

## **Annual 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 sixteenth meeting, the report submitted by the Chairman of the Independent Expert Oversight Advisory Committee (see Annex).



ANNEX

**SECOND ANNUAL REPORT OF THE INDEPENDENT EXTERNAL  
OVERSIGHT ADVISORY COMMITTEE**

**TO THE SIXTEENTH MEETING OF THE PROGRAMME, BUDGET AND  
ADMINISTRATION COMMITTEE OF THE WHO EXECUTIVE BOARD**

**MAY 2012**

**BACKGROUND**

1. The Independent Expert Oversight Advisory Committee (IEOAC) was established by the Executive Board in May 2009 under resolution EB125.R1, with terms of reference (appended to this present report) to advise the Programme, Budget and Administration Committee (PBAC), and through it the Board, on matters within its mandate which include:

- review of WHO's financial statements, financial reporting and accounting policies, including advice on the operational implications of the issues and trends apparent
- provision of advice on internal controls and risk management systems
- 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 IEOAC, appointed by the Board in January 2010 under decision EB126(1), are: Ms Marion Cowden (Chairman, IEOAC a.i.), Mr John Fox, and Mr Veerathai Santiprabhob. The terms of two further members, Mr Graham Miller (the former Committee Chairman) and Ms Helène Ploix, expired in January 2012. Two new members are expected to be named in time to participate in the next meeting of the IEOAC.

3. This report constitutes the second annual report of the IEOAC to the PBAC, and summarizes progress achieved in the Committee's work during 2011 and the first few months of 2012.

**IEOAC MEETINGS DURING 2011 AND 2012**

4. The IEOAC held its third, fourth, fifth and sixth sessions on 11–13 April 2011, 21–22 July 2011, 7–9 November 2011, and 27–29 February 2012, respectively, with an agenda covering all areas of the Committee's mandate, including treasury and cash management, budgeting and budgetary control, enterprise risk management, external audit matters, accountability issues, International Public Sector Accounting Standards (IPSAS), the Global Management System (GSM), internal oversight matters (including internal audit, investigation and evaluation) and WHO reform. At the February 2012 meeting, the Committee took forward all the issues it had identified for continuing attention in its previous report. While a note of meeting has been prepared for the February 2012 meeting, there is no report to the PBAC on it but highlights of that meeting will be included in this report.

5. In accordance with good practice, the Committee at each session met privately with the representative of the External Auditor and the Director of Internal Oversight Services (IOS).
6. The IEOAC is scheduled to hold two further meetings in 2012, on 2–4 July and – subject to reconfirmation – in October 2012.

## **ISSUES IDENTIFIED BY THE INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE**

7. In accordance with our terms of reference and based on our discussions and reviews over the past year, we identified the following key matters of concern for the attention of the PBAC of the Board and WHO's Member States, and for the Committee's future work.

### **Currency risk and hedging**

8. Currency exposure and associated risk was considered by the IEOAC at each of its meetings during the year. Following its July 2011 meeting, the IEOAC voiced its support for the Secretariat's plan to use hedging during the next biennium with a phased approach to the purchase of forward foreign currency exchange contracts of no more than 12 months' duration and **recommended**, in addition, that the Secretariat consider hedging some of its larger other-currency exposures (e.g., the Malaysian ringgit, Egyptian pound, Indian rupee and Philippine peso) which cumulatively make up some 13% of regular budget currency exposure.

9. At its July 2011 meeting, the IEOAC commended the Secretariat for its progress in addressing these issues.

### **Addressing longer-term currency exposures**

10. At each meeting the Committee discussed longer-term foreign currency exposures and the significant structural currency mismatch between the Secretariat's income, primarily in United States dollars, and its high proportion of Swiss franc expenditure. The strengthening of the Swiss franc against the US dollar during the 2010–2011 biennium placed significant pressure on the Secretariat's budget.

11. Over the course of our meetings we reviewed possible solutions to this mismatch which were proposed by the Secretariat and suggested that recommendations on this matter be addressed directly with Member States. We were informed at our November 2011 meeting that, based on the feedback received at the second special session of the Board, the option of re-costing the budget at regular intervals to obtain compensation for any funding gaps as a result of adverse exchange fluctuations in the interim would not be acceptable to Member States.

12. In February 2012 the Committee reviewed a range of options suggested by the Secretariat as possible solutions to the structural currency mismatch and **recommended** a switch from assessment in US dollars to assessment in Swiss francs as the most reasonable and effective way to solve the structural mismatch.

13. 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 the benefits gained from a split assessment would not outweigh the resulting complications for Member States.

14. 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. We do not support this option as the allocation of Member States to Swiss franc or US dollar assessments could be seen as arbitrary and would be open to debate. In addition, there is no guarantee that the linkage between the Swiss franc and the euro will remain in place.

15. The Committee also supported the Secretariat's proposal to undertake further exploration of the relocation of functions to lower-cost centres.

16. The IEOAC has previously noted that changing the currency for the assessed budget would address only a relatively small part of the problem, as voluntary contributions represent such a large share of the overall budget. We reiterate our view that budgets funded by voluntary contributions need to contain sufficient contingency provision for absorbing the effects of currency fluctuations in order to make sure that all expenses, particularly salaries, would be covered by income over the course of a project. The Committee also **recommended** that the budgets of voluntarily funded projects/activities should contain clear indication of the amounts of the different currencies needed by WHO so that donors could be given a more informed sense of the Organization's estimated requirements.

### **Financial planning and budgeting**

17. In May 2011 the IEOAC looked further into how the WHO budget is managed and controlled internally at the operational level and noted that there are a number of controls at that level, which are normally not apparent to WHO's membership when it is invited to approve a new proposed programme budget.

18. The IEOAC noted the risk to attainment of WHO objectives arising from the increasing rigidity of much of the voluntary funding received and recorded its support for a move to an improved results-based framework with increased accountability at all levels supported by greater certainty of funding and flexibility. While WHO has a high dependency on voluntary contributions, the IEOAC noted that a significant amount of that funding is agreed two or more years in advance and is thus relatively certain at the commencement of the budget period. The Committee, in its May 2011 report, suggested distinguishing more effectively between more certain and less certain funding and viewing the budget in two parts, one part funded and assumed, and one part contingent on confirmation of funding. In its July 2011 report, the IEOAC noted that WHO handles enabling functions and administrative overheads under two specific strategic objectives (SOs 12 and 13), which are funded from a combination of sources giving rise in the process to concerns about the sufficiency of funding from voluntary contributions. The Committee suggested that WHO might instead distribute the budgetary provision for support functions to the remaining core objectives of the Organization, which would then be funded through deduction of a corresponding percentage from incoming donor contributions, on the model of the present post occupancy charge.

### **Financial control and the Comptrollership function**

19. The IEOAC reported in May 2011 that the 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. To that end we recorded our support for the recommendation of

the External Auditor to revise the authority of the Comptroller to establish a more influential relationship for headquarters with regional, country-level and programme finance officers.

20. The subject was revisited by the IEOAC in July 2011 when the Committee was briefed on the report of an audit of the Comptroller function undertaken by Ernst and Young in 2009 including the recommendations already implemented and those still under discussion.

21. As noted in the July 2011 report, the arrangements in WHO are still not consistent with the authority and control exercised by a typical chief financial officer in many other organizations.

22. That meeting further considered whether WHO's financial forecasting was insufficiently complete, since it does not adequately include anticipated expenditure at budget centre level, where decisions on actual expenditure are being taken. The Comptroller can only ensure that cash will be available when needed at an aggregate level. He does not have adequate cash flow forecasting information on how expenditure and income are matched and will be matched at the operational level. This analysis should be carried out on a monthly basis at the minimum.

23. Additionally, while programme managers were able to view their allocated income, they were not always aware of additional income which would be distributed to them but which was as yet unallocated. For top management purposes, the existing income forecasts may not be robust enough to ensure that the expected income will eventually prove to be sufficient in the face of currency fluctuations and cost increases. As a result, there is no adverse consequence for programme managers who exhausted their funds prematurely and thus had to be "bailed out". The IEOAC therefore **recommended** that consideration be given to requesting individual budget centre managers to submit regular monthly financial forecasts of expenditure and income, for review by the Finance Department, with subsequent aggregation for review and decision making by the Director-General's Office.

### **Internal control framework**

24. In the report on our April 2011 meeting we advised PBAC that we considered that WHO has progress to make within its new systems and reporting environment in establishing (i) 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) effective standard operating procedures to ensure this; and (iii) a corporate hierarchy of control responsibilities. We emphasized the importance we place on this and made suggestions for a possible approach, and indicated that we would be pleased to provide further advice as necessary.

25. In addition we observed that accountability requires the role and priorities of WHO to be well defined and understood. Accountability has to be supported by responsibility, whether at governing body or internal management level. 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.

26. The IEOAC revisited the topic of internal control at its February 2012 meeting in the context of a briefing on progress on implementing an internal control framework when it received an update on the preparation of standard operating procedures (SOPs). It noted that the original focus of a financial control framework had evolved into a wider internal control framework but the 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. Without derogating the importance of adequate financial controls, the

Committee wishes to stress the need for an understanding of the concept of internal control – beyond just financial control – and acceptance of responsibility for it at all levels of management. Because the development work in this area currently resides in the Finance Department there is a risk that internal control compliance will be seen as meeting a finance requirement and not as a mainstream responsibility for providing reasonable assurance regarding the achievement of the Organization's objectives, which should be integral to the basic work of all managers, technical as well as those in support functions. For this reason, and recognizing that there is a need for ongoing coordination, ownership and regular refreshing of internal controls, the Committee invites WHO management to consider whether this role should sit outside the Finance Department, perhaps within the General Management area or even in the Office of the Director-General.

27. The Committee was advised that a future step in the development of internal controls was to identify all control points 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 the Global Management System. 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, with the result that the control capabilities of GSM would not be used to best advantage.

28. The Committee intends keeping this area under review, noting that the Office of Internal Oversight Services monitors compliance with controls when undertaking its reviews.

### **Enterprise risk management**

29. In the report on our April 2011 meeting we noted that WHO's implementation of enterprise risk management (ERM) was still very much a work in progress, remaining confined to the pilot stage and applicable only to the general management cluster.

30. Accordingly, the IEOAC **recommended** that the risk management arrangements be extended to the strategic and corporate level with minimum delay and stressed 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 ERM implementation.

31. At its meeting in February 2012, 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 considered on a regular basis at meetings of senior management. The Committee noted the Secretariat's intention to share progress on the risk identification and important supporting material with PBAC and Member States when the work is further developed.

### **External audit**

32. The Committee maintained regular contact with the representative of the Auditor-General of India and received regular updates on matters arising from the audit. In July 2011, the Secretariat briefed the Committee on the tool it had developed to monitor all exchanges of correspondence

between the External Auditor and auditees, as well as to keep track of audit recommendations that remained unresolved.

33. At its meeting in February 2012, the Committee took the opportunity to review, with the External Auditor, 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 many 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 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.

### **Financial reporting and the transition to International Public Sector Accounting Standards**

34. The Committee noted that the audit of the financial statements was still in progress at the time of its February meeting and it was therefore unable to form a definitive view on the financial statements and the report of the External Auditor. It did, however, have the opportunity to engage in dialogue with both Secretariat and the External Auditor in relation to the process for identifying and resolving audit issues, some of which relates to the interpretation of International Public Sector Accounting Standards (IPSAS). The Committee was pleased to observe the positive steps being taken by both parties to resolve these issues.

35. The IEOAC considers that the adoption of IPSAS by WHO, and in particular the improvements in accountability that are made possible by improved financial reporting, represents a major opportunity for the establishment of an improved internal control framework, which, as noted earlier in this report, still requires significant development work.

36. The IEOAC expressed an interest in considering the question of whether, once WHO was operating under IPSAS, it would be wise for the Organization to make a transition to accrual-based budgeting. This might enable WHO better to realize the full benefits of IPSAS-based accounting and financial reporting (for example, to ensure the provision of adequate reserves for major capital investments such as building renovation, which was not addressed under UNSAS arrangements).

### **Internal Oversight Services**

37. Review of the effectiveness of the internal oversight function is a key part of the IEOAC's responsibilities. The reports and outputs of the Office of Internal Oversight Services (IOS) are routinely provided to and considered by the Committee.

38. 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 the February 2012 meeting, the Committee commends IOS on its work planning and efficiency improvement as a consequence of utilizing 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, despite the welcome efforts of the Director-General to strengthen the capacity of IOS within WHO's existing resources, recruitment to vacant positions is taking some time. In addition an increase in harassment investigations is having a major impact on IOS's ability to handle its other responsibilities. The Committee notes with concern that 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 Organization Tribunal judgements.

39. 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 themselves in oversight of evaluation. The independent evaluation commissioned by the 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.

40. 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 Executive Director of the Office of the Director-General on IOS issues are held as appropriate.

41. At each meeting of the Committee, the Director of IOS presented the status of open internal audit recommendations. The “dashboard” approach adopted features useful categorizations and statistics on open recommendations, permitting IOS to monitor and report on the relative importance, difficulty of implementation, priority and age of outstanding recommendations.

### **The Global Management System and related ICT issues**

42. At its meeting in April 2011, the IEOAC was updated on progress made in the implementation of GSM, in particular with the rollout of the system to the African Region, and we discussed the more strategic challenges that GSM presents for WHO’s information technology management.

43. Our report to PBAC on that meeting highlighted risks and issues relating to the management and on-going development of GSM. In particular, at that stage we **recommended** 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 GSM within what we see as a still-needed enhancement of accountability in structures and practice. This should be crucial for the coming upgrade of GSM as well as for the medium-term reform of the Organization. In that context, the GSM was again discussed at our February 2012 meeting and the Committee noted the advice from IOS regarding the potential to enhance the internal controls within the system when GSM is upgraded, while recognizing the multiple objectives of improved control, reduced complexity and careful management of the change to the IT environment.

44. We also reported our agreement with the assessment by WHO’s Information and Technology department 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.

### **WHO reform agenda**

45. The Committee received briefings on the status of the reform effort at each of its meetings. We noted that WHO is undertaking an ambitious programme of reform that will require different strands of activity to be coordinated. In our view, successful achievement of the reforms will require dedicated resources. We urge the Secretariat to determine the resources required (both people and money) in

order to obtain the necessary financial support from Member States. 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. The Committee noted that its meetings this year have been out of sync with the production of documents regarding reform measures for PBAC and Executive Board meetings, with the result that it has had no opportunity to provide comments on reform documents before they are considered by the PBAC and Executive Board. In order to avoid continuation of this situation, the future scheduling of IEOAC meetings will need to take into account any planned reworking of the schedule of governing body meetings.

46. We commented on the need for a direct link of the WHO reform process to a clear action plan with a set time frame, a related budget and a business plan so that the consequences of implementing various reform concepts under discussion could be ascertained. We welcomed the strong focus on the need for improved results-based management (RBM) and accountability, which underpins the individual measures being proposed.

47. In the IEOAC'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 acquired de facto special rights and privileges over time, or some of its regional operations. This poses a challenge to the effectiveness of accountability in WHO's internal governance structure that increasingly needs to be addressed.

### **WHO's partnership arrangements and related hosting issues**

48. The Committee received briefings at its November 2011 and February 2012 meetings on the work being done to give effect to the World Health Assembly's decisions relating to partnerships. A productive discussion took place regarding the work being done on harmonization of the memoranda of understanding (MOU) between WHO and its various partners. The Committee suggested that harmonization 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 resulting in no real gain. 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 provide a basis for identifying 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.

### **Review of the IEOAC's terms of reference**

49. In reporting on its December 2011 meeting, the IEOAC advised PBAC that it had undertaken a review of its existing terms of reference against accepted best practice and external sources of guidance on oversight committees and had identified potential revisions.

50. Those revisions would formalize more explicitly the IEOAC's existing oversight of IOS activities (covering internal audit, evaluation and investigations); have the Committee provide advice to the Board on the selection process for future External Auditor appointments (a principle which relates to a professional and technical appointment in which the IEOAC has expertise to helpfully inform PBAC and the Board regarding factors or criteria to be considered in making their decisions, and which was welcomed last year at the meeting of the PBAC by the Chairman of the Executive Board and some others); similarly have the Committee provide advice in relation to future appointments of the Director of the Office of Internal Oversight Services (in order to guarantee the independence, qualifications and objectivity of the function); and require the Committee periodically

to review and report on its performance (in order to reflect best practice in oversight committees elsewhere and the principles recommended by the Joint Inspection Unit of the United Nations system).

51. The proposed revised Terms of Reference are appended to this report and the IEOAC **recommends** their adoption by the Executive Board through PBAC.

## **Other matters**

### **A. WHO Staff Health Insurance**

52. In the report on our December 2011 meeting we advised PBAC that the Committee had looked at the proposed new governance structure for the Staff Health Insurance (SHI), noted the risks arising from conflicts of interest and expressed our view that the scheme would benefit from increased involvement of independent outside experts. We endorsed the direction being taken to increase the contribution rate to improve the long-term stability of the Fund. However, we expressed some concern about the relatively large amount of unfunded SHI liabilities according to the latest long-term actuarial calculation conducted in 2011, noting that the extent of the liability will have to be disclosed in WHO's annual financial statements for the year ended December 2012.

### **B. Meetings outside the WHO financial and administrative functions**

53. The IEOAC sought during the year to gain increased exposure to the work of the Organization in programmatic and operational areas in order to obtain a better understanding of the Organization's overall role and thereby put the Committee's review of the Organization's financial/management activities in proper context. To that end it received a briefing, in April 2011 from one of the technical areas at headquarters. 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.

54. As reported in December 2011, the Committee attended a special lunchtime session on accountability for heads of country offices (HWCOS) and welcomed the opportunity to learn about HWCOS' concerns and problems related to the implementation of internal controls and governance measures in the field.

### **C. Meeting with Member State representatives**

55. 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 during our February 2012 meeting 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.

**Marion Cowden, Chairman a.i.**

**John Fox, Veerathai Santiprabhob**

Appendices:

- 1 Proposed programme for the IEOAC's next meeting (2–4 July 2012)
- 2 IEOAC Terms of Reference and suggested changes to these (highlighted in italics)
- 3 Schedule of previous reports to PBAC/Board

Appendix 1

**Provisional agenda topics for the meeting on 2, 3, 4 July 2012**

Induction briefing for new members of IEOAC

GSM – briefing on progress with planning for upgrade of GSM with functional area heads

Audit recommendations tracking and follow-up

Internal oversight

External audit

Update on corporate risk management

Partnerships and their links to WHO's programmes

Meeting with representatives of a technical area to assist the Committee's understanding of wider management issues

## Appendix 2

**INDEPENDENT EXPERT OVERSIGHT ADVISORY COMMITTEE**  
**TERMS OF REFERENCE<sup>1</sup> AND PROPOSED AMENDMENTS THERETO**

**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 on-going 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;

**Replace with:** *(c) to exchange information with, and review the effectiveness of, the Organization's internal audit, evaluation and investigation work as currently vested in its Office of Internal Oversight Services; its external audit function; and to monitor the timely, effective and appropriate implementation of all audit findings and recommendations.*

**Insert new section (d) and (e)**

- (d) to provide technical and professional advice on the selection process for the appointment of the Organization's External Auditor;*
- (e) to advise the Director-General in relation to future appointments of the Director of the Office of Internal Oversight Services;*

---

<sup>1</sup> Document EB126/25 and resolution EB125.R.1, Annex.

**Renumber (d) and (e) to become (f) and (g)**

- (f) to advise on the appropriateness and effectiveness of accounting policies and disclosure practices and to assess changes and risks in those policies;
- (g) to provide, on request, advice to the Director-General on the matters under points (a) to (f) above;

**Insert new section (h)**

*(h) to periodically review and report on its own performance according to best professional practice in oversight committees and as per the principles recommended by the Joint Inspection Unit of the United Nations system; and*

**Renumber**

- (i) to prepare an annual report on its activities, conclusions, recommendations and, where necessary, interim reports, for submission to the Programme, Budget and Administration Committee of the Executive Board 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.

Appendix 3

**Schedule of previous reports of IEOAC to PBAC/Board**

January 2011, document EBPBAC13/3, dated 28 December 2010

May 2011, document EBPBAC14/3, dated 12 May 2011

January 2012, document EBPBAC15/4, dated 8 December 2011

= = =