

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 fourteenth 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**

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 (see Appendix to the present report) to advise the Programme, Budget and Administration Committee and, through it, the Executive Board, on matters within its mandate which includes:

- review of WHO's financial statements, financial reporting and accounting policies
- provision of advice on 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 members of the Independent Expert Oversight Advisory Committee, appointed by the Executive Board in January 2010 under decision EB126(1), are: Ms Marion Cowden, Mr John Fox, Mr Graham Miller (Chairman), Ms H el ene Ploix and Mr Veerathai Santiprabhob.

3. This report constitutes the second report of the Independent Expert Oversight Advisory Committee to the Programme, Budget and Administration Committee of the Executive Board and summarizes progress achieved in the Committee's work in early 2011.

**MEETING OF THE INDEPENDENT EXPERT OVERSIGHT ADVISORY
COMMITTEE, 11–13 APRIL 2011**

4. Following the Independent Expert Oversight Advisory Committee's first annual report to the Programme, Budget and Administration Committee in January 2011,¹ the Independent Expert Oversight Advisory Committee held its third meeting from 11 to 13 April 2011, with an agenda covering all areas of the Committee's mandate, including the following: treasury and cash management; budgeting and budgetary control; enterprise risk management; external audit matters; accountability issues; the International Public Sector Accounting Standards; the Global Management System; a briefing, given at the Committee's request, on the work of the WHO cluster dealing with HIV/AIDS, tuberculosis, malaria and neglected tropical diseases; internal oversight matters (including internal audit, investigation and evaluation); and the Director-General's reforms. At the same meeting,

¹ Document EBPBAC13/3.

the Committee took forward all the issues it had identified for continuing attention in its previous report.¹

5. In accordance with good practice, the Committee also held private sessions with the representative of the External Auditor and the Director of the Office of Internal Oversight Services.

6. The Committee is scheduled to hold two further meetings in 2011, on 21 and 22 July and from 7 to 9 November 2011.

ISSUES IDENTIFIED BY THE INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE

7. Based on the briefing provided and the discussions held during our meeting in April 2011, together with our previous work in analyzing the information we regularly receive about WHO's operations (such as internal and external audit reports, the position on investigations, WHO financial reports and various documents on budgeting, policy, planning and evaluation) we identified, for each area under our review, key matters of concern both for the attention of the Programme, Budget and Administration Committee, the Executive Board and Member States, and for the Independent Expert Oversight Advisory Committee's future work.

Selection of the new External Auditor of WHO

8. The Sixty-fourth World Health Assembly will appoint a new External Auditor from 2012. The Organization has received six bids for this position and deciding among them is constitutionally a matter for WHO's membership. By contrast with audit and oversight committees in some other organizations, the terms of reference of the Independent Expert Oversight Advisory Committee do not provide a formal role for the Committee in the evaluation of candidatures for the post of External Auditor. However, oversight of the audit process is key to the Committee's responsibilities, while the Committee's independence, objectivity and expert nature place it in a good position to provide advice to Member States on this professional, technical appointment.

9. We believe it may be helpful, therefore, for the Committee to offer the Programme, Budget and Administration Committee and the Executive Board our advice on the relevant technical criteria and considerations that Member States may wish to take into account when reviewing the various candidatures and deciding on their selection of the Organization's new External Auditor.

10. Member States may wish to consider the following factors or criteria, which we consider are relevant in determining which candidates are best placed to take on the external audit appointment at this time.

- The degree of technical and professional competence that candidates' proposals reflect, when compared one with another.
- The extent of candidates' international and particularly United Nations audit experience, as well as experience with auditing and applying the International Public Sector Accounting

¹ Document EBPBAC13/3.

Standards (IPSAS), given that the first year of the new External Auditor's appointment will coincide with WHO's intention to produce IPSAS-compliant financial statements for the first time. The application of IPSAS, together with other current developments such as the Global Management System, represents a major change initiative for WHO which carries risk; in this effort, appropriately experienced audit support will be beneficial.

- WHO is a major United Nations agency with a global field network in which appropriate experience in auditing similar or equivalent entities may be considered desirable. The capacity of candidates to provide audit staff – particularly an audit manager – who have appropriate international experience and language skills, for example, may be a factor that Member States may wish to consider.
- The realism of candidates' estimates of the time and effort that they need to devote to WHO, combined with the relative value of the differing bids on a cost-per-audit month basis may be important. Total cost is not the only factor, and the relative value represented by the different bids is also relevant in considering who might deliver the best job for the Organization.

11. Unrelated to the individual candidatures being considered for appointment, we have noted that there is at present no detailed engagement agreement between the External Auditor and the Organization following the appointment decision by the Health Assembly. The Organization does not at present utilize any formal engagement letter process or letter of understanding to delineate the relative responsibilities of the External Auditor and the Organization/Director-General and other relevant matters. Notwithstanding the provisions on external audit contained within the Organization's Financial Regulations and Financial Rules, the use of engagement letters is usual and consistent with the International Standards on Auditing and good professional practice.

12. We therefore *recommend* that the Director-General request the new External Auditor to provide a letter of engagement for signature by both parties to confirm the terms and nature of the appointment.

Investment, income and cash management

13. We have further reflected on WHO's position in relation to treasury operations and cash management and have been provided with an update on progress made since our consideration of this subject in our previous meeting. WHO remains relatively dependent on a single currency, the United States dollar, for most of its income, while expenditures typically occur in a much wider array of currencies. There is thus a certain mismatch which presents a currency exposure that can be a major risk, considering the recent movements in exchange rates.

14. The Independent Expert Oversight Advisory Committee welcomes the improvements made by the Secretariat in foreign currency hedging procedures. However, WHO presently conducts foreign currency hedging for a relatively small amount of receivables and has tended to hedge for the maturity and terms that fit its budgeting cycle. In addition, there may be an issue with the cost of hedging and potential foreign exchange losses if the market turns against the Organization's hedged position. The Committee points out that foregoing a potential gain due to hedging may be much better than having to live with an actual loss that could have been avoided through the proper use of hedging.

15. As long as WHO's main revenues continue to be in United States dollars while the majority of its expenses are in other currencies, the Organization will have to contend with currency mismatching.

This problem is likely to become more acute over the next few years if there is a continued weakening of the dollar and increased volatility in the currency market.

16. In this context, we believe that WHO could benefit from managing its foreign currency exposure in a more flexible manner, keeping in view changes and trends in the market, and hedging over a shorter period. We consider that WHO might usefully look to hedge its mismatched operational expenses over the forward three to six months.

17. We suggest that WHO consider (i) extending its present activity in addressing foreign exchange issues, to engage the Investment Advisory Committee regularly on foreign exchange management, and (ii) preparing the Organization to accept a certain degree of potential foreign exchange loss as a cost for insuring against currency mismatching. (Even these measures, while useful in the opinion of the Independent Expert Oversight Advisory Committee, do not remove the basic problem of currency mismatch in a relatively long two-year budget cycle and, consequently, the currency risks associated with it in the longer term).

Financial planning, budgeting and budget control

18. The Independent Expert Oversight Advisory Committee looked further into how WHO's budget is managed and controlled internally at the operational level, from the particular perspective that the budget process and related controls need to provide assurance on overall accountability. We noted that there are a number of controls at that level which are normally not apparent to WHO's membership when it is called to consider the proposed programme budget. While it remains therefore true that WHO's programme budget is fairly "strategic", this does not mean that there is an insufficient degree of control at the operational level – a misconception that might be behind some of the tight conditions imposed by donors for their contributions.

19. Given the present imbalance between assessed and voluntary contributions, the Committee shares the concern expressed by the Secretariat and many donors and Member States about the increasing rigidity of much of the funding that the Organization currently receives. This could give rise to a risk of WHO deviating from previously-agreed objectives, if voluntary contributions begin to drive operational activities. There may also be some increasing risk that WHO could lack the means to comply with its remit in areas that are less well supported by voluntary funds and non-assessed contributions. The importance of the matter becomes clear once it is recognized that flexibility is needed in the funding of programmes and administrative support alike, although the Secretariat can only rely on assessed contributions for about one fifth of its total budget.

20. For these reasons, the Independent Expert Oversight Advisory Committee generally supports the budget direction proposed by the Director-General as part of her current reform agenda, which recognizes the need for an improved results-based management framework with increased accountability at all levels, as a necessary accompaniment to increased certainty on funding and flexibility.

21. The Committee believes that there is a need to move away from budgeting essentially for what WHO already does and to move towards the concept of budgeting for what WHO will need to do in the future, which might be quite different in many areas of its mandate.

22. An increased certainty of funding, which the Organization now needs, might possibly come not so much from any hope of increasing the share of the assessed contributions as a percentage of total budget, nor of drawing a distinction between a "core" versus "supplemental" budgets, but rather by

distinguishing more effectively between more certain and less certain funding. Starting from an analysis to ascertain which pledges are relatively certain and which funds are likely to be regularly available, the budget might then be viewed in two parts: one part funded and assumed, and one part contingent on confirmation of funding. Adopting this approach will, of course, require identifying criteria or principles for determining which kinds of activities/programmes would be funded by the different parts of the budget.

23. In terms of financial control, the Committee considers that the current control relationship between regional, country-level and programme finance officers on the one hand, and the Department of Finance on the other, needs to be better defined in favour of securing an improved and more effective corporate financial control framework. At the same time, the Department of Finance needs to be even more involved in tackling common financial compliance problems at the country, regional and programme levels, in partnership with the respective line management.

24. In that respect, we *support* the recommendation made by the External Auditor of revising the authority of the Comptroller to establish a more influential relationship for headquarters with the regional, country-level and programme finance officers.

Enterprise risk management

25. The WHO's implementation of enterprise risk management is still very much a work in progress, remaining confined to the pilot stage and applicable only to the General Management Cluster. It remains extremely limited, therefore, in corporate governance and operational terms, which itself constitutes one of the risks with which the Organization is faced. While risks have been defined and catalogued and the related mitigation responsibilities assigned in the areas of administration and finance at the centre, the same is not yet true on a strategic and Organization-wide basis, at the regional level, or for the majority of WHO's technical operations. Thus WHO's strategic risks are not yet being identified and managed in a corporate fashion.

26. The Independent Expert Oversight Advisory Committee acknowledges that risk identification and mitigation is already being performed in WHO's technical areas (for example, concerning drug-resistant tuberculosis or antimicrobial resistance). However, this activity is not related to strategic risks, since they have not yet been defined; it is not sufficiently coordinated with risk management at other levels of the Organization; and it is not homogenous in terms of technical criteria. In that respect, it would be helpful for the Director-General, perhaps with the assistance of the Office of Internal Oversight Services, to arrange for briefing seminars on risk management, especially for senior-level staff, so that there is a shared understanding throughout the Secretariat on how to implement the concept of risk management. Furthermore, the whole enterprise risk management process could benefit from the participation of the Office of Internal Oversight Services in review meetings, since internal auditors are familiar with the technicalities of structured risk assessment and management.

27. We *recommend*, therefore, that the risk management arrangements be extended to the strategic and corporate level with the minimum delay. Finally, we would like to *stress* that the risk identification process, while it should obviously be led and driven forward by the Director-General, also needs to be shared with WHO's membership and main stakeholders, in particular its governing bodies, so that the latter can take ownership of it and thus arrive at a consensus on the main risks the Organization is facing, which alone can guarantee the necessary stability for implementation of enterprise risk management.

External audit

28. The Independent Expert Oversight Advisory Committee reviewed the External Auditor's outputs and noted the interim report of the External Auditor to the Sixty-fourth World Health Assembly.¹ The Committee furthermore commented on the External Auditor's draft workplan for the period June 2011 to May 2012. We plan to look further at the way in which the risks identified by the External Auditor are factored into the audit work subsequently carried out; and the adequacy of audit coverage of key areas of risk. We will continue to address this in future reports.

29. We have *noted* that a stronger system for the management tracking of recommendations would be welcome and increase both accountability and impact. This would call for the addition of time lines and details of the officials responsible (at the execution level) for the implementation of recommendations.

Financial reporting and the transition to IPSAS

30. The Independent Expert Oversight Advisory Committee considers that the adoption of IPSAS by WHO and other organizations of the United Nations system, and in particular the improvements in accountability which are made possible by improved financial reporting, represent a major opportunity for the establishment of an improved internal control framework, which still needs to be set up in a more formal manner in WHO.

31. While the full adoption of IPSAS by WHO has been delayed somewhat owing to the challenges with the full roll-out of the Global Management System, the Organization is now intending to become IPSAS compliant for 2012. This is still an ambitious target if major efforts at all levels of the Organization, and more especially at the regional and country levels, are not taken forward energetically and actively monitored. Such major change initiatives usually require a change in organizational culture. Suitable internal governance arrangements need to be adopted, including the education of budget holders and other staff to ensure the appropriate recognition, and challenge, of underpinning financial data; new or revised systems and processes need to be embedded and non-finance staff trained in accounting policies and accruals-based concepts; and processes and information flows, including financial procedures, need to be redesigned.

32. The Committee noted that in WHO, unlike other United Nations agencies with which its members are familiar, the transition to IPSAS has not been project-managed by way of a separate IPSAS team, but largely relies on the efforts of its regular line management in finance and accounting, with some support from others, in particular the Directors of Administration and Finance in the regions. Thus, IPSAS-related work is an extra task added to the regular work of these officials.

33. While this way of proceeding has some advantages, for example offering easier implementation of IPSAS-related decisions in certain instances, the Committee (like the External Auditor) has some concern about the risk of the Organization not successfully meeting the target date of 2012, or of it not securing a favourable audit opinion, given the relatively limited manpower and funding available for IPSAS implementation in WHO.

¹ Document A64/30.

34. In this context, we *are of the opinion* that it would be beneficial if WHO stepped up its communication efforts concerning IPSAS adoption with regard to its membership and major donors alike, so as to obtain their proactive support beyond formal endorsement and make clearer the related costs and risks.

35. The Committee also considered how to make IPSAS relevant in terms of accountability and reporting.

36. We *consider* that the annual financial reporting against budget required under IPSAS, and the establishment of a new Statement on Internal Control to accompany the annual financial statements (with its accompanying supporting procedures and certification at different levels of the management structure) would be beneficial in this regard.

Internal oversight

37. Review of the effectiveness of the internal audit function is a key part of the responsibilities and terms of reference of the Independent Expert Oversight Advisory Committee. The reports and outputs of the Office of Internal Oversight Services are routinely provided to and considered by the Committee.

38. The Committee notes the efforts by the current leadership of the Office of Internal Oversight Services to contribute towards identifying and mitigating WHO's operational risks through its mix of compliance, performance and integrated audits. We intend to discuss further and regularly with the Office the application of risk-assessment criteria, and the approach to and balance of coverage between compliance and performance audits.

39. Concerning programme evaluation, the Committee appreciates the need for a formal evaluation policy and welcomes the recent efforts made to develop the draft policy that was shared with the Committee. Even though, because of resource constraints, the Office of Internal Oversight Services itself is unable to give full attention to all areas in need of evaluation, we consider that this policy should cover all parts of the Organization, including hosted partnerships and programmes with a special governance structure. Furthermore, it should emanate from the top and be issued by the Director-General.

40. Notwithstanding efforts made by the Office of the Director General to protect resources for the Office of Internal Oversight Services, the External Auditor has pointed out in his report that current resources are not commensurate with the latter Office's responsibilities or the Organization's assurance needs, and even the Office's limited staff complement is not fully filled at present. The External Auditor therefore concludes that more resources are needed if adequate internal oversight coverage is to be attained. The Director of the Office of Internal Oversight Services has been pursuing a number of initiatives to increase the coverage of internal oversight within existing resources, such as the use of questionnaires and desk audits, and short-form reports for compliance audits, the feasibility and potential for which could expand with the introduction of the Global Management System. We will continue to discuss with the Office of Internal Oversight Services how their coverage can be managed to best effect.

41. The Independent Expert Oversight Advisory Committee also shares the perception that at current resource levels, coverage by the Office of Internal Oversight Services of WHO's field offices is not broad enough and we will continue to monitor the situation and the measures taken to close the needs gap. We agree with the Office on the appropriate role of the latter in enterprise risk

management, which should be to actively participate in the review of risk identification and the definition of mitigation plans; and to take the opportunity of audit missions to assess whether enterprise risk management is correctly understood and handled by WHO management from the policy and executive levels down the line.

42. Regarding the investigative work of the Office of Internal Oversight Services, particularly relating to its involvement in staff complaints about harassment, the Committee perceives a potential risk that this part of the Office's workload may increase, requiring increased resources, the recognition and planning for which should be addressed as early as possible. Nevertheless, the Committee welcomed being informed that at least limited funds are available to the Office for obtaining external assistance when required.

43. We confirmed that the Director of the Office of Internal Oversight Services has an appropriate and unconstrained level of access to the Office of the Director-General and to the Director-General; and that regular, informal briefing meetings with the Office of the Director-General on internal oversight issues are held as appropriate.

44. Concerning the issue of reporting on the status of implementation of audit recommendations, we have provided some guidance on improved monitoring and will continue to do so, working closely with management in this process. In this context, the Independent Expert Oversight Advisory Committee sees an opportunity to make more effective the various distinct oversight reports which are addressed to the governing bodies from the Office of Internal Oversight Services, the External Auditor, the Comptroller's office and the United Nations Joint Inspection Unit. We will be pursuing this in future meetings.

The Global Management System and related information and communications technology issues

45. The Independent Expert Oversight Advisory Committee was updated on progress made, in particular with the roll-out of the Global Management System to the African Region, and we discussed the more strategic challenges that the System presents for WHO's management of information and communications technology.

46. A fundamental problem is that although the Global Management System, like any enterprise resource planning system, is designed around end-to-end business processes, the System's current "business owners" are the directors of the organizational entities with the nearest match to the respective business process. The Global Management System's "end-to-end" processes often cut across existing organizational boundaries. Since there is a lack of alignment between the business process and the current organizational entities, the organizational "silos" in charge of a particular functionality tend to take precedence over the end-to-end workflow aspects of the System, which can give rise to business process inefficiencies and control issues at a corporate level. Structural changes need to be considered around the management of these end-to-end processes, in order to better align management processes to the System, in particular to enhance the effectiveness of controls.

47. An even more important and potentially risky aspect of the development of the Global Management System for the Organization is the fact that WHO chose to add a high degree of customization to the basic Oracle functionality. Having taken a number of years to fully roll out this highly customized system, WHO now faces an imminent problem that by 2013 Oracle will cease support to the current version of the basic product, while an upgrade of the system as presently configured would be complicated and very expensive. Unless a transition to the new version of Oracle

can be made, the Global Management System risks becoming a proprietary system no longer warranted by its original supplier, with all the problems and costs that this would entail.

48. Maintaining the accuracy and continual updating of WHO's records might become a particular challenge for the impending transition to IPSAS with its extensive requirements for inventory and fixed assets categorization and cataloguing. The Global Management System's records management system, the subject of a recent audit, has proved to be an ongoing challenge as the questions of access and updating modes have not yet been solved in a satisfactory manner. The current link between staff and financial data is also still facing some problems.

49. We therefore agree with the assessment by WHO's Department of Information Technology and Telecommunications that it is important to refrain from further customization or enhancement as the System stabilizes in the near term; and that the level of customization should be reduced as much as possible to facilitate the opportunity to migrate in due course to an upgraded platform under the next generation of the Oracle system (or an alternative solution) without excessive costs.

50. The Independent Expert Oversight Advisory Committee also noticed that the current Business Owners' Committee for the Global Management System no longer includes the technical programme areas that were supposed, however, to be major users of the System. Their experience and inputs into the debate can thus not be captured at the level of the Business Owners' Committee. The wider project management of the Global Management System involving end-users changed in emphasis after roll-out to the African Region and the optimization of the System has become an information technology responsibility.

51. The continuing importance of the issues referred to above prompts us to wonder whether the Global Management System would benefit from a project management approach involving all parties concerned to guide it safely through its various phases of transition; and also whether System-related issues in general, and the governance and accountabilities delivered by the System, would not benefit from being debated more intensively within the Programme, Budget and Administration Committee and the Executive Board. The Department of Information Technology and Telecommunications, while responsible for System hosting, connectivity across organizational locations, performance, and the professional technical management of product changes and upgrades, does not have ownership of the Global Management System. That is the responsibility of the whole Organization, currently represented by the Business Owners Committee. We suggest that a revised governance structure might be considered for the future development of the Global Management System.

52. For reasons of efficiency, we *recommend* that WHO consider including in its reform agenda a project to review and focus its internal control processes and procedures on critical issues, in order to deliver the increased transparency and harmonized business processes envisaged under the Global Management System within what we see as a still-needed enhancement of accountability in structures and practice. This might be crucial for the coming upgrade of the System as well as for the medium-term reform of the Organization.

Briefing on the work of the cluster dealing with HIV/AIDS, tuberculosis, malaria and neglected tropical diseases

53. The Independent Expert Oversight Advisory Committee wished to extend the application of its functions to programmatic and operational areas, in order to obtain a better understanding of the Organization's role and operational activities. This briefing was the first that the Committee had received from one of WHO's technical clusters. We found this highly useful, as it brought into sharp

focus the difficulties in WHO's day-to-day work which arise from a dependence on voluntary contributions. It was noted that the additional programme support costs for voluntary contributions do not currently benefit the technical programmes in charge of executing the corresponding projects, but serve to finance only the associated general management support services.

54. Other issues highlighted by the work of the cluster relate to WHO's current governance structure, in particular the relationship between, and different treatment of, WHO's regular technical programmes and its hosted partnerships, which we were informed sometimes argue for special treatment within the Organization's administrative rules and regulations and accountability frameworks, which in principle should apply equally to all entities managed by it. We also noted the magnitude of time and effort required of senior management to host the partnerships.

55. A further issue area brought into focus during this briefing was the way in which WHO's strategic risks are assessed and managed in the cluster and how to involve regions in the process of risk management. In the absence of systematic, enterprise-wide risk management arrangements integrated with the Organization's business processes, this is presently a function carried out in "silo" fashion, within the programme cluster, rather than as a corporate activity (see our remarks above concerning the implementation of enterprise risk management).

The Director-General's reform agenda for WHO

56. The Independent Expert Oversight Advisory Committee received an extensive briefing on this item by the key protagonists in the Secretariat and we generally welcome the strong focus on the need for improved results-based management and accountability which underpins the individual steps being proposed.

57. In the Committee's view, WHO currently runs a risk of being unduly hampered by "silos" within its overall structure, be they insufficiently integrated hosted partnerships, technical programme areas having, de facto, acquired special rights and privileges over time, or certain of its regional operations. This poses a challenge to the effectiveness of accountability in WHO's internal governance structure which increasingly needs to be addressed.

58. While not directly related to the ongoing WHO reform process, which has been initiated independently of any particular external evaluation of WHO, and while recognizing that their particular objectives and methodologies are not always congruent with WHO's own specific needs, some recent external evaluations by various donor groups indicate the nature of the risks to effective accountability that the Organization is faced with.

59. This applies notably to two recent multilateral aid reviews, one dated February 2011 by the Department for International Development (United Kingdom of Great Britain and Northern Ireland), and a report on WHO prepared in late 2010 by the Multilateral Organization Performance Assessment Network, a key donor group, both of which were looked at by the Committee. Whatever the merits of any particular conclusions from these reports, donor perception is always a key issue of concern in an organization funded predominantly by voluntary contributions and such reports can present risks that require managing, particularly if the main concerns expressed are not seen to be sufficiently addressed.

60. The review of the Department for International Development pointed, inter alia, to WHO's clear mandate and strong leadership in the humanitarian health cluster but referred to the Organization's still insufficiently clear results chain framework and its more variable ability to deliver strategic results at country level. The report also commented on WHO's cumbersome governance structure, which limits

influence on the regions; and the need in effect for improved accountability and disclosure. The assessment of the Multilateral Organization Performance Assessment Network included a comment that the Organization's results focus has not yet fully penetrated the institutional culture, which hampers the ability to identify a logical chain of results and develop clear, relevant and specific indicators.

61. In this context, we wonder whether – in keeping with the reform agenda – WHO would do well to better articulate its role in line with its unique mandate in the normative areas of standard-setting and coordination in public health. WHO's communications function, currently fragmented across technical programme areas and partnerships, appears to be in need of recentralization to some degree, towards a more corporate communications approach.

A FINAL WORD ON INTERNAL CONTROL AND ACCOUNTABILITY

62. From our review to date, we consider that WHO has progress to make (i) within its new systems and reporting environment in delineating a sufficiently clear and fully integrated internal control framework that encompasses the definition of essential key controls (major processes that must be done right and be controlled to ensure Organization-wide compliance); (ii) with effective, standard operating procedures to ensure this; and (iii) with a corporate hierarchy of control responsibilities. We consider that this is one of the most important aspects for the Organization to address, and have made a number of suggestions to this end. There may also be a benefit in setting up a working party to create this framework, with participation from the Comptroller's office, the Office of the Internal Oversight Services and the External Auditor. We would be pleased to provide further advice as necessary.

63. Accountability requires that the role and priorities of WHO are well defined and understood. Accountability has to be supported by responsibility, whether at governing body or internal management levels. Furthermore, in order to make accountability effective, the Organization needs to define effective measures and indicators at the operational level beyond simply monitoring expenditure against budget. Annual work planning and reporting may help in this respect.

Mr Graham Miller, Chairman

Marion Cowden, John Fox, Hélène Ploix, Veerathai Santiprabhob

Appendix

INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE**TERMS OF REFERENCE¹****PURPOSE OF THE COMMITTEE**

1. As an independent advisory committee established by the Executive Board of WHO, and reporting to the Programme, Budget and Administration Committee, the purpose of the Independent Expert Oversight Advisory Committee is to advise the Programme, Budget and Administration Committee and, through it, the Executive Board, in fulfilling their oversight advisory responsibility and, upon request, to advise the Director-General on issues within its mandate.

FUNCTIONS

2. The functions of the Committee shall be:
- (a) to review the financial statements of WHO and significant financial reporting policy issues, including advice on the operational implications of the issues and trends apparent;
 - (b) to advise on the adequacy of the Organization's internal controls and risk management systems, and to review management's risk assessment in the Organization and the comprehensiveness of its ongoing risk management processes;
 - (c) to exchange information with, and review the effectiveness of, the Organization's internal and external audit functions, as well as to monitor the timely, effective and appropriate implementation of all audit findings and recommendations;
 - (d) to advise on the appropriateness and effectiveness of accounting policies and disclosure practices and to assess changes and risks in those policies;
 - (e) to provide, on request, advice to the Director-General on the matters under points (a) to (d) above;
 - (f) to prepare an annual report on its activities, conclusions, recommendations and, where necessary, interim reports, for submission to the Programme, Budget and Administration Committee by the Chairman of the Independent Expert Oversight Advisory Committee.

¹ See documents EB125/2009/REC/1, resolution EB125.R1, Annex; and EB126/25.

COMPOSITION

3. The composition of the Committee and the qualifications of its members shall be as follows:
- (a) The Committee shall comprise five members of integrity and objectivity and who have proven experience in senior positions in the areas covered by these terms of reference.
 - (b) Following consultations with Member States, the Director-General shall propose to the Executive Board candidates for membership of the Committee. Members of the Committee shall be appointed by the Executive Board. No two members shall be nationals of the same State.
 - (c) Members shall provide their services free.
 - (d) Members must be independent. They shall serve in their personal capacity and cannot be represented by an alternate attendee. They shall neither seek nor accept instructions in regard to their performance on the Committee from any government or other authority external to or within WHO. All members will be required to sign a declaration of interest and a confidentiality agreement in accordance with WHO practice in this respect.
 - (e) Members shall collectively possess relevant professional, financial, managerial and organizational qualifications and recent senior-level experience in accounting, auditing, risk management, internal controls, financial reporting, and other relevant and administrative matters.
 - (f) Members shall have an understanding of and, if possible, relevant experience in the inspection, investigative processes, monitoring and evaluation.
 - (g) Members should have or acquire rapidly a good understanding of WHO's objectives, governance structure and accountability, the relevant regulations and rules, and its organizational culture and control environment.
 - (h) Committee membership should have a balanced representation of public and private sector experience.
 - (i) At least one member shall be selected on the basis of his or her qualifications and experience as a senior oversight professional or senior financial manager in the United Nations system or in another international organization.
 - (j) In the selection process, due regard shall be given to geographical representation and gender balance. In order to retain the most equitable geographical representation, membership should be rotated among the WHO regions to the extent possible.

TERM OF OFFICE

4. The term of office shall be four years, non-renewable, except that the term of office for two of the initial members shall be two years, renewable once only for four years. The Chairman of the Committee shall be selected by its members. He or she shall serve in this capacity for a term of two years.

ADMINISTRATIVE ARRANGEMENTS

5. The following arrangements shall apply:
- (a) Members of the Committee not resident in the Canton of Geneva or neighbouring France shall be entitled to the reimbursement of travel expenses in accordance with WHO procedures applying to members of the Executive Board.
 - (b) The Committee shall meet at least twice per year.
 - (c) The quorum for meetings of the Committee shall be three members.
 - (d) Except as provided for in its terms of reference, the Committee shall, *mutatis mutandis*, be guided by the rules of procedure of the Executive Board concerning the conduct of business and the adoption of decisions. The Committee may propose amendments to its terms of reference for consideration by the Executive Board, through the Programme, Budget and Administration Committee.
 - (e) The Committee may decide at any time to obtain independent counsel or outside expertise if necessary and shall have full access to all WHO files and archives, which shall be treated on a confidential basis.
 - (f) The WHO Secretariat will provide secretariat support to the Committee.

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