

## **Report of the Sixth Meeting of the Independent Expert Oversight Advisory Committee (IEOAC) of the World Health Organization**

**(Geneva, 27-29 February 2012)**

The meeting was the first of three IEOAC meetings planned for 2012. The agenda for the meeting is attached at Annex 1. The IEOAC Terms of Reference are at Annex 2.

In attendance throughout: Marion Cowden (Chair), John Fox, Veerathai Santiprabhob.

### **Items 1 and 2 - Welcome and administrative matters**

1. The meeting began with the Committee holding a private session for IEOAC members only.
2. In subsequent open session, the Committee advised that, following the conclusion and non-renewal of the terms of the former Chairman, Mr Graham Miller and member Ms H el ene Ploix and pending the appointment of two new members, Marion Cowden had been selected to act as Chair. The Chair confirmed a quorum with all members present, and declarations of interest (no conflicts of interest recorded). The agenda was adopted.
3. The Committee noted that it had agreed, that notwithstanding its reduced size, the planned meeting with representatives of members states should go ahead and requested the Secretariat to confirm arrangements, noting that it had agreed, in private session, that a further such meeting would be arranged when the Committee was again at full strength.
4. The Secretariat provided the Committee with an outline of the process in place to identify two new members for the Committee.

### **Item 3 –WHO financial statements**

5. The External Auditor and representatives from the Finance Department joined the meeting for this item and the Committee received a comprehensive briefing on the contents of the financial statements. Items still being agreed with the External Auditor were noted. The Committee commented on presentation of some items.
6. The Committee noted that the audit of the financial reports was still in progress at the time of its meeting and it was therefore unable to form a definitive view on the financial report and the report of the auditor. It did, however, have the opportunity to engage in dialogue with both management and the external auditor in relation to the process for identifying and resolving audit issues, some of which relate to the interpretation of International Public Sector Accounting Standards. The Committee was pleased to observe the positive steps being taken by both parties to resolve these issues.
7. The Committee was advised of changes to key positions within the Financial Management (FNM) area as a consequence of resignations and identified a wish to explore the impact on capability

of the section at a future meeting having regard to reconfiguration of work resulting from GSM implementation.

#### **Item 4 – WHO Reforms**

8. The Committee received an update on the actions taken since its last meeting in relation to the reform process. It noted that WHO is undertaking an ambitious programme of reform that will require many strands of activity to be co-ordinated and expressed the view that successful achievement of the reforms will require dedicated resources. The Committee **recommended** that the Secretariat evaluate the resources required (both people and money) and obtain the necessary financial support from Member States.
9. The IEOAC reiterated its support for the reform process and its wish to continue to provide input to the process consistent with its independent advisory role.

#### **Item 5 – Treasury and Currency Risk Management; Hedging**

10. The Committee received a briefing on options for changes to the currency in which assessed contributions are made. This is part of the series of responses prepared by Management as possible solutions to the structural mismatch between the currency in which assessed contributions are received and the currencies in which payments are made. The Committee **supports** a switch from assessment in US dollars to assessment in Swiss Francs as the most reasonable and effective way to solve the structural mismatch.
11. Another option suggested splitting the assessment into two currencies, a solution adopted by some other agencies. The Committee does not support this solution as WHO has a greater mismatch of currencies than do those other agencies and a split assessment may be complicated for member states.
12. A further option suggested assessing different member states in different currencies, for example, assessing the European members in Swiss Francs because the Swiss Franc is currently pegged to the Euro. The Committee does not support this option as the allocation of Member States to Swiss Franc or US dollar assessments could be seen as arbitrary and would open debate about the currency of assessment for individual Member States. In addition, there is no guarantee that the peg between the Swiss Franc and the Euro will remain in place.

#### **Item 6 - Internal Control Framework**

13. The Committee received an update on the preparation of standard operation procedures (SOPs). It noted that the original focus of a financial control framework had evolved into a wider internal control framework in which financial controls remained a dominant focus. The extent of activity in this area is commendable and the Committee looks to the Director-General and her senior team to embed ownership of internal control throughout the management of WHO. The Committee wishes to stress the need for understanding of the concept of internal control and acceptance of responsibility for it at all levels of management. Because the development work in this area currently resides in FNM there is a risk that internal control compliance will be seen as meeting a finance requirement and not as a mainstream responsibility of technical managers. For this reason, and recognising that there is a need for ongoing co-ordination, ownership and regular refreshing of SOPs, the Committee invites WHO management to consider whether this

role should sit outside FNM, perhaps within the General Management area or even with the Executive Office of the Director-General..

14. The Committee was advised that a future step in the SOP development was to identify all the control points included in the SOPs and match them to risks. The need for this linkage was reinforced by the Internal Oversight review of SOP development and by the External Audit of GSM. The Committee noted that because the control framework is based on the development of SOPs first, then the identification of controls and the matching of those to risks, there is a high chance that procedures will be defined based on current practices, especially manual practices and the control capabilities of GSM will not be used to best advantage.
15. The Committee intends keeping this area under review noting that Internal Oversight monitors compliance with controls when undertaking its reviews.

#### **Item 7 – Special Briefing on new developments with reference to budgetary control of humanitarian aid managed by the European Community Humanitarian Office (ECHO)**

16. The Committee received an update on the resolution of the European Union (EU) Parliament regarding oversight and verification of spending of funding from the EU. The Committee observed that this could pose significant additional costs for WHO and undermines the single audit principle. As EU donor agreements lock in a rate of 7% for programme support costs while the WHO standard rate is 13%, the Committee **recommends** that WHO take all practical steps when negotiating donor agreements to identify all relevant costs directly attributable to the project including those that would be identified by technical managers as administrative support but which would not be incurred by WHO if it was not undertaking that programme of work.
17. The Committee noted the reference in the EU resolution to the sharing of audit reports and **recommended** to WHO management that WHO identify its disclosure policy in this regard. The Committee expressed its view that internal oversight is an internal function and any disclosure of internal audit reports to an outside donor should be in the context of specific audit objectives agreed with that donor.

#### **Item 8 – Enterprise Risk Management**

18. The Committee received a presentation on corporate and strategic risks identified by senior managers and commends the progress made in identifying risks beyond the administrative area. The Committee looks forward to future consultation as these risks are developed and the mitigation strategies documented. The risks identified provide a good start that should lead to corporate and strategic risk being a standard agenda item at meetings of senior management. The Committee noted the Secretariat's intention to share the risk identification and supporting material with PBAC and Member States when the work is further developed.

#### **Item 9 – Internal Oversight Matters**

19. An update from IOS and a session with just the Committee members and the Director of IOS is a standing agenda item for the Committee. As a result of the briefing at this meeting, the Committee commends IOS on its work planning and efficiency improvement as a consequence

of utilising GSM data to conduct desk reviews of country offices. This has significant potential to shorten the periodicity of audits of individual country offices. The Committee noted that, on the other hand, IOS's ability to tackle its full plan of work is hampered because recruitment to vacant positions is taking some time. In addition an increase in harassment complaints pursuant to WHO's policy is having a major impact on IOS's ability to handle other investigations. The impact on workload of harassment investigations is likely to be compounded by a requirement for additional steps and processes stemming from recent International Labour Organisation Tribunal judgements.

20. On the subject of evaluation, the Committee noted that the draft evaluation policy had been submitted to Member States for consultation and feedback indicated positive support and a welcoming by Member States of a more proactive role for them in oversight of evaluation. The independent evaluation commissioned by Executive Board is underway and IOS is providing support. The Director of IOS and his team have given consideration to the next steps required to give practical effect to the proposed evaluation policy and its associated programme of work.
21. The GSM and its planned upgrade were discussed and the Committee noted the advice from IOS regarding the potential to enhance the internal controls within the system at that time while recognising the multiple objectives of improved control, reduced complexity and change to the IT environment will require careful management.

#### **Item 10 – Update on developments regarding IPSAS**

22. The Committee received a briefing from the Controller on progress towards resolving differences of opinion between the Secretariat and the External Auditor regarding the interpretation and application of International Public Sector Accounting Standards. The Committee noted the progress and the action the Controller had taken in addressing the issue with the Auditor-General of India.

#### **Item 11 – IEOAC members meeting with Members States' Representatives**

23. The Committee had previously notified its intention to make itself available for a meeting with Member State representatives. An informal meeting was held with interested representatives and a range of issues canvassed with those representatives. As the Committee comprised only three members at the time of this meeting, representatives were advised of an intention to hold another meeting at a later date when the Committee is again at full strength.

#### **Item 12 – External Auditor**

24. The Committee met with External Audit during its review of the financial statements and again in a separate meeting including a private session with the representative of the Auditor-General of India. This separate meeting provided an opportunity to review the key points arising from audit letters. The topics identified have previously been raised by the external auditor and it is of concern to the Committee that these remain unresolved. Topics of concern are the management of imprest bank accounts including failure to regularly reconcile bank account balances to the underlying records and use of imprest bank accounts for payments that should be made through the GSM. The advent of GSM and its associated processes has led the auditor

to question the need for imprest bank accounts at all stations. Other matters of concern relate to a lack of transparency in procurement and service contract arrangements.

### **Item 13 - Discussion of WHO financial statements – covered under Item 3**

### **Item 15 - Partnerships**

25. The Committee received a briefing on the work being done to give effect to the WHA's decisions relating to partnerships. A productive discussion took place regarding the work being done on harmonisation of the memoranda of understanding (MOU) between WHO and its various partners. The Committee suggested that harmonisation could have the unintended consequence of producing a document that, instead of introducing best practice, merely replicates the features of existing MOU across all partnerships. Instead, the Committee recommended an approach based on risk analysis of partnerships. This would require the establishment of a risk matrix with relevant criteria. Such a risk-based approach would help identify partnerships that are working well, those where intervention is needed to reduce risk as well as those where circumstances have changed so significantly from the time of their establishment that a sun-setting evaluation is called for.
26. The Committee requested further information for its July meeting on how the partnerships fit with the programme budget.

### **Item 14 – Meeting with WHO Management, topics for next IEOAC Meeting, date of next meeting**

27. The Committee met with senior management from the Secretariat to review its findings and recommendations as set out in this note of meeting.
28. The Committee deliberated about the topics to be included on the agenda of its next meeting, and agreed that the next agenda would include an induction session for the two new IEOAC members; a briefing from the Information Technology Department, in the presence of the Global Management System (GSM) business owners, on progress with the implementation of the GSM upgrade and the concomitant removal of complexity; an update on enterprise risk management (ERM); briefings by the Organization's internal and external auditors and on audit tracking and follow-up of outstanding audit recommendations; (subject to availability), a session with selected senior staff from the regions; a briefing on the status of the WHO reform agenda; an update on investment management performance; briefings on progress regarding the WHO internal control framework; and any other updates and briefings as required (e.g. on WHO partnerships, the planning and budgeting process, IPSAS implementation, the programme support cost issue, etc.)
29. The date of the next meeting of the IEOAC was confirmed as 2 – 4 July 2012.

### **Item 16 – Consideration of IEOAC Annual and Meeting Report**

30. The Committee then agreed on the content of its annual report to the Programme, Budget and Administration Committee and agreed to include a recommendation to amend the terms of

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reference in line with the changes previously agreed by the Committee at its November 2011 meeting.

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ANNEX 1



## Independent Expert Oversight Advisory Committee

### 6<sup>th</sup> Session, 27-29 February 2012

Monday 27 February 2012

Meeting room F – 8<sup>th</sup> floor

1. 08:30-09:30 **Welcome**, followed by private session for IEOAC members only  
With welcome coffee
2. 09:30-10:30 **Administrative matters & update on PBAC/EB Sessions in January 2012.** Confirmation of quorum; declarations of interest; adoption of the agenda; matters arising from the previous meeting not otherwise covered by the agenda; selection of new Chairman; detailed arrangements for the IEOAC meeting with Member States. (Comptroller)
3. 10:30-13:00 **In-depth briefing by FNM on the WHO financial reports** for the end of the biennium 2011 (Comptroller, Chief Accountant, Director IOS)
4. 13:00-14:00 **WHO reforms:** Briefing from the Secretariat on developments since the last IEOAC meeting in November 2011. (Working luncheon with Executive Director/DGO and ADG/GMG)
5. 14:00-15:00 **Treasury/currency risk management/hedging:** to cover update on currency risk management and formulation of recommendations for the IEOAC's annual report to PBAC16 in May 2012 (Comptroller, Coordinator FNM/TSY)
6. 15:00-16:00 **Discussion of progress regarding the WHO Internal Control Framework with special emphasis on financial control** (Comptroller, Chief Accountant)  
  
16:00-16:15 Coffee break
7. 16:15-17:30 **Special briefing** on new developments with reference to budgetary

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control of humanitarian aid managed by ECHO (European Parliament resolution of 2<sup>nd</sup> February 2012) and their implications for WHO (Comptroller, Technical Officer PRP)

**Tuesday 28 February 2012**  
**Meeting room F – 8<sup>th</sup> Floor**

**8. 08:30-09:30 Enterprise Risk Management:** Update by ADG/GMG

**9. 09:30-11:00 Internal Oversight Services matters, including progress on investigations.** (Director and Deputy Director IOS, Director of External Audit)

11:00-11:15 Coffee break

**10. 11:15-12:15 Update on developments regarding IPSAS** (Chief Accountant)

12:15-13:15 Lunch break

**11. 13:15-14:30 IEOAC members will meet with WHO Member States' Representatives** (To be confirmed by DGO)

**12. 14:30-15:30 Discussion of the WHO financial reports for the end of biennium and other external audit matters in the presence of the outgoing WHO External Auditor.** Part I (Comptroller, Chief Accountant, Director IOS)

15:30-15:45 Coffee break

**13. 15:45-16:45 Discussion of the WHO financial reports for the end of biennium and other audit matters in the presence of the outgoing WHO External Auditor.** Part II (Comptroller, Chief Accountant, Director IOS)

**14. 16:45-18:00 Exchange with WHO Management, including topics for next IEOAC meeting, dates for 2012, farewell and AOB**

**Wednesday 29 February 2012**  
**Meeting room F – 8<sup>th</sup> Floor**

**15. 08:30-09:30 Briefing on developments regarding the reform of WHO's Partnership arrangements and discussion of related policy issues** (Director PRP, GMG/Management Officer)

**16. 09:30-end Consideration of IEOAC annual/meeting report**  
(With coffee break)



**ANNEX 2**

**INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE**

**TERMS OF REFERENCE<sup>1</sup>**

**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;

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<sup>1</sup> (Document EB 126/25 and Resolution EB125.R.1, Annex)

- 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.

## 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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