required trade-offs** and that the prioritization of work should above all **take into account the needs of developing countries** in light of COVID-19.

8. In view of the COVID-19 situation and its impact on the operating environment for WHO, **the Committee is enhancing its oversight** and subsequent to the IEOAC meeting of April 2020 requested management to provide monthly updates on major developments including changes to resource mobilization, reprioritization of core activities and enterprise risk management specifically including reputational risks.

## INTEGRITY OF FINANCIAL STATEMENTS INCLUDING STAFF HEALTH INSURANCE (SHI)

9. The Committee reviewed and discussed with management the 2019 financial statements. It assessed the key underlying accounting policies, the reasonableness of significant judgements and the clarity of disclosures. The Committee noted that the **financial statements had been prepared and submitted in a timely manner with minimal audit recommendations.** The External 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).

10. **In 2019, WHO reported the highest level of both total revenue (all sources) (US\$ 3116 million) and expenditure (US\$ 3088 million) in the history of the Organization.** Much of the growth was due to WHO's greater role in emergencies. Total expenditure to support emergency response grew by 76%, from US\$ 419 million in 2018 to US\$ 739 million in 2019. The resulting surplus

(after finance revenue) of US\$ 89 million, compared with US\$ 442 million in 2018,<sup>1</sup> provides proof of the enhanced implementation abilities of the overall Organization.

11. During 2019 **total staff and other personnel costs increased by US\$ 60 million**; however, staff cost as a proportion of total expenses decreased, representing 32% of total expenses in 2019 compared with 37% in 2018. Staff and other personnel costs increased by 10% for headquarters and by 4% for the regions. The increase in staff cost is mainly due to the increased number of staff at both headquarters and regional/country offices for strengthening of the Organization's capacity under the WHO Health Emergencies Programme and scaling up sustainable universal health coverage efforts. The increase in the Post Adjustment Multiplier for Geneva staff retrospectively in accordance with the ILO Administrative Tribunal judgement further contributed to the staff cost increase for headquarters during 2019.

12. Total **contractual services increased from US\$ 721 million in 2018 to US\$ 988 million in 2019** mainly due to the increase in activities to support emergency responses in the African Region and Eastern Mediterranean Region as well as for polio eradication activities.

13. **Transfers and grants increased from US\$ 272 million in 2018 to US\$ 381 million in 2019** and were highest in the African and the Eastern Mediterranean Regions. Most of the expenses recorded for transfers and grants to counterparts related to Direct Financial Cooperation (DFC) arrangements. In addition, WHO provides grants to implementing partners such as nongovernmental organizations (NGOs). Many of these grants pertain to collaborative arrangements with NGOs in countries under emergencies where country-level implementation is carried out by partners due to difficulties WHO has in obtaining access to security-compromised areas. The third important segment of this expenditure category is equipment purchased for third parties where WHO procures equipment directly for Ministries of Health of Member States for health facilities in countries.

14. Given the increased activity level **the Committee urged management to continue focusing on properly functioning internal control systems to mitigate risks associated with contractual services as well as transfers and grants.**

15. The IEOAC strongly recommended to management that it address events after the reporting date in the Notes to the Financial Statements. The Committee noted that the COVID-19 pandemic occurred after the 2019 accounts were closed and is a non-adjusting event for the purposes of the audited financial statements for the year ended 31 December 2019. However, the Committee urged management to acknowledge that the current crisis will most likely have **an impact on WHO expenses, implementation of existing programmes, collection of contributions and investment portfolios.** The Committee is pleased to note that an appropriate disclosure has been made in the Notes to the audited financial statements for the year ended 31 December 2019.

16. Given also that the accounts were compliant with IPSAS and that the Auditors would be issuing an **unmodified opinion** on the audited financial statements for the year ended 31 December 2019 of WHO, **the Committee recommends the submission of the audited financial statements for the year ended 31 December 2019 to the Health Assembly.**

17. The Committee reviewed and discussed the financial statements of the SHI Fund for 2019 and was briefed on the SHI Fund, in particular with respect to current funding and future projections, which is now estimated to be fully funded by 2036. The Committee was informed that the change in date for

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<sup>1</sup> See document WHA73/25, Audited financial statements for the year ended 31 December 2019.

funding, from 2043 as at end 2018 to 2036 as at end 2019, was mainly due to savings in medical costs based on efforts of management as well as a full actuarial study done as at 31 December 2019, which has lower discount and medical inflation rates compared with the previous period.

18. The Committee noted again that while the COVID-19 pandemic occurred after the 2019 accounts were closed and is thus considered a non-adjusting event for the audited financial statements for the year ended 31 December 2019 given the global effects of this pandemic, there will be significant impacts on SHI's operations in 2020, the extent of which cannot be reliably estimated at this time. Therefore, while the Committee appreciates the SHI cost containment methods, **it recommends that it would be necessary to review SHI funding projections as these may need to be adjusted in light of the impact of COVID-19.** The Committee is pleased to note that an appropriate disclosure has been made in the Notes to the audited financial statements for the year ended 31 December 2019.

## EXTERNAL AUDIT

19. The Committee met with the External Auditor both privately and with members of management present, at its thirtieth session.

20. The External 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 IPSAS.

21. The External Auditor confirmed on request that **internal controls over financial reporting have been improved** during the past years and that they will **issue an unmodified opinion** on the audited financial statements for the year ended 31 December 2019.

22. The Committee thanked the External Auditor for its work.

## INTERNAL OVERSIGHT SERVICES

23. 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.

24. As reported to PBAC at its thirty-first meeting,<sup>1</sup> the IEOAC was briefed during its July 2019 meeting on the operational audit of the WHO Country Office in the Democratic Republic of the Congo – on the Ebola response and the inadequacies observed in the operations with high levels of residual risk identified. The greatest concern was that of large numbers of cash transactions in the field and the use of direct implementation (DI) to disburse cash for activities. Remediation activity remains largely still outstanding.

25. As also reported previously,<sup>1</sup> during the October 2019 meeting of the IEOAC, particular emphasis was placed on internal control and overall control effectiveness in the African Region. IOS has conducted an audit of the General Management cluster of the WHO Regional Office for Africa (AFRO DAF GMC). While some improvements have been noted by the Committee, management needs to remain vigilant to ensure its focus on internal control continues.

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<sup>1</sup> See document EBPBAC31/2.

26. At its April 2020 meeting, the IEOAC received an update on the status of the 2019 internal audits. The **Audit workplan for 2019 has been finalized** and the respective reports have been issued except one (WHO Country Office in the Syrian Arab Republic). The status of 2019 internal audits can be found in Table 1.

**Table 1. Status of 2019 Internal Audit Opinions**

Audit opinion	Number of audits 2019	% of total 2019	% of total 2018
Satisfactory	4	21%	19%
Partially satisfactory with <b>some</b> improvement needed	8	42%	62%
Partially satisfactory with <b>major</b> improvement needed	6	32%	14%
Unsatisfactory	1	5%	5%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>100%</b>

27. IOS reported that overall ratings on the operating effectiveness of internal controls from the audits conducted in 2019 and rated either “satisfactory” or “partially satisfactory” were **down to 63% compared with 81% in 2018**. The Committee remains concerned about the fluctuating results of effectiveness of internal controls across WHO and the trends apparent and urges Management to continue its focus on appropriate application of internal controls even in challenging environments (graded emergencies).

28. The Committee took note of the areas with the lowest control effectiveness reported in 2019 and noted the need to:

- further strengthen **assurance activities over Direct Financial Cooperation (DFC)**. 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, including timely follow-up;
- strengthen systems support and monitoring controls over **Direct Implementation (DI) activities**;
- improve **vendor management** (pre-selection and evaluation of vendors), which has a potential negative impact on fraud risk and
- improve **resource mobilization** for some key programmes that remain underfunded (such as those addressing noncommunicable diseases (NCDs), neglected tropical diseases, social determinants of health and the effects of climate change on health), given their high dependence on specified voluntary contributions.

29. **Unfortunately, these areas were also reported in 2018 and the Committee is concerned by the low level of improvement of control effectiveness at WHO over time.**

30. 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. Furthermore, the Committee observes that some high-risk recommendations from 2016–2018 audit workplans remain open and overdue even in 2020. Repeated Committee requests for management action did not lead to an improvement of the overall situation.

## INVESTIGATIONS

31. The investigation function of WHO provides investigation services to WHO as well as to UNAIDS, Unitaid and IARC.

32. Table 2 provides an overview of investigation cases by allegation type, 2017–2019, with the three top types of allegation each year highlighted in red.

**Table 2. Investigation cases by allegation type, 2017–2019**

Allegation type	2017	2018	2019	Total
Corruption	14	5	9	28
Failure to comply with professional standards	4	11	11	26
Fraud	30	55	61	146
Recruitment irregularity	10	8	14	32
Other	6	27	26	59
<b>Total (cases against assets/property)</b>	<b>64</b>	<b>106</b>	<b>121</b>	<b>291</b>
As a percentage of total	78%	72%	75%	74%
Harassment	13	25	28	66
Sexual harassment	3	10	6	19
Retaliation	1	4	2	7
Sexual exploitation and abuse	1	3	5	9
<b>Total (cases against people)</b>	<b>18</b>	<b>42</b>	<b>41</b>	<b>101</b>
As a percentage of total	22%	28%	25%	26%
<b>Total</b>	<b>82</b>	<b>148</b>	<b>162</b>	<b>392</b>
Change, year on year		+80%	+9%	

33. The Committee received a further update on the finalization of the project with EY (Ernst & Young) Switzerland to benchmark the WHO investigation function and provide input into **the development of a best-in-class investigation function**. A report has been issued and recommendations have been made. At the same time the United Nations (UN) Joint Inspection Unit (JIU) is in the process of finalizing its report entitled **“Review of the state of the investigation function: Progress made in the United Nations system organizations in strengthening the investigation function”**. This review revisits the investigation function in organizations of the UN system overall. It found that **the situation has considerably improved over the past two decades** in the establishment and professionalization of the investigation function. Notwithstanding the progress made, **the review identified a number of shortcomings and weaknesses**, in particular with regard to the persisting fragmentation of the responsibility for investigations and related activities, the level of independence of the investigation

function, its organizational set up and the degree of professionalization. Furthermore, the review had a look at the landscape in which the investigation function has currently to operate, to examine if and which new challenges and demands have emerged and how these are addressed.

34. The Committee concluded that an **integration of the results of the JIU review and the EY findings would greatly enhance the overall quality of results**. Therefore, the Committee has added the topic to the workplan for the remainder of 2020 and will report comprehensive results afterwards. In view of the forthcoming JIU report the Committee urged Management to plan for a comprehensive review taking into account both inputs. **Measures identified should focus on the appropriate balance between effectiveness and efficiency**.

35. The Committee took note that the investigation function of WHO **continues to identify and implement operational improvements**. The level of **staffing of the investigation function remains an area of concern** for the Committee.

36. The Committee noted that **the root-cause analysis of the challenges posed by the current financing mechanisms DFC and DI** recommended by the IEOAC at its twenty-ninth session and the recommendation to identify alternative implementation mechanisms remains outstanding.

## EVALUATION AND ORGANIZATIONAL LEARNING

37. The Evaluation update and proposed workplan for 2020–2021 was presented to and discussed with the Committee; the Committee was briefed on the progress on the evaluation of the Framework of Engagement with Non-State Actors (FENSA) during its three meetings.

38. With regard to work initiated by the Secretariat on consolidation of various audit and evaluation findings and their eventual follow-up, the Committee requested further clarification. This is because although the Committee appreciates the work done in this area, it recommends that further follow-up with respect to the implementation of the recommendations is required.

39. The Committee noted that **WHO created good-quality evaluations; however, it lacks in the full implementation of the corresponding recommendations**. The Committee recommended that a review be conducted on timely implementation of all accepted recommendations of Evaluation. On the basis of this, the Committee suggested a best-in-class review. The effective implementation of the recommendations of oversight bodies is line management responsibility. However, oversight bodies and accountability functions, including Evaluation, have an interest in ensuring that recommendations are acted upon and demonstrable results achieved. Therefore, they should closely monitor actions taken in response to recommendations.

40. **With respect to FENSA, the Committee reiterates the importance of continuing dialogue with the private sector especially in the current environment of COVID-19.**

41. **The Committee looks forward to next year's evaluation plan and suggests that the plan include as a core focus assessments of how the Organization responded to and managed the COVID-19 pandemic.**



## COMPLIANCE, RISK AND ETHICS

42. At each of its meetings, the Committee monitors the progress made in the area of compliance, risk management and ethics.
43. During its April 2020 meeting, the Committee was informed of the shortage of staff in the Office of Compliance, Risk Management and Ethics (CRE), its current main outputs (WHO policies on harassment), the use of due diligence and a common-sense approach by WHO in the engagement of all partners, and the ongoing work carried out under Risk Management 3.0, which is the new risk-aware approach promulgated in WHO that takes into consideration risks as well as rewards.
44. The Committee would like to point out that it is critical that WHO continues to inculcate a **culture of enterprise risk management** to include cyber risks, opportunities, compliance risks and COVID-19 related risks, so that they are not in silos.
45. The need to have a risk-aware but not risk-averse culture at all three levels of the Organization is reiterated. In this respect, **the Committee repeats its request for a high-level risk-appetite statement for WHO that articulates the risks that the Organization is willing to take in pursuit of its strategy.** Such risks should be identified and quantified to the extent practicable in a structured way to permit strategic risk taking. This in turn would enable the articulation of a hierarchy of cascading risk-appetite statements with measures and limits as appropriate through the Organization.
46. In light of WHO's leading role in the COVID-19 crisis, **the Committee recommends that Management continues to uphold WHO's core values and principles using transparency and effective communication.** This should help to mitigate reputational and political risks that are bound to rise substantially under the current conditions.
47. **Review of prior IEOAC recommendations:** a summary of the significant issues raised by the Committee from the period April 2019 to April 2020 is included in the Appendix.

## OTHER MATTERS

48. The April 2020 meeting being last meeting for Dr Wilson and Mr Pereira, who are at the end of their terms of office, the three remaining Committee members unanimously elected Mr Christof Gabriel Maetze as the next Chair of the IEOAC. The remaining members would like to thank Dr Wilson and Mr Pereira for their dedicated service to the Committee, their contributions and warm collegiality.

## SUMMARY AND RECOMMENDATIONS

49. Although the Committee appreciates the SHI cost containment methods, **it recommends that SHI funding projections are reviewed as they may need to be adjusted in light of the impact of COVID-19.**
50. **The Committee recommends that the accountability framework of WHO issued in 2015 is updated as soon as possible so that all stakeholders are aware of their responsibilities related to accountability.**

51. With respect to FENSA, the Committee reiterates the importance of continuing dialogue with the private sector especially in the current environment of COVID-19.

52. In the area of Evaluation, the Committee looks forward to next year's evaluation plan and suggests that the plan include as a core focus assessments of how the Organization responded to and managed the COVID-19 pandemic.

53. Lastly, the Committee repeats its request for a high-level risk-appetite statement for WHO that articulates the risks that the Organization is willing to take in pursuit of its strategy.

**Dr Jeya Wilson, Mr Leonardo Pereira, Mr Jayantilal Karia,  
Mr Christof Gabriel Maetze, Mr Christopher Mihm.**

## Appendix

Issue raised	Action/comments by WHO Secretariat	Status
The lack of a strong organizational structure to deal with emergencies.	With the new structure announced on 6 March 2019, there are changes to the structure of the WHO Health Emergencies Programme and the role of the Programme will be further clarified.	In progress
Creation of a formal mechanism or structure to institutionalize the lessons learned from audit findings across the whole Organization.	Progress has been made on the recommendation (and reported in document EB144/51). In 2018, led by the Deputy Director-General for Corporate Operations, a review was made of all open recommendations and a shortlist of five recurring, systemic cross-cutting issues arising from findings and recommendations from various sources were identified for follow-up and action within ongoing workstreams with key business owners, including the transformation team. Following the recent changes in senior management responsibilities, the senior management lead to provide stewardship for this important mechanism for organizational learning needs be identified.	In progress
Undertaking “what if” or “scenario” planning, in order to understand the full impact on programmes of the projected funding shortfall, and to share the results with Member States.	Management briefed the Committee on the issue of inequitable distribution of funds across programmes during the IEOAC meeting of July 2019. The Committee was informed that most underfunded programmes where donor funding is not forthcoming receive flexible funds as part of the management decision-making process.	In progress
The need for a full-scale business continuity plan for the Organization.	There is significant progress in this area. All corporate units have been tasked to include this in their 2019 objectives and document solutions. An update was provided to the IEOAC during its April 2020 meeting.	Completed
Concern regarding the sustainability of the Staff Health Insurance (SHI) Fund due to significant unfunded long-term liability.	The SHI Fund is currently 40% funded (with assets of US\$ 996 million), which represents 86% funding of current retirees’ liability and 0% of the future retirees’ liability. SHI is actively addressing ways to contain costs and ensure the plan is well funded. There are no concerns on the sustainability of the fund. A full update will be provided to the Committee at its next meeting.	In progress

Issue raised	Action/comments by WHO Secretariat	Status
<p>There are many recommendations coming from various sources such as the United Nations (UN) Joint Inspection Unit, external audit, internal audit, the Office of Compliance, Risk Management and Ethics (CRE) and evaluations. Management has recognized the need to have a consolidated process to address all the recommendations to ensure that they are managed appropriately and effectively. IEOAC recommends having a central repository for all such recommendations, with the corresponding action to address them.</p>	<p>Progress has been made on the recommendation (and reported in document EB144/51). In 2018, led by the Deputy Director-General for Corporate Operations, a review was made of all open recommendations and a shortlist of five recurring, systemic cross-cutting issues arising from findings and recommendations from various sources, were identified for follow-up and action within ongoing workstreams with key business owners, including the transformation team. Following the recent changes in senior management responsibilities, the senior management lead to provide stewardship for this important mechanism for organizational learning needs be identified.</p>	<p>In progress</p>
<p>Management to share a plan with the Committee on tactical and strategic measures to ensure overall sustainability of SHI and full funding of WHO's staff benefit liability by 2038 or sooner.</p>	<p>An annual review of SHI funding is undertaken following the closure of the accounts, external audit and actuarial valuation. The funding situation is then reviewed by the SHI Global Oversight Committee (GOC). A key part of the review is understanding the actuarial assumptions that can lead to large yearly fluctuations in the estimated future costs and funding levels of the fund due to the long-term nature of the liability. Management is actively implementing containment and efficiency measures to reduce future liabilities as well as reviewing the contribution levels and the investment policy to ensure overall sustainability of SHI and full funding. The latest actuarial valuation for 2019 showed favourable results for the fund, with improved funding levels with full funding estimated for 2036. The actuaries also highlighted that SHI has a long track record of controlling medical costs, generally to below market trends.</p>	<p>Completed</p>
<p>Management to develop a plan with a root-cause analysis of overdue donor reports, strategies for addressing the issue, and clear milestones for progress going forward.</p>	<p>–</p>	<p>New</p>

Issue raised	Action/comments by WHO Secretariat	Status
The Committee recommends that Management take appropriate actions to ensure that all internal audit recommendations are implemented on a timely basis with appropriate follow up. Management may also wish to include this item as one of the Key Performance Indicators (KPIs).	–	New
The Committee recommends that the transformation process have a dedicated risk register, and that WHO's principal risks be owned and monitored by senior management.	–	New
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.	–	New
The Committee recommends a review of SHI funding projections as these may need to be adjusted in light of the impact of COVID-19.	–	New
The Committee recommends that the accountability framework of WHO issued in 2015 is updated as soon as possible so that all stakeholders are aware of their responsibilities related to accountability.	–	New

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