



**World Health
Organization**

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

**EBPBAC28/2
7 May 2018**

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 twenty-eighth 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 2018****BACKGROUND**

1. The Independent Expert Oversight Advisory Committee 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'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 the Advisory Committee are:

Name	Date of appointment by the Executive Board¹	Decision reference
Mr Robert Samels (Chair)	May 2013	EB133(8)
Ms Jeya Wilson	May 2015	EB137(4)
Mr Leonardo P. Gomes Pereira	May 2015	EB137(4)
Mr Christof Gabriel Maetze	May 2017	EB141(2)
Mr Jayant Karia	May 2017	EB141(2)

3. In addition to the above, Mr Christopher Mihm was appointed by the Executive Board in May 2017 by decision EB141(2). In adopting that decision, and in order to ensure a smooth transition of the Advisory Committee, the Executive Board also exceptionally extended the term of office of the current Chair of the Advisory Committee, Mr Robert Samels, by one year to end in January 2019. Consequently, Mr Mihm will start his tenure in January 2019.

4. This report is the eighth annual report of the Advisory Committee to the Programme, Budget and Administration Committee and summarizes progress achieved in its work from May 2017 to April 2018.

5. The Advisory Committee held its twenty-second, twenty-third and twenty-fourth sessions on 26–28 July 2017, 24–26 October 2017 and 14–16 March 2018, respectively. At the twenty-fourth session, a one-day induction session was held for the benefit of the new members; the other three

¹ The “date of appointment” refers to the date of adoption of the relevant decision by the Executive Board.

members also attended. Being the first meeting since the change in WHO leadership, the orientation was very much welcomed and appreciated by the members. It was an excellent opportunity to get an overview of the vision of the new leadership and an outline of the major critical functions of the Organization.

INTEGRITY OF FINANCIAL STATEMENTS INCLUDING STAFF HEALTH INSURANCE

6. At its twenty-fourth meeting, the Advisory Committee reviewed and discussed with management the 2017 financial statements. It assessed the key underlying accounting policies, the reasonableness of significant judgments and the clarity of disclosures. The External Auditor confirmed that there were no changes in accounting policy or judgement by management in the preparation of the financial statements. The Advisory Committee was pleased to note that the record keeping for property plant and equipment was now in full compliance with International Public-Sector Accounting Standards (IPSAS). However, it requested that management be diligent to ensure that country offices continue to comply with the policy on annual asset and inventory management through the Fixed Assets Register.

7. The Advisory Committee further noted that the accounts were deemed compliant with IPSAS and that the External Auditor would be issuing an unmodified opinion on the 2017 financial statements of WHO. The Advisory Committee had no reservation about the submission of the financial statements to the Programme, Budget and Administration Committee and the World Health Assembly.

8. The Advisory Committee was pleased to note that the Director-General has identified the most significant risks facing the Organization and has reported on them in the Statement of Internal Control section of the financial statements. Cyber security is listed as one of the significant risks and the Advisory Committee has requested management to provide an update on the information technology strategic plan including the Organization-wide security road map at its session in July 2018.

9. The Advisory Committee took note of the financial statements of the Staff Health Insurance Fund for 2017. The Advisory Committee observed that management is aware of the risks associated with the long-term unfunded liability; however, based on the update to the actuarial valuation, the Staff Health Insurance Fund is now expected to be fully funded in 2049 rather than in 2038 as had been previously indicated.¹ The Advisory Committee reiterated its concern regarding the sustainability of the Staff Health Insurance in its current form. It urged management to explore options on cost containment, including reducing benefits, using generic drugs and increasing contributions. The Advisory Committee will continue to monitor the actions taken by management to enable the Fund to be fully funded by 2038.

10. The External Auditor advised the Advisory Committee that the audit of the 2017 financial statements of the Staff Health Insurance Fund is progressing and the only area of concern is a delay in receiving documentation relating to claim information from PAHO. Once this documentation is received, the External Auditor is confident that an unmodified audit opinion will be issued.

¹ See document A70/44.

EXTERNAL AUDIT

11. As per its usual practice, the Independent Expert Oversight Advisory Committee met with the External Auditors in private as well as with management representatives at each of its sessions.

12. At its twenty-fourth meeting, the External Auditors provided the Advisory Committee with a summary of its most significant recommendations, draft audit results of the 2017 financial statements, review of control activities and implementation of previous audit recommendations. The Advisory Committee was satisfied to note that management had implemented twenty of the twenty-six external audit recommendations.

13. The Advisory Committee noted that of the six remaining recommendations, five are in the area of information technology. The Advisory Committee looks forward to the closure of these six open recommendations in the coming months. At its next meeting, the open information technology recommendations will be examined as part of the review of the information technology strategic plan.

14. The Advisory Committee also noted that there is still an issue with outstanding Direct Financial Cooperation reports, especially in the African Region, and it urges the identification of the root cause and quick resolution of the underlying issues.

INTERNAL OVERSIGHT SERVICES

15. At each of its sessions, the Independent Expert Oversight Advisory Committee met with the Director of the Office of Internal Oversight Services, both privately and with members of management present.

16. The Advisory Committee was briefed about the recent developments in the area of internal oversight, including an update on human resources matters, status of work of the 2017 internal audit plan, findings from internal audits completed, status of implementation of recommendations, audit workplan for 2018, investigations and other matters. It noted however that the budget requested for 2018 for the Office of Internal Oversight Services was reduced. The Director of the Office of Internal Oversight Services indicated to the Advisory Committee that despite this reduction, efforts will be made so that the current year audit plan can still be completed while maintaining quality standards.

17. The Advisory Committee noted that the 2017 workplan was substantively completed. The members were concerned to note that the overdue open recommendations have increased from 3.9% in March 2017 to 8.4% in February 2018. This increase was primarily caused by one major report from the African Region. The Advisory Committee encourages urgent action to ensure recommendations are closed in a timely manner.

18. The Advisory Committee was briefed on the status of investigation cases under review and discussed with the Director of the Office of Internal Oversight Services general issues regarding procedures for the conduct of investigations. The Committee was pleased to note that an external quality assessment review concluded that the investigation function at WHO is in overall conformity with generally accepted standards of investigations in international organizations as reflected in the Uniform Principles and Guidelines for Investigations.

19. In 2017, the Office of Internal Oversight Services received 82 reports of alleged wrongdoing. During the year 87 cases were closed, of which 11 investigation reports were substantiated. The Advisory Committee reviewed the substantiated reports with respect to the impact on internal controls.

20. The area of concern to the Advisory Committee is the backlog of pending investigations within the Office of Internal Oversight Services. According to the external quality assessment review panel, the Office has sufficient investigation resources to address the current volume of reported cases. However, the Advisory Committee encourages management to consider options for dealing with the existing backlog of investigations to ensure there is a timely response to alleged wrongdoings.

COMPLIANCE, RISK MANAGEMENT AND ETHICS

21. The Advisory Committee continues to monitor at all its sessions the progress being made in the area of risk management. It received briefings on the process of risk management and a status update on internal control framework from Director of the Office of Compliance, Risk Management and Ethics.

22. The Advisory Committee was pleased to note that The Baldwin Group, Inc. completed an independent review of the WHO's Enterprise risk management programme. The report of that review confirmed that the Organization has a strong framework of risk management and provided six key recommendations to improve senior management involvement and to align the risk management process with the budget and planning cycle. Management confirmed that the operationalization of that report, and its recommendations, are being tracked and will be reported back to the Advisory Committee.

23. The Advisory Committee also took note that a WHO Risk Committee has been formed and is pleased to report that it is being chaired by senior management. This has raised awareness of risk management across the Organization.

WHO FRAMEWORK OF ENGAGEMENT WITH NON-STATE ACTORS (RESOLUTION WHA69.10 (2016))

24. As mandated by the Sixty-ninth World Health Assembly, the Advisory Committee continued to monitor the progress of implementation of the WHO Framework of Engagement with Non-State Actors by providing oversight of the application of rules and procedures to assess whether they are being applied in a uniform and effective manner across the three levels of the Organization. The Advisory Committee accordingly received a status update from the Director of the Department of Partnerships and Non-State Actors, at each of its sessions over the last twelve months.

25. The Advisory Committee noted that the basic elements of the Framework, such as the Register, Handbook, Review Committee and Statement of Operating Procedures will be finalized by May 2018. However, the Global Engagement Management (GEM) software workflow tool will not be rolled out until the second half of 2018. Unfortunately, the change management, communication and training needs are more complex than originally anticipated and accordingly senior management delayed the full GEM implementation date. The Advisory Committee is looking forward to an update from management at a future meeting.

EVALUATION AND ORGANIZATIONAL LEARNING

26. At its twenty-fourth session, the Advisory Committee was briefed on the annual report to the governing bodies. In addition to this, a draft evaluation policy (2018) was presented. The Executive Board will be invited to note the report and consider the draft evaluation policy for approval. The Advisory Committee reviewed the policy and found it appropriate.

27. The Advisory Committee noted the content of the annual evaluation report and is pleased to note the progress made in the last few years. The Advisory Committee further noted that there are many recommendations coming from various sources such as the United Nations Joint Inspection Unit, external audit, internal audit, Office of Compliance, Risk Management and Ethics and evaluations. Management has recognized the need to have a consolidated tracking process to address all the recommendations to ensure that they are managed appropriately and effectively.

REVIEW OF POST-POLIOMYELITIS TRANSITION PLANNING

28. In all its meetings, the Advisory Committee continues to monitor the progress being made by the Organization in polio transition planning. At its twenty-second session, it received an update from Director of Polio Eradication regarding progress and challenges in polio transition planning at country level. The Committee noted that the transition team is reviewing all the activities currently being provided by the Global Polio Eradication Initiative and using the following three categories: (a) functions needed to maintain eradication; (b) functions that will no longer be needed; and (c) functions that need to be transferred to non-polio activities. The Advisory Committee recognizes that the withdrawal of funding for polio control activities will have an impact on the effective delivery of health-care programmes, particularly in poorer countries with vulnerable populations. The Advisory Committee encourages the Secretariat to work closely with Member States, donors and partners to highlight the associated risks to global health and to identify alternative resources so as to maintain adequate health-care programmes in these countries.

29. At its twenty-third session, the Advisory Committee received an update from the Manager, Polio Eradication of the Regional Office for the Eastern Mediterranean about polio transition planning, ramp-down activities, critical risks and challenges and opportunities post-certification. The Advisory Committee noted that WHO expenditure on polio eradication in the Eastern Mediterranean Region is about one third of the total regional budget, since four countries of the Region, namely Afghanistan, Pakistan, Somalia and Sudan are among the 16 polio transition priority countries. As polio funding shrinks in the coming years, there will be a direct impact on the implementation of other programmes which are being supported by polio-funded staff.

30. Several countries in the Eastern Mediterranean Region are dealing with complex protracted emergencies and have fragile health systems. There appear to be weak absorptive capacities, at both national and country office levels, to accommodate post-polio certification functions and knowledgeable human resources.

31. The Advisory Committee recommended that management continues to treat polio transition as one of its strategic priorities.

REFORM IN THE AREA OF HEALTH EMERGENCIES AND DEALING WITH PROTRACTED EMERGENCIES IN THE EASTERN MEDITERRANEAN REGION

32. At its twenty-third session, the Advisory Committee spent considerable time discussing and reviewing the progress made in the area of health emergencies, from an overall perspective covering headquarters, the regional offices and some country offices. The Advisory Committee expressed its appreciation to the acting Regional Director for the Eastern Mediterranean for providing an opportunity to discuss face to face the issues and challenges of protracted emergencies with the heads of country offices of Iraq, the Syrian Arab Republic and Yemen.

33. The Executive Director, Health Emergencies Programme, updated the Advisory Committee about the current emergencies being dealt by WHO and the progress made in the areas of detection, risk assessment, response and capacity strengthening. The Committee noted that the key external challenges to the programme are sustainable, predictable and multiyear funding. It is crucial that partners and donors understand the business costs of operating in fragile and weak countries with high security risks.

34. The Advisory Committee noted that considerable progress has been made in establishing consistent structures at three levels of the Organization, developing standard operating procedures and establishing quick and efficient processes. Nevertheless, there are still internal challenges in the areas of managing supply chain and cost management and other issues related to security, rapid implementation of the WHO Framework of Engagement with Non-State Actors in emergencies, consistent statements of authority to enable WHO Representatives to mobilize and manage resources, and other human resources issues.

35. The Advisory Committee further observed that emergency work is still being hampered by the fact that the “Fit for Purpose” business processes are still not fully developed. The Advisory Committee once again emphasized the importance of avoiding duplication of processes and urged the Organization to “manage the overlap” so as to tap into corporate-wide solutions to ensure aligned, streamlined and integrated ways of working at the three levels of Organization.

36. The Advisory Committee found the interaction with the heads of country offices immensely valuable. The Committee was impressed to observe what they have accomplished under extraordinary circumstances, with efficient coordination and the support of the Regional Office. The issues of the lack of a sustainable financing model and the cost of operating the business for prolonged periods in a politically complex and challenging environment were noted by the Advisory Committee.

37. Currently category 6 funding is being developed to support the base programmes. However, in the Eastern Mediterranean Region, for example, where two thirds of the budget is allocated to polio and emergencies, category 6 funding cannot support the increased activity. This has created a situation where some non-base programmes are providing category 6 functions, which has made it difficult to define category 6 requirements clearly. In order to obtain the support of Member States and donors, it is essential that the Secretariat describes, defines and quantifies the “cost of running all operations” in an understandable manner.

38. The Advisory Committee thanked the Secretariat for the informative discussion and looks forward to future updates.

OTHER MATTERS

39. **Programmatic and financial reports for 2016–2017:** The Advisory Committee received the WHO Results Report: Programme budget 2016–2017.¹ It was pleased to note that there had been a considerable reduction in the length of the report and that it provided high-level financial information in a graphic form. At the same time, the Committee recognized that there might be a need to have detailed reports for many of the Member States. To ensure the reports are well received, all stakeholders should be consulted on the change in reporting.

¹ Document A71/28.

40. **WHO transformation:** The Advisory Committee was briefly introduced to the Director-General's transformation agenda and understands that the agenda builds on the work already completed under the WHO reform process. The Committee looks forward to reviewing the details of the transition from WHO reform to the transformation agenda in much more detail at its next meeting in July 2018.

41. **Treasury functions:** During its twenty-second session, the Advisory Committee heard a presentation on the Organization's current investment structure and the risks associated with it. The Advisory Committee was pleased to note the innovative and excellent management of treasury functions with limited resources, performing above benchmark standards through intelligent outsourcing while managing risks. The Advisory Committee does not have any reservations or concerns.

42. **Information technology:** At its twenty-second session, the Advisory Committee received an update in the area of information management and technology, which covered the key pillars of WHO strategy on information technology, the governance structure for the information technology capital investment fund (global IT fund), other policy issues and the implementation status of audit recommendations. The Advisory Committee took note of several initiatives in the areas of emergency response and preparedness, emergencies and infrastructure, and issues around funding and governance. It was pleased to note that the Organization has implemented an appropriate governance structure for information technology, including an information technology governance board, with representatives from all regions and from headquarters. The Advisory Committee urged senior management to ensure that the governance board provides corporate governance for a robust decision-making process on the overall level of information technology spending and its priorities, with a stronger business-driven strategy rather than merely responding to ideas being proposed by the information technology department. It is essential that the business strategy drives the information technology business case.

43. **Update on procurement policy:** The Chief of Procurement Policy and Strategic Direction briefed the Advisory Committee at its twenty-second session on the current implementation status of the procurement policy across the Organization. The Advisory Committee was satisfied to note that there exists a clear timeline with identified milestones to facilitate the roll-out at all the levels of the Organization. The Advisory Committee is encouraged by the new initiatives being put in place to streamline procurement functions, both in daily activities and in emergencies.

44. A summary of the significant issues raised by the Independent Expert Oversight Advisory Committee from the period from May 2014 to March 2018 is attached in the Appendix.

Robert Samels (Chair), Jeya Wilson, Leonardo Pereira, Christof Maetze, Jayant Karia.

Appendix

ISSUE RAISED	CURRENT STATUS
Underinvestment in WHO buildings, and other fixed assets.	Infrastructure Fund established to provide funding for long-term fixed assets.
Compliance functions need to become an integral part of management processes and act as the second line of defense.	Completed
Concern at the apparently persistent systemic weaknesses and ineffective controls across the Organization that could be a symptom of a “culture of tolerance” for non-compliance with rules and policies.	Management controls are now established, which has removed the “culture of tolerance” for non-compliance with rules and procedures.
The need for WHO to have an effective management coordination and decision-making structure.	Global Policy Group established.
The lack of a strong organizational structure to deal with emergencies.	In progress and work to enhance response to health emergencies monitored by the Independent Oversight Advisory Committee.
The lack of an appropriate information technology governance structure and funding structure, which may impact the efficiency of information technology service delivery in the long term.	Governance structure established.
Create a formal mechanism or structure to institutionalize the lessons learned from audit findings across the whole Organization.	In progress
Complete a high-level external review or evaluation of the status, direction and implementation of the risk management process.	Completed
Undertake “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.	In progress
The need for a full-scale business continuity plan for the Organization.	In progress
The need for a structured, cohesive, project management plan for implementation of the Framework of Engagement with Non-State Actors.	A project management plan has been developed for Global Engagement Management (GEM) software tool. The GEM tool is not required to meet the required deliverables for the Framework in accordance with the WHA resolution.
Concern regarding the sustainability of the Staff Health Insurance Fund due to significant unfunded long-term liability.	In progress
Consider options for dealing with the existing backlog of investigations to ensure there is a timely response to alleged wrongdoings.	In progress
Develop a global transition plan for the end of the polio programme to minimize the impact on health systems of vulnerable countries.	In progress

ISSUE RAISED	CURRENT STATUS
There is still an issue with outstanding Direct Financial Cooperation reports, especially in the African Region, and it urged management to identify the root cause and find ways to resolve the underlying issues.	In progress
Recommendations of two audit reports are significantly overdue; Declaration of Interests and Department of Governing Bodies and External Relations. Senior management should review these reports with the Director of the Office of Internal Oversight Services to determine if the recommendations are still relevant and determine an appropriate process to close them.	In progress

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