

**Report of the Seventh Meeting of the Independent External
Oversight Advisory Committee (IEOAC)
(Geneva, 2-4 July 2012)**

The meeting was the second of three IEOAC meetings planned for this year. The agenda for the meeting is attached as Annex 1.

Present throughout: Marion Cowden (Chair), John Fox, Mary Ncube, Veerathai Santiprabhob

Items 1 and 2: Welcome and administrative matters:

1. Following the Chair's welcome, the Committee held a private session for IEOAC members only.
2. In open session the Chair confirmed the existence of a quorum with all members present. The newly-appointed member of the IEOAC, Ms. Mary Ncube from Zambia, was welcomed and submitted her declaration of interest and confidentiality undertaking. Members' interests were updated and no conflicts of interests were noted. The Secretariat informed the Committee that the fifth IEOAC member who had been selected by the WHO Executive Board at its 131st session in January 2012, Dr. Shamshad Akhtar from Pakistan, had to renounce her appointment due to a conflict of interest arising from her simultaneous selection to a position of Assistant Secretary-General at the United Nations Headquarters in New York. A new member would thus be appointed at the 133rd session of the WHO Executive Board in January 2013. Until then, the Committee would function with four members.
3. The IEOAC members present subsequently agreed unanimously that the interim IEOAC Chair, Ms. Marion Cowden, should be confirmed as the new IEOAC Chair. This was followed by the approval of the agenda and the determination of the dates of the next IEOAC meetings, which will be held from 5-7 November 2012 and (tentatively) from 4-6 March 2013. A few issues regarding travel reimbursement of the IEOAC members were clarified and a copy of the WHO travel policy was provided to the Committee.
4. The Chair briefed the Committee members on the responses to the Committee's annual report presented to the Sixteenth meeting of the Programme Budget and Administration Committee (PBAC) in May 2012. The discussion at that and subsequent Governing Body meetings relating to the schedule and timing of meetings of the Governing Bodies was outlined by the Secretariat and any implications if and when changes eventuate for the IEOAC meeting schedule was

explained and discussed. The Committee concluded that no substantive change to its schedule was necessary at this stage.

5. The Committee noted that the proposed changes to its Terms of Reference had been accepted by PBAC along with the Committee's annual report. In order to ensure their formal adoption, the Secretariat advised that it would submit a document detailing these changes to the 133rd session of the Executive Board in January 2013.
6. Finally, the Chair requested appropriate updates to the biographical information included on IEOAC members in the present website, given the partial membership renewal

Item 3: WHO Reforms:

7. The Director-General and the Deputy Director-General informed the Committee about the latest developments regarding the WHO reform process, including the decision to organize a special session of the PBAC in December 2012 on the topic of the future financing of the Organization and her mandate to take forward the aspects of reform delegated to her. The Director-General expressed her wish to receive the views of the IEOAC, when it next meets, on the Secretariat's draft document regarding WHO's future financing. Any comments from the committee can be submitted to the Director-General for incorporation into the report to PBAC.
8. Impacts on financing of the global economic environment were discussed, and the Committee noted that WHO will need to consider how best to take advantage of its reputation and leadership to ensure it retains the levels of financial support it currently enjoys. Challenges include positioning itself to maintain its leadership position in global health and responding to pressures faced by member states that could lead to significant reductions in funding in the next biennium.
9. The IEOAC noted the completion of the first stage evaluation and the submission of the report thereon to the World Health Assembly in May 2012. It also noted the proposed timing of and terms of reference for further evaluation work as recommended in the report and planned to look at further progress at its next session.
10. Improving WHO's priority-setting process was another major focus of the WHO reform process. The IEOAC considers that the key strategic issues in this context include (a) how to move away from donor-driven priority-setting and simply repeating historic budget allocation patterns; (b) the need to de-link the priority-setting process from resource mobilization (some priority areas might actually be

fairly “low-tech” and cheap); and (c) how to avoid compromising quality and ethical standards if private sector funds are accepted.

11. The Committee is pleased to note the strong commitment of the Director-General to take forward the WHO reform process and that WHO’s Member States appear now to be very engaged in the process.
12. However, the coordination of the overall reform project continues to be a complex and time-consuming task which might benefit from stronger project leadership by the Secretariat. In the IEOAC’s view, some consensus among Member States seems to be developing, which the Secretariat could utilize to steer this important project forward without much further delay.

Item 4: Induction Briefing on WHO for the new IEOAC member:

13. During a working lunch, the IEOAC was given a briefing on WHO’s structure and ways of working specifically designed for the new member joining the Committee.

Item 5: Briefing on the Global Polio Eradication Initiative (GPEI):

14. Assistant Director-General, Polio, Emergencies and Country Co-ordination (ADG/PEC) and his Programme Manager presented the work of the Global Polio Eradication Initiative (GPEI). The IEOAC was impressed with GPEI’s very effective and well-structured risk management and governance. The efforts of the programme to capture the “spill-over benefits” of its work for other programmes, such as its infrastructure building for other field programmes, particularly in Africa (“Polio Plus”), were also commended.
15. GPEI presents itself as a good example of a well-managed partnership working with many partners while effectively maintaining WHO’s overall leadership and control. The programme management has been preparing a clear “exit strategy” by looking ahead and envisaging various scenarios regarding the down-scaling and eventual closure of the programme.
16. The IEOAC noted with interest the important shift in the programme’s funding sources from largely European Community and the Group of 8 large economies funding to the private sector (in particular large foundations) as well as to domestic resources from affected countries such as India. However, the Committee is concerned about an over-concentration of funding sources and thus an increasing dependence on one or two key donors. Likewise, it is also concerned about the risks for WHO as a whole should this key programme’s eradication efforts eventually fail. One of these risks concerns the negative impact of a potential loss of polio funding for WHO’s work in Africa, where Polio funds at present assure the continued running of a sizeable proportion of staff contracts in

the field implementing a large number of health projects in the countries with repercussions far beyond polio eradication.

Item 6: Global Management System (GSM) update and meeting with the GSM Business Owners' Group:

17. Director Information Technology and Telecommunications (ITT) provided an update on the progress towards the upgrade to Oracle Release 12 (R12) in 2013 and assured the Committee that lessons learned from the original implementation had been taken into account and identified risks were being managed. The related change management strategy was presented to the Committee by the Human Resources Director. WHO had intentionally held back from adopting the new release immediately, preferring to assure itself of its reliable functioning in other client organizations before embarking on the upgrade.

18. The IEOAC expressed concern about the rather short life of the upgrade (until 2017) and the fact that it offers few additional improvements, noting the reasons for this including, the high degree of GSM customization which will be rolled-over to the new version; the desire of WHO to minimize operational risk; and other related on-going work in the context of the WHO reform, such as a redesign of its Standard Operating Procedures (SOPs). Retention of customization was noted to be a cheaper option than removal prior to upgrade.

19. The IEOAC noted the project governance structure, the implementation plan, timeline, and the user-testing arrangements involving a geographically widely-spread group of users, in order to encourage their “buy-in” to the project.

Item 7: Enterprise Risk Management (ERM):

20. The Committee was briefed by the Assistant Director-General, General Management Group (ADG/GMG) on the designation, by the Director-General, of an Assistant Director-General to lead the finalization of the corporate ERM project. In addition, a proposal to establish a new Compliance and Risk Management unit in the Office of ADG/GMG was outlined. The unit will focus on GMG-developed control processes and will act as Secretariat for WHO’s overall ERM efforts.

21. The Committee questioned whether the capacity of the new unit will be sufficient. It noted that, since risk management is different from the compliance function, it is likely that, by combining the two together in one unit, ERM will be seen as just another administrative burden imposed on the technical programmes and thus may be limited in its effectiveness and in its strategic focus. **It therefore recommends** that when the ERM framework is finalised, responsibility for that framework should devolve to another senior manager as the organization-wide “Risk

Champion”, ideally located in the Director-General’s Office (DGO). In the meantime, the ADG/GMG should proceed with his efforts to step up the very important compliance work.

22. The IEOAC notes that the Americas Regional Office in its role as the Pan American Health Organization has already established an ERM system and **recommends that** WHO take a closer look at that, analysing further the potential value of this system in the context of its own ERM efforts.

Item 8: Videoconference with three Regional Directors, Administration and Finance (DAF):

23. The Committee received a briefing on the administrative challenges of managing WHO’s programmes at the regional and country levels from the DAFs for the African, Eastern Mediterranean, and European regions. DAF/AFRO attended the meeting in person, while his two colleagues from EMRO and EURO were presenting their areas of work via video-conference. The IEOAC noted with satisfaction that the regional offices have taken compliance-related issues in conjunction with recent internal and external audit reports seriously, as evidenced in the important reduction of outstanding audit recommendations achieved in all three regions.

24. It furthermore noted in this context that the African region has established a compliance unit, but **recommends** that its role should be confined to monitoring implementation efforts and administering related briefing and training, while abstaining from “mopping up” problem areas. Responsibility for implementing audit recommendations rests with the line management of the areas concerned.

25. The IEOAC noted the challenging work environment in some regions and country offices in terms of security; the large number of sub-offices in certain countries; a shortage of qualified staff for some administrative functions; and persisting infrastructure (e.g. banking) and transport problems. These factors provide context for certain persistent shortcomings noted in various audit reports, such as the large numbers of imprest transactions and reconciliation problems among the local imprest accounts, local cash books and the general ledger accounts in GSM.

26. In light of these working conditions and constraints, the Committee **recommends** that each WHO country office (WCO) recognize explicitly and in a pragmatic fashion the trade-offs between the practicalities on the ground versus the consequences of not being fully compliant with all requirements contained in WHO rules and regulations. Each office and its regional counterpart need to state explicitly which of the rules they feel cannot be complied with due to the local situation, the associated risks and how that risk will be managed locally, regionally and (if appropriate) centrally.

27. The Committee also noted that Direct Financial Contributions (DFC) to governments by WHO for the execution of priority health projects is still the preferred source of funding for certain governments, but accountability for the related expenditures is deficient in many cases. Further efforts to remedy this situation are needed. This may include withholding further funding until all outstanding reports have been received. The Committee noted that this has been successfully tried in some countries but may not be universally successful if health issues within the country give rise to an overriding need. Again, the Committee **recommends** that, where reporting requirements are not met and followed up, line management in the country and regional office document the reasons for not pressing the issue while continuing to release funds and also document the known progress made by the country in its use of those funds. In addition, the country office staff must continue to push the government to discharge its reporting responsibility.

Item 9: Internal oversight service matters, including progress on investigations:

28. This standing agenda item in every IEOAC session was presented by the Director Internal Oversight Service (IOS), who briefed the Committee on the recent developments in his area. The Committee welcomes the final approval of the new WHO evaluation policy and looks forward to reviewing the IOS evaluation plan along with the associated organisational arrangements and funding allocation.

29. The IEOAC recognises the significant impact of donor requirements on evaluation activities and welcomes the move by IOS, pursuant to the policy, to capture a record of all evaluation activity in a central repository. The Committee noted that, especially in this context, there is a push for greater disclosure of internal audit reports and looks forward to seeing what disclosure policies are developed.

30. The IEOAC noted the results of the IOS approach of using shorter and more summary desk audits based on available GSM data from regional and country offices. This is providing efficiencies, shortening the time spent in the field, and enabling a move from country audit to an increased thematic audit approach across countries. However, there are still limitations with regard to the African region, where GSM data are not yet always fully available (e.g. in records management). One area where more audit work is needed is Direct Financial Contributions (DFC) already commented on under agenda item 8.

Item 10: Discussion of progress regarding the WHO Internal Control Framework, with special emphasis on financial control:

31. Following a presentation by the Comptroller on the most recent developments in this area, the IEOAC noted that the report of the PBAC to the Executive Board in May 2012 (document EB131/2) had explicitly recognized that internal control extends

beyond financial controls and is that combination of activities that ensure reliability of financial reporting, compliance with law and regulation and effectiveness and efficiency of operations. It is a responsibility shared by all parts of the Organization.

32. The Committee commends the work being carried out in the administrative management area and welcomes the progress made in the development of the Standard Operating Procedures (SOPs) and in a new tracking system for senior managers alerting them to key programme management data (“Dashboard”). It is pleased to hear that the ADGs have welcomed the latter as a most useful new monitoring tool.

33. The IEOAC welcomes the intention to establish a statement to be signed by all managers attesting to the maintenance of appropriate internal controls within their area of responsibility and **recommends** that the Secretariat review the remaining gaps in the overall internal control framework in terms of its five basic elements, i.e. (a) the control environment; (b) the risk assessment framework; (c) the related information and communications flow and applicable timelines; (d) the control activities, such as policies and procedures; and (e) monitoring the processes used to assess the quality of the control environment (such as internal and external audit, compliance units and management tracking systems).

Item 11: External audit:

34. The IEOAC welcomed the representatives from the Audit Commission of the Philippines, the newly appointed External Auditor, noted that the engagement letter was already signed and observed that the Committee looked forward to receiving a copy. The Committee was advised of the preparations for the external audit programme and noted that it looks forward to reviewing that plan with the auditor in due course.

35. The representatives of the External Auditor reported that their recommendations on the International Public Sector Accounting Standards (IPSAS) were incorporated into the WHO IPSAS Manual. The IEOAC stated its intention to review progress made in resolving the remaining outstanding IPSAS issues, especially with regard to inventories and fixed assets, at its next meeting.

Item 12: Update on the reform of WHO’s Partnership arrangements and discussion of related policy issues:

36. The IEOAC received a briefing on the risks and benefits for WHO from hosting partnerships and on the progress made in the related partnership arrangements. It noted that the Executive Board has requested a briefing paper on partnerships in the context of the WHO reform and that Member States had asked for improved

partnerships oversight. They therefore requested the inclusion of partnerships as a standing agenda item, specifically reporting on hosting arrangements, harmonization of work practices and information on the true cost of hosting partnerships.

37. The IEOAC **therefore recommends** that the principles of and arrangements for partnerships be addressed as a major element of the WHO reform; and that exit criteria as well as an early warning system based on a risk matrix to evaluate the continued soundness of partnerships be developed. The Committee commented that partnerships should be requested to demonstrate their ongoing compliance with the criteria established by the World Health Assembly for establishment of a partnership.

38. The Committee welcomes further dialogue with the Secretariat on this topic and looks forward to reviewing the content of the paper to be presented to the Executive Board.

Item 13: Any other business and preparations for the Eighth IEOAC meeting in November 2012:

39. The Committee adopted a priority list of agenda items for its next meeting which include the following areas:

(a) Standing items: internal oversight and external audit; the Internal Control Framework; and Enterprise Risk Management. In particular for the November meeting, the IOS evaluation workplan; the external audit plan; the interim mid-year 2012 financial audit; IPSAS implementation; progress in tracking and implementing external audit recommendations; the move from financial and administrative controls towards an overall internal control and governance framework with a focus on achieving the objectives of the whole Organization; and the transformation of enterprise risk management from just financial and administrative risks towards WHO's overall strategic risks;

(b) The WHO reform: A review of the Secretariat's draft proposals to the Special Session of the PBAC in December 2012 regarding the future financing of the Organization, including a meeting with the Director-General's Special Envoy for financing issues; an analysis of the coordination of WHO's reform efforts, including the reform timeline, outcome of the first- and second-stage evaluation, risk management aspects of the overall reform process, and results of the study of WHO's cost structure;

(c) The Proposed Programme Budget 2014-15, including the prioritization process underpinning it, and the degree to which it fulfils the criteria of a results-based management approach;

(d) Direct Financial Contributions (DFC): A briefing on its benefits, associated risks, and future plan to improve effectiveness, control, and accountability;

(e) Partnerships, in particular a review of the Secretariat's draft partnership document for the Executive Board meeting in January 2013 and an analysis of the related overhead costs for WHO and other associated costs and risks of hosting partnerships;

(f) WHO's management leadership training and development programme: A briefing by HRD; and

(g) A meeting with interested Member States to discuss topics of mutual interest.

----- . -----