

Report of the Independent Expert Oversight Advisory Committee to the Programme, Budget and Administration Committee, January 2014

Introduction

1. This report is an interim report of the Independent Expert Oversight Advisory Committee (IEOAC) following its meetings in July and November 2013.
2. The Committee met between 3 and 5 July 2013 and again between 16 and 18 October 2013.
3. All five members, Marion Cowden (Chair), John Fox, Farid Lahoud, Mary N'cube and Veerathai Santiprabhob were present throughout both meetings.
4. The agendas for each meeting have been attached to this paper as an appendix. As usual the agenda was wide-ranging and covered a number of significant areas. The key findings and recommendations are summarised in the sections that follow.

WHO Reform

5. The WHO reform process was a major focus at each meeting. The Committee was pleased to note the adoption of a project management approach for reform delivery and urges that this be embraced whole-heartedly with the approach embedded throughout the change process. Communication with staff remains a critical part of the process. Adequate attention to this aspect is essential to the maintenance of momentum.
6. Governance reform is the aspect that continues to lag behind and the continued support of the Programme Budget and Administration Committee (PBAC) and the Executive Board is essential for success. The Committee urges the PBAC to consider how it in particular and member states more generally can collectively provide a push to address the specific areas identified under governance in the reform programme.
7. The Price WaterhouseCoopers (PWC) second stage evaluation report is now available to you and provides further valuable advice.

Financing Dialogue

8. The Committee received progress updates on the Financing Dialogue at both meetings, noting that the second Financing Dialogue was scheduled for November 2013 after the Committee met in October. In the context of the earlier advice from PWC on administrative and management costs, the Committee discussed the options being considered by management for funding these costs. The Committee would support an option that recognises that these costs underpin delivery of all front-line services by encouraging a more informed examination of administrative and management costs that are required to achieve the organisation's objectives. The Committee reminds PBAC that proper recognition of all these costs is essential to the long-term financial health of the organisation. Unless

programme delivery is properly costed to take account of all the inputs necessary for delivery, including administrative support, management oversight, fixed assets and intangible resources such as information technology WHO's capacity to continue to deliver service will be eroded.

Fixed Asset Funding

9. In a similar vein, the Committee noted, with concern, the impact of many years of underinvestment in WHO buildings and other fixed assets. WHO faces an urgent need to increase the level of funding for maintenance of existing property and provision for future replacement. Failure to do so in the past is already showing its effect through unavoidable and higher maintenance and operating costs. Some provision has been made in recent years but it is insufficient to meet the demands now facing the organisation. The Committee recommends that WHO face up to the need to systematically fund reinvestment in buildings and other fixed assets, recognise it as a cost of doing business and incorporate it into the Financing Dialogue.

Donor Organisation Audits

10. The Committee was advised that donor organisations are increasingly seeking additional audits to satisfy their requirements and that this results in additional indirect costs being incurred by WHO. Examples cited were European Commission verification missions and individual country aid programmes. The Committee was reminded of the merits of the single audit principle long recognized (albeit not always observed) in the UN system and encourages WHO and its member states to engage constructively with donors to minimise the impact of this separate audits.

External Audit

11. In July, 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 and also noted these adjustments were not significant.
12. The IEOAC is concerned that it did not receive copies of the external auditor's management letters in advance of its meetings. It therefore looks forward to receiving these in future together with clearly identified issues of priority for the Organisation.
13. The Committee also asked to see the external auditor's audit plan in relation to the audit of the WHO financial statements for 2013.
14. In October, the Committee met privately with the representative of the Auditor-General of the Philippines to discuss the past audit findings and the plans for the 2013 audit. The Committee was advised that the budgeted fee is unchanged from that charged previously by the Auditor-General of India and enquired whether the current auditor is able to cover adequately the work required in his mandate. The Committee was advised that the Government of the Philippines was subsidising some of the cost, recognising the benefit to its auditors of the experience gained.

Internal Control Framework

15. The Committee noted that the agendas for regional meetings do not have audit, internal control or general management matters as standing items. Given the importance of the regional structure and its place in the governance of WHO we believe there is a need to integrate regional committees into the internal control framework and recommend that these committees assume a greater level of responsibility for oversight and control.
16. The Committee discussed the internal control framework presented to them as a work in progress and noted that it appeared to focus on financial controls, separating these from human resources, performance management, results, information and monitoring. We were of the view that the scope be wider, encompassing all elements of internal control. Since our meeting we have seen a further draft which does bring in all these elements.

Information Technology Strategy

17. The Committee received an update on the Information Technology strategy and on key developments within the area. It noted that the Director of IT and his team had conducted a survey of IT users and was concerned to hear that PAHO staff were not permitted to be surveyed. We questioned the effectiveness of disaster recovery and business continuity planning and will keep this topic on our radar.

Internal Oversight

18. At both meetings, the Committee met with the Director Internal Oversight, both privately and with members of management present and reviewed, inter alia, the current state of outstanding audit recommendations and the work programme.
19. 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. 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.
20. The main challenge currently is in evaluation where management needs to be engaged and set priorities.
21. The Committee is satisfied with the capability of IOS team members, but retains concerns about the sufficiency of IOS resources, with the need to ensure sufficient focus on IT audits being an important consideration in this context.
22. 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.
23. The on-going work on the Internal Control Framework was noted. In this context, the IEOAC encourages 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.

24. 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.

Compliance and Risk

25. In July, 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 IEOAC recognized the critical role of this new unit and asked to be informed of its exact structure and staffing in more detail.
26. It noted that the new ERM framework (Corporate Risk Register) was presented to EB133 in May 2013 and the Committee will continue to review progress and give advice on the risk register and the risk evaluation process once they are fully developed.
27. In October the Committee met the recently appointed Director of Compliance, Ethics and Risk and noted his plans for this area of work. The Committee looks forward to further dialogue in the future.

Other matters

28. The Committee met with representatives of member states which provided an opportunity to hear members' views and concerns on a range of topics.
29. Representatives from UNITAID provided a technical presentation to the Committee on its work and approach.
30. The Committee undertook a self-evaluation of its performance in accordance with its Terms of Reference. The results of this are available on the IEOAC page of the WHO website.
31. The next meeting of the Committee will be in April 2014.

**Marion Cowden (Chair), John Fox, Farid Lahoud
Mary N'Cube, Veerathai Santiprabhob**