

Report of the Programme, Budget and Administration Committee of the Executive Board

1. The sixteenth meeting of the Programme, Budget and Administration Committee was held in Geneva from 16 to 18 May 2012 under the chairmanship of Dr M.A.O. Saíde (Mozambique).¹
2. The Committee adopted its agenda.²

Agenda item 2. WHO reform (Documents A65/5, A65/40 and EB131/3)

Revised terms of reference of the Programme, Budget and Administration Committee

3. The Committee welcomed the revised terms of reference.
4. The Committee noted that the revised terms of reference represented a step in the overall strengthening of its role. The Committee commented that the achievement of a strong Programme, Budget and Administration Committee with an effectively defined oversight role and capacity would require greater examination by Member States including of the qualifications of representatives within the Committee. At the same time it raised the issue of participation, specifically that Member States should consider whether the profiles of Committee members and Board members should be different.
5. With a view to expanding the oversight role of the Programme, Budget and Administration Committee, the Committee also agreed that it should discuss and review the reports of the proposed Ethics Office – an element of the WHO reform agenda.

The Committee recommended that the Executive Board adopt the revised terms of reference of the Programme, Budget and Administration Committee with the inclusion of a new subparagraph 4(2)(g), stating that the Committee shall review, provide guidance and, as appropriate, make recommendations to the Executive Board on the reports of the Ethics Office.

¹ For the list of participants, see document A65/44, Annex.

² See document EBPBAC14/1.

Draft formal evaluation policy

6. Committee members expressed satisfaction with the draft policy and supported the norms and principles, roles and responsibilities as well as the process and deliverables noted in the document.¹
7. The Committee noted the appropriateness of allocating between 3% and 5% of the overall programme budget for evaluation. The paramount importance of establishing an evaluation culture across all levels of the Organization was emphasized; that should be the fundamental objective of the policy.
8. The Committee also noted that in fostering the development of an evaluation culture, responsibility for evaluations should be shared across the Organization, not limited to any one unit or department within the Secretariat.

The Committee recommended that the Executive Board approve the draft evaluation policy contained in document EB131/3.

Agenda item 4.1 General management: update (Document EBPBAC16/2)

Financing the Programme budget 2012–2013

9. The Committee expressed its appreciation for the update given by the Secretariat on the financing outlook for the Programme budget 2012–2013, highlighting the gaps in funding by major office and strategic objective. Clarifications were requested on the funding gaps of more than 50% in strategic objectives 2 and 5 in all locations, particularly in the Base programmes segment. One Committee member expressed concern about this situation, particularly in respect of the South-East Asia Region which bore a high burden of tuberculosis. Other shortfalls in funding were noted under strategic objectives, 6, 7, 8, 9 and 11. The funding gaps were between 30% and 50%.
10. The Committee noted that the financing of the current Programme budget was nearly 70% at this stage in the biennium. However, nearly US\$ 1500 million of the financing was for specified funding and could not be moved. It was suggested that future reports should include levels of funding with disaggregated data on assessed contributions and voluntary contributions that could not be shifted between major offices and strategic objectives.
11. The Committee suggested to analyse the gaps continually, both by strategic objective and major office, and ensure they were resourced from flexible funding. It was noted that there was, however, only limited flexible funding available.
12. Responding on the funding gaps – especially those under strategic objective 5 – the Secretariat indicated that a significant proportion concerned the Outbreak and crisis response segment. It was noted that this segment was replenished during outbreaks and crises. In addition, in the Base programmes segment there had been a decline in voluntary contributions.

¹ Document EB131/3; see also document EB130/5 Add.8.

Foreign currency risk management: currency of assessment

13. The Committee noted that the structural imbalance, notably Swiss franc denominated expenditures outweighing Swiss franc income, had resulted in a significant increase, in dollar terms, in the burden of those expenditures on the Organization's budget.

14. A number of questions were raised as to the merit of basing the assessed contributions on the Swiss franc. Different views were expressed. A suggestion was made that the Organization could move to a split assessment. It was agreed that the Secretariat would provide further analysis for the next meeting of the Committee, in order to help the Committee to reach conclusions on the recommendations to be made on this matter.

Enterprise risk management

15. The Committee noted the progress made in the area of enterprise risk management and expressed appreciation for the Secretariat's efforts to further focus on corporate strategic risks. The Committee requested to be informed about progress made and to discuss strategic corporate risks on a regular basis. The Secretariat reconfirmed its continued commitment to further elaborate the Organization-wide risk management involving senior management of the Organization and promised to provide a full report for the Committee at its seventeenth meeting in January 2013.

The Global Management System: upgrade

16. The technical upgrade of the Global Management System, due in 2013 in response to the cessation of support from Oracle on the current version of the System, was noted by the Committee. Questions were raised regarding the cost of the upgrade as well as the plans of the Secretariat to further de-customize the System.

17. The Secretariat clarified that the budget for the upgrade of US\$ 4.5 million was already included in the Programme budget 2012–2013. It also confirmed that it intended to progress with the de-customization of the System after the upgrade was complete. Regarding the link between the upgrade and the development of the new management dashboard, the Secretariat added that the two projects would move forward in parallel with each other.

18. The Committee requested the Secretariat to prepare a comprehensive report on the Global Management System for the Committee's next session.

Study on financing of administrative functions in WHO

19. The Committee reviewed the proposed terms of reference for an external study of administrative and managerial costs, to make clear, actionable proposals for the way in which the Organization would manage and finance these expenditures, on a sustainable basis.

20. The Committee requested that the study explore the reasons why the Organization had become unable to earn the 13% programme support cost rate endorsed by the Health Assembly in resolution WHA34.17 on all contributions, and the criteria applied in allowing exceptions. It was noted that a number of internal studies had already been carried out on this subject, most recently in 2009. That study had concluded that many of the exceptions were linked to United Nations system-wide agreements, which could not be changed by WHO, and that attempts to increase programme support cost rates would lead to loss of some major funding sources (such as the financing of the poliomyelitis

eradication programme). Following the 2009 study, the Secretariat had introduced the “post occupancy charge” applied to all staff salary costs, in order to finance that part of administrative costs closely linked to provision of safe and functional working environment for staff.

The Committee noted the report contained in document EBPBAC16/2 and approved the draft terms of reference of the study on financing of administrative and managerial functions within WHO.

Agenda item 4.2 Annual report of the Independent Expert Oversight Advisory Committee (Document EBPBAC16/3)

21. The Chairman of the Independent Expert Oversight Advisory Committee (IEOAC) introduced the report, which covered the activities, main findings and recommendations of the IEOAC during the year 2011 and the first few months of 2012.

22. The Chairman stressed the importance placed by the IEOAC on the opportunity for an effective dialogue with the Member States, which was a key accountability enhancement factor for all the Organization’s stakeholders.

23. She expressed her thanks to the former Chairman, Mr Graham Miller, for the leadership he had exercised during the first two years of the IEOAC’s operations, as well as to the second outgoing member, Ms H  l  ne Ploix, for her important contributions to the work of the Committee.

24. Replacing them, two new members would be joining the IEOAC at its next regular session in July 2012. At the time of the IEOAC’s informal meeting with interested Member States in February 2012, its membership had been below full complement. A further meeting would be arranged when the two new members were in place.

25. Some changes to the IEOAC’s terms of reference were proposed, following an internal review process after two years of operation.

26. In highlighting some of the key findings of the report, the Chairman of the IEOAC offered her expert advice on the concept of internal control, which, most importantly, went beyond financial control and was a responsibility shared by all parts of the Organization.

27. The process of internal control was owned collectively by WHO’s governing bodies, management and staff, and was designed to provide reasonable assurance concerning three categories, namely: the efficiency and effectiveness of operations; the reliability of the financial reports; and compliance with applicable rules and regulations.

28. An organization’s internal control framework consisted of the following five key elements: the control environment, which set the tone and provided the foundation for all the other parts of the framework; the risk assessment system that was in place to identify and analyse relevant risks as a basis for managing them appropriately, and which required the active involvement of the governing bodies; the information and communication systems and processes that supported the identification, capture and distribution of relevant information; the specific control activities – such as policies, checklists and procedures – that were taken to ensure that management’s directives were being carried out; and the monitoring of all of the above, which was an integral part of the job of managing.

29. In the subsequent discussion, the Committee welcomed the insightful report and recommendations, which complemented those already offered by the Organization's external and internal auditors.¹

30. Members of the Committee generally agreed with the views of the IEOAC regarding currency risk management, and in particular its recommendations on currency hedging. Its proposals in the area of financial controls and the Comptrollership function were also welcomed. These included strengthening the Comptroller's authority with regard to the regions and adding more detailed monthly financial forecasts of expenditure and income by each individual budget centre manager, to be reviewed by the Department of Finance, with subsequent aggregation for review and decision-making by the Director-General's Office.

31. The Committee supported the IEOAC's recommendations in the areas of budgeting, namely, moving to a two-part budget, one part funded and one part contingent on the confirmation of funding.

32. The Director-General pointed out the need for ensuring full and sustainable financing of the entire programme budget.

33. Some Committee members questioned the suggestion of distributing the budgetary provision for support functions across the remaining strategic objectives of the Organization, with that provision then being funded through deduction of a corresponding percentage from incoming donor contributions, on the model of the present post occupancy charge.

34. Varying views were expressed on the recommendation to switch the currency of assessment from United States dollars to the Swiss franc in order to solve at least part of the current structural currency mismatch between the Organization's receipts and its expenditures. It was agreed that further analysis of the implications of this change was required.

35. Regarding enterprise risk management, the discussion revealed that there was broad support for the IEOAC's recommendations to extend the related arrangements and risk register to the strategic and corporate level with a minimum delay and to share them with WHO's membership and main stakeholders for a consensus.

36. On the subject of WHO reform, there was general support for the IEOAC's suggestions that dedicated resources – and thus a corresponding funding support – would be required to achieve the ambitious reform programme and, furthermore, that the WHO reform process should link directly to a clear action plan with a set time frame, a related budget and a business plan in the context of a strong focus on improved results-based management and accountability.

37. In closing, the proposed changes to the IEOAC's terms of reference were welcomed and the Committee expressed its thanks to the IEOAC for so ably advising the Committee, the Executive Board and the whole Organization.

The Committee noted the report contained in document EBPBAC16/3.

¹ Documents A65/32 and A65/33, respectively.

Agenda item 4.3 External and internal audit recommendations: progress on implementation (Document EBPBAC16/4)

38. In introducing this agenda item, the Chairman of the Committee referred to the discussions on the reports by the Organization's external and internal auditors on the previous day, which had both contained information on progress made in the implementation of audit recommendations.

39. The Committee expressed its appreciation of the conceptual distinction made in the report regarding the nature of problems identified in the audits, i.e. problems due to policies and procedures in need of modification versus problems due to simple non-respect of applicable rules. It hoped that the ongoing work on strengthening the Organization's internal control framework would help address both categories adequately.

40. A question was raised as to the degree of congruence or contradiction between the consolidated progress report on external and internal audit recommendations under review and the previously discussed annexes in the two individual audit reports, which appeared to take a less favourable view of progress made in implementing the various audit reports.

41. In response to the issues raised, the Director of Internal Oversight Services acknowledged a significant degree of progress in the closing of audit recommendations achieved between the issuance of his report in March 2012 and the date of the Committee.

42. He added that some of the statistics on the degree of full implementation of audit recommendations might give a different impression. The methodology used by the Office of Internal Oversight Services for closing recommendations included formal criteria, such as delayed receipt of the required corroborating evidence in the audit office.

43. Finally, it should also be noted that the full implementation of some audit recommendations required major policy changes and significant financial investments. In some cases, the Secretariat reserved its right to challenge the assumptions behind audit recommendations, for instance, in cases where it considered that appropriate changes in policy would better address the problem.

44. Examples of audit implementation work already performed or in the process of being carried out at headquarters and across the regions were presented to the Committee as evidence of the priority assigned to audit implementation.

45. It was agreed that the Secretariat would provide details of steps taken to address recommendations that were over two years old, including explanations of delays in achieving satisfactory implementation.

The Committee noted the report contained in document EBPBAC16/4.

Agenda item 4.4 Amendments to the Staff Regulations and Staff Rules (Document EB131/5)

The Committee noted the report and recommended that the Executive Board adopt the following draft resolution:

The Executive Board,

Having considered the report on amendments to the Staff Regulations and Staff Rules,¹

CONFIRMS, in accordance with Staff Regulation 12.2, the amendments to the Staff Rules that have been made by the Director-General with effect from 1 January 2012 concerning the remuneration of staff in the professional and higher categories including the revised rates of staff assessment in conjunction with gross base salaries.

Agenda item 4 Adoption of report and closure of meeting

The Committee adopted its report.

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¹ Documents EB131/5 and EB131/5 Add.1.