

Report of the Tenth Meeting of the Independent Expert Oversight Advisory Committee (IEOAC) of the World Health Organization

(Geneva, 03-05 July 2013)

The meeting was the second of three IEOAC meetings planned for 2013. 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, Farid Lahoud, Mary NCube, 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 Chair confirmed a quorum with all members present, and all declarations of interest or updates duly submitted (no conflicts of interest recorded). The agenda was adopted.
3. The Committee noted that it would like to adopt a pre-agreed rolling agenda of meetings for the full year, listing all expected issues to be discussed, plus any related provisional conclusions and actionable recommendations from the IEOAC. The agenda of meetings should be linked to the mandate of IEOAC and be arranged in a manner that the IEOAC could adopt a clear resolution after each agenda item .
4. Owing to increased expectations regarding the role and scope of work of the IEOAC, the Committee requested more analytical support from the Secretariat in compressing and summarizing information relayed to it by the latter.
5. The Committee emphasized the need to receive core documents well in advance of each meeting, with a clear indication of its source and cross-references to specific agenda items.
6. It requested the Secretariat to set up a web portal/SharePoint site of all documents of relevance for IEOAC meetings, including handouts distributed at meetings and past IEOAC resolutions.

Item 3 –Update on the status of follow-up to internal audit recommendations:

7. The Committee noted a number of recurring themes in the audit recommendations and concluded from this that there was a need to do more thematic audits and place more emphasis on addressing systematic/recurring issues through capacity-building, learning and/or further development of policies.

000

8. The Committee recommended that Management formalize implementation plans to close audit items with clear target dates, taking into account the different ratings of audit items in terms of their complexity and impact.

9. The Committee wondered why some old audit recommendations (e.g. on GSM and GSC matters), remained open despite the fact that changes in systems had meanwhile been implemented .

10. It noted good progress in closing old audit recommendations, even though efforts in closing audit items at Headquarters appeared to have generally not been as strong as in country offices. Furthermore, responses to recent audits had not been as forthcoming as those for old audits

11. It encouraged the Secretariat to include audit issues (both pro-active prevention of irregularities and timely closing of audit findings) as factors in performance management evaluation of managers.

Item 4 – Update on progress in Enterprise Risk Management (ERM)

12. The IEAOC was given a presentation on ERM implementation and noted that future progress appeared to be dependent upon the appointment of the director of the newly-created Compliance, Risk and Ethics (CRE) unit. The IEAOC recognized the critical role of this new unit and would like to be informed of its exact structure and staffing in more detail. It looked forward to meeting with the new CRE head and to reviewing its operations.

13. It noted that the new ERM framework (Corporate Risk Register) was presented to EB133 in May 2013 and would continue to review progress and give advice on the risk register and the risk evaluation process once they were fully developed.

Item 5 – WHO Reform

14. The IEAOC was given an update on the WHO reform process. It identified a need for the Secretariat to manage the decision-making process regarding the governing bodies better in order to address the slow pace of the governance reform component. It noted the complexity and resulting delays in the current decision-making process.

15. It expressed its satisfaction with the Secretariat's decision to move towards adopting a project management approach to the WHO reform process and noted the challenges to maintaining the pace of reform, as well as to upholding employee engagement, and communicating on reform issues in a clear and consistent manner.

16. It emphasized the need to measure employee engagement and perception towards the reform process and noted the centrality of human resources strategy and change to the reform process.

17. Finally, it welcomed the Secretariat's recognition of the need to identify and manage reform-related risks and looked forward to receiving an update on the reform as well as the draft report on the second-stage evaluation.

Item 6 – WHO Financing Dialogue

18. The Committee received a briefing of the first financing dialogue. It noted the importance of the financing dialogue for the future operations of WHO and the positive progress already made at the June 2013 session.

19. It noted and welcomed the newly-created web portal to enhance transparency and accountability of the Organization's financing process.

20. It recognized the importance of Category- 6 expenditures (i.e. roughly administrative and management costs) as critical elements for WHO to be able to accomplish its mission and deliver its work program. With this in mind, it therefore encouraged all stakeholders to give serious attention to finalizing methods for the adequate financing of Category- 6 expenditures in a timely manner.

Item 7 – Video conference with the WHO External Auditor

21. As per its past practice, the Committee met with the external auditor via video conference. It was pleased to learn of the absence of disagreements between Management and the external auditor and noted with satisfaction that all adjustments to the 2012 financial statements requested by the auditor were made. Furthermore, these adjustments did not appear to be critical to the Committee.

22. It was unfortunate that the IEOAC did not receive the external auditor's management letters in advance. It therefore looked forward to receiving these ahead of its meetings, together with clearly identified issues of priority for the Organization.

23. The Committee also expressed a need to see the external auditor's audit plan in relation to the audit of the WHO financial statement for 2013.

Item 8- Internal Oversight Services (IOS) matters

24. The Committee was satisfied with the capability of IOS team members, but there remained concerns about the sufficiency of IOS resources, with the need to ensure sufficient focus on IT audits being an important consideration in this context.

25. The Committee welcomed the planned self-assessment of IOS and the independent Quality Assurance Review (QAR). It encouraged IOS to include in the QAR a review of the adequacy of IOS' size, given the scope of the IOS mandate (encompassing operations, controls, finance, performance, accountability, fraud investigation, etc.) and the size, geographic spread and complexity of WHO.

26. It noted the plan to implement the newly-adopted evaluation policy and expressed a concern about the present funding shortfall to carry out the evaluation plan.

27. The Committee noted the progress made on the second- stage evaluation of the WHO reform. The IEOAC looked forward to receiving the draft report of the second-stage evaluation prior to its meeting in October 2013.

000

28. The on-going work on the Internal Control Framework was noted. In this context, the IEOAC encouraged the expansion of scope of the letter of representation to include internal control and risk management matters, in addition to the existing focus on financial statement matters.

29. The Committee noted the willingness and flexibility of IOS to amend its work-plan on short notice if needed and encouraged the early planning of the audit plans of both IOS and the external auditor in the interest of better coordination.

30. It furthermore noted that IOS reports recorded that management had agreed with the findings of the auditors.

31. Finally, it noted the ongoing discussion on the disclosure policy regarding IOS reports. There was however also a need to explore how to capture actual management responses and action plans into the reports when they were disclosed.

Item 9 – Overview of the WHO Staff Health Insurance (SHI) Fund and the related long-term organizational liabilities

32. The Committee received a copy of the audited financial statement on the Fund, noting that this was the first time that the statement had been prepared in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS).

33. It noted that these new requirements had brought visibility of WHO's significant unfunded long-term Staff Health Insurance liabilities.

34. In response to a question put to the IEOAC as to who should see this report, the Committee advised that, from a risk management perspective, the SHI financial statements should be regularly presented to the IEOAC, who in turn would review and comment on them to PBAC and all Member States. Regarding its legal ramifications, the Organization should also receive pertinent advice from a legal expert.

Item 10 - WHO Administrative Cost study by Price Waterhouse Coopers (PWC)

35. The Committee reiterated its support for the PWC findings and noted that the report had been well received and that WHO's management had already started to take action.

36. It encouraged Management to develop multiple proposals for financing Category- 6 expenditures based on the PWC report and to present them for consideration at the next financing dialogue meeting in November 2013.

Item 11 – WHO Leadership Training Programme

37. The Committee received an update and noted that it was still a work in progress.

Item 12 – Review of WHO’s financial asset structure, investment policies and related Treasury matters

38. The Committee received a presentation on the Organization’s current investment structure, which, in accordance with its investment policies, was a conservative, relatively short-term one, mostly composed of funds managed “passively” to follow the relevant target market.

39. The Committee enquired about the pros and cons of a possible shift to a more active portfolio with a longer-term investment horizon and about the measurement of WHO’s “net asset value” in the hypothetical case that it ceased to exist and had to wind down its operations. It noted that the new IPSAS-induced disclosure of long-term liabilities linked to staff health care costs highlights the need to match those liabilities with corresponding assets, such as the residual value of the land and buildings owned by the Organization.

Item 13 - WHO’s arrangements for hosting health partnerships and proposals for harmonizing its work with hosted partnerships

38. The Committee received an update and discussed a number of issues, such as a better matching of partnership staff contract terms with the duration of the related partnership funding, the organizational modalities of the planned regular partnership review and assessment process, and the respective burden of proof for the required evidence of continued usefulness of a partnership to the overall Organization.

Item 14 - Progress made on past IEOAC recommendations

39. The Committee was informed that its recommendations matrix would be updated by the Management and presented to the IEOAC at its next meeting in October 2013.

Item 15 - IEOAC self-evaluation

40. The Committee agreed on the framework to be used for its self-evaluation. The related form would be revised by the Chair, sent to each member for self-assessment, and the result would be discussed at its meeting in October 2013.

OTHERS:

-Management dashboard:

41. The IEOAC received a presentation of the new management dashboard and welcomed the development of this most useful tool for enhancing internal control. It expressed its view that the data it contained needed to be reviewed regularly by the Organization’s senior management, e.g. at ADG and GPG meetings, in order to enforce usage and setting an example for its program managers and directors, who should refrain from delegating its use.

000

42. It recommended that Management also consider calibrating the designation of “red” and “yellow” areas of concern so as to focus these only on real issues of key importance for remedial action, rather than risk a loss of focus by management through the excessive use of these two categories.

Item 16 – Meeting with WHO Management; topics for next IEOAC Meeting; date of next meeting

43. The Committee held a concluding meeting with senior members from the Secretariat to review its findings and recommendations as set out in this note of meeting.

44. The date of the next meeting of the IEOAC was confirmed as 16 – 18 October 2013.

----- . -----



Independent Expert Oversight Advisory Committee

10th Meeting 03-05 July 2013

Wednesday 03 July 2013

Salle F – Main building - 8th floor

1. 09:00-10:00 **Opening**, followed by a private session for IEOAC members only (with welcome coffee)
2. 10:00-10:30 **Administrative matters & update on IEOAC related discussions during the PBAC/EB meetings in May 2013:** Confirmation of quorum; any updates on declarations of interest; adoption of the agenda; decision on the dates of the next IEOAC sessions; briefing on three newly appointed IEOAC members (ADG/GMG; Comptroller; Secretary IEOAC)
3. 10:30-11:15 **Update on the status of internal audit recommendations:** (ADG/GMG; Director and Deputy Director IOS; Comptroller; Secretary IEOAC)
4. 11:15-12:00 **Enterprise Risk Management (ERM): Update of the discussion at the 133rd session of the WHO Executive Board** (Senior Advisor, DGO; ADG/GMG; Director PRP; Comptroller; Senior Advisor, ADG/GMG; Secretary IEOAC)
- 12:00-13:00 **Lunch with the Director-General in the WHO restaurant** (DG; DDG; EXD/DGO; ADG/GMG; Director IOS; Comptroller; Secretary IEOAC)
5. 13:30-15:45 **WHO Reform:** Update on the implementation of the WHO reform and the related monitoring framework; discussion of the assumptions and indicators at the output level, as per the recent PBAC and WHA requests and of the Stage-Two evaluation of the WHO reform. (Advisor to DG, DGO; Senior Advisor DGO; ADG/GMG; Director PRP; Comptroller; Senior Advisor, ADG/GMG; Secretary IEOAC; representatives of PWC)
- 15:45 -16:00 Coffee break

000

6. 16:00-17:30 **WHO Financing Dialogue:** Verbal update on the outcome of the first meeting on 24 June 2013; information on the preparations for the second meeting in November 2013 (DGO; ADG/GMG; Director PRP; Comptroller; Secretary IEOAC)

Thursday 04 July 2013

Salle F – Main building - 8th floor

7. 08:30-09:30 **Video conference with the WHO External Auditor:** Update on the most recent external audits and a discussion of the WHO Financial Report for 2012. (Director of External Audit, Commission on Audit, Republic of the Philippines; Director and Deputy Director IOS; Comptroller; Chief Finance, GMG/FNM; Secretary IEOAC)

09:30-09:45 Coffee break

8. 09:45-11:30 **Internal Oversight Services matters,** including an update on the implementation of the IOS work plan for 2013, encompassing its three functions audit, evaluation and investigation (Director and Deputy Director IOS; Comptroller; Secretary IEOAC)

9. 11:30-12:30 **Overview of the WHO Staff Health Insurance Fund and the related long term organizational liabilities** (Comptroller; Coordinator FNM/IPS; Coordinator PRP/BCR; Secretary IEOAC)

12:30-14:00 Lunch break

10. 14:00-14:30 **WHO Administrative Cost study by Price Waterhouse Coopers:** WHO's new approach to budgeting and cost control for the Corporate Services and Enabling Functions (Budget Category 6) in 2014-15. (ADG/GMG; Director PRP; Coordinator PRP; Director IOS; Comptroller; Chief Accountant; Secretary IEOAC)

11. 14:30-15:30 **WHO Leadership Training Programme:** Update (ADG/GMG; Director HRD a.i.; Training Officer HRD; Comptroller; Secretary IEOAC)

15:30-15:45 Coffee break

12. 15:45-16:45 **Review of WHO's financial asset structure, investment policies and related Treasury operations:** (Comptroller; Coordinator TSY; Chief Accountant; Coordinator PRP/BCR; Secretary IEOAC)

13. 16:45-17:30 **WHO's arrangements for hosting health partnerships and proposals for harmonizing WHO's work with hosted partnerships:** Progress in implementation plan (Director PUN; External Relations Officer PUN; Senior Legal Officer, LEG; Technical Officer, DGO Reform Team)

Friday 05 July 2013
Salle F – Main building - 8th floor

- 14. 09:00-10:30** **Progress made on past IEOAC recommendations:** Discussion of the matrix provided by Chair IEOAC in the context of a review of the status of implementation of external audit recommendations (Director HRD a.i.; Director PRP; Director ITT; Director and Deputy Director IOS; Comptroller; Chief, Finance; Secretary IEOAC)
- 10:30-10:45 Coffee break
- 15. 10:45-11:45** **Consideration of the next IEOAC self-evaluation** (Comptroller, Secretary, IEOAC)
- 16. 11:45-12:30** **Meeting with Executive Management to discuss/review main issues** (ADG/GMG; Comptroller; Director IOS; Secretary IEOAC)
- 17. 13:30 – to end** **Preparation of the IEOAC meeting report and discussions of next steps**

* * * * *

ANNEX 2

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 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;
 - 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 (Document EB 126/25 and Resolution EB125.R.1, Annex)

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.

=====