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PROGRAMME, BUDGET AND ADMINISTRATION   **EBPBAC23/4**
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Annual report on compliance, risk management and ethics

Report by the Secretariat

1. The Secretariat is committed to improving compliance, risk management and adherence to ethical principles across its offices worldwide. In 2015, the Secretariat has furthered its work of developing policies, procedures and tools to support the systematic identification of Organization-wide risks, the periodic review and assessment of internal control compliance and its integration into all policies and managerial decisions, and the promotion of the highest organizational standards, codes of conduct and core values.

COMPLIANCE

2. Compliance functions are an essential part of the second line of defence in the "three lines of defence" model.[1] WHO regional offices have developed compliance functions with mandates that include transaction checking for country offices in some regions, and review, monitoring and oversight in others. At headquarters, and globally, the Office of Compliance, Risk Management and Ethics serves as a best practice focal point, and harmonizes policies, tools and monitoring systems to improve compliance and implement the internal control and accountability frameworks throughout the Organization.

Strengthening internal accountability and control

3. The Secretariat's objective is to foster accountability for resources, as well as results, and to strengthen internal controls. To this end, the Secretariat has, over the course of 2015, rolled out internal control management tools, including a self-assessment checklist and managers' guide, which aim to foster managers' awareness of the adequacy of the control environment in their budget centres; identify strengths and weaknesses; and help prioritize actions to strengthen budget centre control. Ongoing assessment of the risks, gaps and weaknesses in the self-assessment checklists informs the risk management process and the updating or formulation of new controls, including policies and procedures in key areas, such as performance management, procurement, non-staff contracts and direct financial cooperation.

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[1] Internal control establishes three lines of defence: the first line is operational management, the second includes functions providing advice on control issues, and the third is internal audit.

4.   Action has been taken in the regional offices to strengthen internal controls and improve accountability and transparency, with the establishment of management dashboards in the Regional Offices for Africa, South-East Asia, Europe, the Eastern Mediterranean, and the Western Pacific, and the creation of a compliance focal points' network in the Regional Office for the Eastern Mediterranean.

5.   In the Regional Office for Africa, the accountability and internal control strengthening project, part of the Region Office's Transformation Agenda launched in February 2015, includes complementary initiatives at regional and country levels. The project uses an interactive website providing easy access to WHO rules, regulations, policies, strategies, framework documents and standard operating procedures, as well as to information on audit, compliance, risk management and fraud prevention issues. Compliance and quality assurance are monitored by a compliance team that carries out transaction reviews, identifies and shares best practices in country offices, and analyses and rectifies systemic control weaknesses. Key performance indicators have been introduced to measure the objective performance of individual budget centres, managers and staff members.

Administrative and programme reviews

6.   A regional approach to improving the effectiveness and efficiency of country offices has been developed, and a methodology for conducting administrative and programme management reviews introduced. Four reviews have been carried out – in Indonesia, Myanmar, Nepal and Ukraine – since the Office of Compliance, Risk Management and Ethics submitted its last report to the Committee.[1] The Regional Office for South-East Asia has taken the lead in implementing recommendations, and the Regional Office for Africa has started using the methodology as a framework for reviewing the administration and programme management of country offices in Cameroon, Mali and South Sudan.

RISK MANAGEMENT

7.   The purpose of risk management is to facilitate a more strategic Organization-wide approach[2] by ensuring that risk management processes across all levels of the Organization follow a consistent and coherent methodology, and by consolidating an Organization-wide, top-level risk register.[3]

Risk policy

8.   The objectives of WHO's risk management approach are twofold: to support informed decision-making and to embed risk management in corporate operational processes. To this end, the Secretariat is implementing a corporate risk management policy that establishes tools to identify, assess, respond to and monitor risks in a structured, systemic and prompt manner.

9.   The policy introduces a planned approach to risks, including risk acceptance levels, and determines accountability and clear governance patterns for risk. It provides senior management with appropriate information about risks and establishes an effective reporting process. The policy firmly embeds risk management in WHO's strategic and operational planning and budgeting cycles, as well

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[1] Document EBPBAC21/5.

[2] See document A67/4, paragraph 23.

[3] See document EB133/10, paragraph 2.

as in the accountability and internal control frameworks. An annual risk report is presented to the Director-General and Member States through the Executive Board.

10.   The corporate risk management policy complements the bottom-up phase of risk identification and prioritization with a top-down phase of validation and escalation.

Validation

11.   The validation phase includes a review by respective senior managers of the risks identified by budget centres, which involves: revising their formulation (adding, complementing or rephrasing risks); adjusting their rated level; and fine-tuning proposed response actions.

Escalation

12.   The escalation process is intended to enable the risk response to be determined at the right level of authority in WHO. To this end, it is designed to ensure the systematic escalation of risks according to their level, with significant risks escalated to Regional Directors or Assistant Directors-General and the response to the most severe risks determined by the Director-General.

13.   The highest level risks are escalated regardless of adjustments made during the validation phase, while lower level risks may be escalated to a higher level of authority where required by budget centres. This also applies to risks that cut across different budget centres or major offices and therefore require attention at a higher level of authority.

Risk register

14.   The corporate risk register records the risks identified by budget centres across WHO. As of the end of October 2015, the risk register was rolled out in two phases: a "bottom-up" phase of risk assessment by heads of budget centres, and a "top-down" phase of validation, which closed on 14 October 2015.

15.   Regional offices have supported the roll-out of the risk register. Several regional offices, including the Regional Office for the Eastern Mediterranean, have set up networks of risk focal points across country offices, while, for example, the Regional Office for Africa, has established an audit, compliance and risk management committee to strengthen monitoring of the adequacy and effectiveness of internal control and risk mitigation activities, using information identifying priorities for future support to country offices and the corrective actions required.

16.   Risk management is an iterative learning process, and training is key to enhancing risk awareness across the Organization. Training activities have been stepped up to familiarize staff with the corporate risk management policy and its implications.

Risk analysis

17.   The analysis provided in this report is based on the 2348 fully completed, assessed and validated risk descriptions that had been received as at 14 October 2015, when the validation phase

closed. All 210 budget centres[1] have identified and assessed their risks and have determined a risk level by allocating an impact and probability score from one to five. They were requested to categorize the risks according to six categories – namely: financial, political/governance, reputational, staff/systems and structures, strategic and technical/public health – using 39 specific risk names.[2]

18.   All risks have been validated and a risk response has been determined for 98% of the risks concerned. It is too early to comment on the result of application of the risk response, which, in most cases, is continuing; however, the implementation of mitigation measures during the validation phase has already permitted 41% of risks to be assigned a lower level in the risk pyramid.

19.   An Organization-wide breakdown of risk categories shows that 37% relate to staff, systems and structures, 24% to financial risks, 12% to technical/public health-related risks, 11% to strategic risks, and 8% each to reputational and political/governance risks.

20.   Based on an analysis of the average risk levels following validation (a function of the probability and impact scores allocated to each risk identified by the budget centres), the three highest risk categories across the Organization are: inability to meet long-term liabilities; the perception that WHO's independence is being compromised; and the ineffective management of projects and programmes. The next highest-scoring risks in descending order are: key technical work being undertaken by non-staff (for instance under special service agreements); lack of efficient internal collaboration; too few properly defined roles and responsibilities and lack of coherence thereof across the Organization; lack of confidence in WHO's capacity to deal with major global health challenges; lack of sustainable and long-term funding; a shortage of human resources or technical expertise for carrying out work properly; and failure to consider country needs and target groups in the planning process.

21.   The risk profiles of major offices vary, with budget centres in all regional and country offices reporting the highest risk levels in the following areas: inability to meet long-term liabilities; perception of WHO's independence as being compromised; and performance of key technical work being performed by non-staff; followed by: ineffective management of projects or programmes; inadequate security (staff and premises); fraud and corruption; and lack of confidence in WHO's capacity to deal with major global health challenges.

22.   At headquarters, budget centres reported the following as the top five risk categories: inability to meet long-term liabilities; incorrect assessment of, and/or response to, public health emergencies; inadequate security (staff and premises); inefficient internal processes inhibiting WHO operations; and a shortage of human resources and technical expertise for performing work properly.

Way forward

23.   The Secretariat is proceeding with the escalation of the highest ranking risks, cross-cutting risks and risks expressly identified as requiring a higher level of authority to define a response. The detailed

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[1] All country offices and all departments at regional offices (with the exception of the Regional Office for the Americas/Pan American Health Organization) and WHO headquarters.

[2] Based on the risk descriptions received from budget centres before the deadline for the first phase, the list of 48 risk names in document EB133/10 was revised to reflect the risks identified by budget centres more accurately and to allow for systematic reporting. The list was shortened to 37 risk names.

results of the risk management exercise will be presented to the Director-General. The Secretariat will continue to report to the Programme, Budget and Administration Committee of the Executive Board.

ETHICS

24.   The present report gives an overview of the Secretariat's actions with regard to: (i) implementation of the policy on whistleblowing and protection against retaliation; (ii) provision of advice on ethics and conflicts of interest to all staff, including senior management (declarations of interest for staff and outside activities), and declarations of interest for external experts; and (iii) awareness raising and policy development.

Implementation of the policy on whistleblowing and protection against retaliation

25.   The new policy on whistleblowing and protection against retaliation entered into force in March 2015.[1] Pursuant to this policy, as of 20 October 2015, the Office of Compliance, Risk Management and Ethics has received and responded to 10 potential whistleblowing cases, including an external complaint. Action has been taken, with four referrals for investigation and the successful prevention of one case of potential retaliation. Currently, the external whistleblowing hotline is in the process of being established and will be operational from the beginning of 2016.

Advice on ethics and conflicts of interest

26.   In 2015, the Office of Compliance, Risk Assessment and Ethics has, to date, received 26 individual requests for ethical advice and guidance on various subjects from 21 staff members (11 in the professional and higher categories and 10 in the general service category), three interns and two consultants. The Secretariat runs an annual programme of declarations of interest for staff designed to protect WHO and individual staff members from conflicts of interest that may negatively reflect on the Organization's credibility, competence and independence. Senior staff (at the P6 level and above) and procurement staff (at the G5 level and above) are requested to complete a declaration of interest form covering financial and personal interests. Declared interests are vetted and staff members are advised, as appropriate, about mitigating actions. During the 2015 exercise, 290 staff submitted declarations, with 21 staff declaring interests that required specific advice. Additionally, 28 individual requests for outside activities were received, of which 24 were approved as at 20 October 2015.[2] A policy on declaration of interest for staff, based on their delegation of authority, will be developed in 2016 to enhance the management of conflict of interest.

27.   The Secretariat also advises technical departments on conflicts of interest that may arise when external experts or advisers are invited to participate in working groups or provide expert opinions on public health-related topics. As at 20 October 2015, 423 individual declarations of interests by external experts had been reviewed by the Office of Compliance, Risk Assessment and Ethics. Regular input and support on related issues is being provided to technical departments across WHO, and work to

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[1] See http://intranet-pdrive.who.int/public-drives/PubDept/DGO-CRE%20-%20Compliance,%20Risk%20Management%20and%20Ethics%20Office/Whistleblower/WHOwhistleblowerpolicy.pdf (accessed on 19 November 2015).

[2] In April 2015, the Office of Compliance, Risk Assessment and Ethics took over the role of approving outside activities for staff from the Human Resources Department.

establish a platform for recording decisions on external experts' participation in meetings is under way.

Policy developments

28.   Several policies are currently being developed by the Secretariat, including a policy on protection from sexual exploitation and abuse, and a policy on declaration of interest for staff and consultants. In addition, the Code of Ethics is being revised. The new and revised policies are expected to become operational in 2016. A training package on ethics is also in preparation; it will reflect new policy developments and complement WHO's existing induction training programme.

ACTION BY THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE

29.   The Committee is invited to note the report.

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