

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 twenty-first meeting, the report submitted by the Chairman of the Independent Expert Oversight Advisory Committee (see Annex).

ANNEX

**REPORT OF THE INDEPENDENT EXPERT OVERSIGHT ADVISORY
COMMITTEE TO THE PROGRAMME, BUDGET AND
ADMINISTRATION COMMITTEE, JANUARY 2015**

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 to advise the Programme, Budget and Administration Committee (PBAC), and through it the Executive Board, on matters within its mandate, which include:

- review of WHO's financial statements, financial reporting and accounting policies
- provision of advice on the adequacy of internal control and risk management
- 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 IEOAC are:

Name	Date of appointment by the Executive Board¹	Decision reference
Mr Farid Lahoud (Chair)	January 2013	EB132(2)
Mr Mukesh Arya	May 2013	EB133(8)
Ms Mary N'Cube	May 2012	EB131(4)
Mr Robert Samels	May 2013	EB133(8)
Mr Steve Tinton	May 2013	EB133(8)

3. This report is an interim report of IEOAC following its meetings in July and October 2014.

4. IEOAC held its twelfth, thirteenth and fourteenth sessions on 1–3 April 2014, 30 June to 2 July 2014 and 15–17 October 2014. IEOAC is scheduled to hold one further meeting before the PBAC meeting in May 2015.

5. All five members attended the aforementioned meetings.

6. Throughout its meetings the Committee received a commendable level of support by management and is thankful to the Director-General, personally, and to her team for their openness in sharing information with the Committee and for allocating enough time to listen to the Committee's concerns and provide the necessary clarifications or answers.

¹ Date of adoption of relevant decision by the Executive Board.

7. Matters from the first meeting, held in April 2014, were reported in the annual report presented to PBAC at its twentieth meeting, in May 2014.¹ The remaining two meetings addressed all areas of the Committee's mandate with a particular focus on the following areas.

INTERNAL OVERSIGHT SERVICES

8. At each of its meetings, the Committee met with the Director of the Office of Internal Oversight Services, both privately and with members of management present.

9. The Director of the Office of Internal Oversight Services apprised the Committee about the establishment of a new risk assessment process to define audit priorities and briefed the Committee about the current perimeter of the audit universe.

10. The Committee also reviewed the current state of outstanding audit recommendations and the work programme. It noted with satisfaction the progress made in the implementation of audit recommendations and the closure of several audits since its last meeting. The Committee will continue to monitor progress at its future meetings.

11. The Committee, however, renewed its concern at (i) the low frequency of reviews of medium- and high-risk countries and (ii) apparently persistent systemic weaknesses. It draws management attention to this matter and to the need to enhance accountability.

12. The Committee was pleased to note that PricewaterhouseCoopers, which undertook a quality assurance review of the Office's audit practices, concluded that the Office reaches "general conformance" within the Institute of Internal Auditors standards which is the highest level of conformance.

EXTERNAL AUDIT

13. As per its usual practice, IEOAC met with the External Auditor in private as well as with management representatives at each of its meetings. The External Auditor briefed the Committee on audit recommendations for 2013 and the audit plan for 2014.

14. The following five key areas of focus were identified which IEOAC will continue to monitor as the audit progresses: (a) internal control framework; (b) International Public Sector Accounting Standards (IPSAS) transition process for recognition and valuation of fixed assets; (c) performance management system in sync with programme management objectives; (d) enterprise risk management (ERM) system – the Global Management System (GSM), as it is a significant driver of WHO reform and a key enabler of change; and (e) delegation of authority and accountability framework at all levels of the Organization.

FIXED ASSETS AND INVENTORY MANAGEMENT

15. IEOAC was briefed on the current status of development of WHO's inventory and fixed assets management system to integrate fully with GSM. It was satisfied with the high level of attention and the necessary visibility this project is receiving from all stakeholders. It noted that WHO is already

¹ Document EBPBAC20/3.

IPSAS-compliant for inventory reporting but also that the transition period for fixed assets compliance will end in December 2016. The Committee will continue to review and monitor the steps being taken by the Secretariat in this direction, together with the work under way on the global inventory management system. It suggests to try to bring forward the implementation deadline as much as possible in order to accelerate inventory controls and improvements. The Committee has also recommended including progress indicators and milestones in the project, which in turn could become part of the management dashboard.

16. IEOAC also received a presentation on the management of premises and equipment as part of IPSAS compliance during the transition period. The presentation covered: (i) the available capacity in regional offices, (ii) the system in place for tracking assets, (iii) the ageing property portfolio and, most importantly, (iv) issues linked with data collection.

INTERNAL CONTROL FRAMEWORK

17. The Committee noted with satisfaction the progress made in the implementation of the new internal control framework.

18. The Committee sought a briefing on direct financial cooperation (DFC) due to recurring weaknesses reported in several audit findings. It noted that the major weaknesses have been consolidated into three categories: (i) alignment of DFC to WHO's programmatic objectives; (ii) reporting and compliance; and (iii) accountability.

19. The Committee feels reassured that some of the recommendations to deal with these weaknesses have already been put in place. It is pleased to note that there has been a significant reduction in the outstanding reports relating to DFC and that the policy of not releasing funds for future DFC unless previous ones are reported and closed is now being better enforced. The Committee supports the proposal of establishing DFC focal points in each regional office for monitoring related compliance issues.

20. IEOAC considers that effective DFC processes are important to ensure appropriate control over expenditure and accurate reporting to Member States. IEOAC is encouraged by the way management is addressing the issues and entering into a dialogue with Member States to elicit their support for the implementation of some of these corrective measures.

21. At its thirteenth session, the Committee held a video conference with the Director of Administration and Finance, Financial Compliance Officer and Human Resources Officer at the Regional Office for South-East Asia in an initiative to better assess the progress made in WHO reform and control challenges in the regional offices.

22. The Committee was reassured to find headquarters' and the regional offices' common view of the most significant challenges the Organization is facing. It indicates that visions at both levels are aligned; however, IEOAC noted that one of the key challenges, as identified by the Director of Administration and Finance at the Regional Office for South-East Asia for the successful delivery of Reform at all levels of the organization is change management. The timeline and deliverables in concrete terms are not fully defined in the reform implementation roadmap.

23. During its fourteenth session, IEOAC held a video conference with the regional offices for Europe and the Eastern Mediterranean. WHO reform, the reports of the Internal Auditor and the internal control framework were among the issues discussed. The compliance units that support the

internal control framework were described and it was noted that the roles, responsibilities and reporting were different in each region. In previous conference calls with the regional offices for Africa and South-East Asia, IEOAC had already noted that those compliance units were also managed differently. Although the Committee welcomes the creation of compliance units in all regional offices, it is of the view that, to strengthen internal controls, the compliance units in all the regions should be established in a harmonious and comparable manner and should be managed in a consistent and consolidated approach under the framework established by the Office of Compliance, Risk Management and Ethics centrally.

24. The Committee further recommends that the compliance functions become an integral part of management process. The compliance units must act as a “second line of defence” with a clearly defined mission within the overall control framework. The Office of Compliance, Risk Management and Ethics should establish a broad framework for such functions, building in the flexibility required for each regional office. The regional directors should be responsible for establishing appropriate compliance units within their regions which should perform within the framework put in place centrally by the Office. A clearly defined responsibility for monitoring should also be laid down.

25. A new self-assessment internal control checklist was presented. The Committee expects the regional directors to take responsibility for the implementation, roll out, and completion of the self-assessment checklists in their respective regions.

WHO REFORM: GENERAL UPDATE

26. IEOAC noted that 64.5% of reform outputs had reached implementation stage by the end of September, compared with 40% at the beginning of 2014. It also took note of delays in some of the reform-related activities due to a strain on both financial and human resources, due to the Ebola virus disease crisis.

27. The Committee also discussed issues linked to the communication strategy of reform. It recognized the comprehensive set of tools being deployed for communication but was unable to see how these were being measured for their impact and effectiveness. It suggests that the communications strategy encompasses a highlight of the results or key achievements in the areas of planning, the Internal Control Framework, finance, and human resources, among others, and how these contribute to the overall reform objectives.

28. IEOAC observed that one of the biggest barriers to WHO reform is “silo style functioning within WHO”. The Committee is concerned at the lack of alignment in priorities at the three levels of the Organization. The organizational barriers are inhibiting integrated and coordinated efforts to tackle issues related to compliance, risk, asset tracking, human resources and information technology.

29. IEOAC also received a briefing from senior members of the Secretariat on the challenges being faced by the Secretariat in the area of governance reform, which is linked to the methods of working. The Committee was informed about the significant growth in the number of resolutions and agenda items, which results in increased time and capacity constraints for the governing bodies.

30. IEOAC is concerned that unless steps are taken to streamline this process, it could impair the effectiveness of the governing bodies to deliver on their mandates. It also pointed out the risk of slow progress in the governance area that could impede the implementation of the overall WHO reform agenda for WHO.

WHO REFORM: RISK MANAGEMENT AND ETHICS

31. The Committee was briefed about progress in the development of the risk register. It found the analysis of the risks encouraging, setting up a platform for a good debate. It encouraged the Office of Compliance, Risk Management and Ethics to broaden this debate management at headquarters and in the regional offices so as to integrate and refine the risk management process. The Committee also noted that the risk register, the audit universe, and the internal control framework should be fully aligned, and encouraged strong and flawless coordination between the owners of the aforementioned tools. It recommends that the risk register (which it deemed a dynamic tool) be presented as soon as possible to the Executive Board in order to integrate the risk management plan within the operational framework of the Organization from the first quarter of 2015. The sooner it gets embedded in the Organization, the more effective it will be.

32. The Committee stressed the importance of “buy-in” by country offices to ensure they understand the concept of the ownership of their risks, to avoid that this be seen as another administrative exercise.

33. IEOAC took note of the management’s assurance that the revision of the whistleblower policy would be ready by the end of 2014, and reiterated its position that the policy must go beyond the protection of the whistleblower. It must consider looking at the whole process: the reporting by the whistleblower; the response by WHO; and the protection of the whistleblower. The Committee believes there is scope to learn from other international organizations that have established whistleblower policies and have experience of implementing new policies.

WHO REFORM: HUMAN RESOURCES

34. The Committee received an update on the human resources strategy along with a briefing on the challenges in human resources management from the Director of the Department of Human Resources Management. The Committee considers the strategy to be well-articulated and presenting a clear vision of the Organization; however, the area of concern is the “buy-in” by all stakeholders. There has to be a shared responsibility for the implementation of the strategy with the provision of adequate resources, tools and guidance. The Committee considers the implementation of the human resources strategy as one of the critical drivers of the reform agenda.

35. IEOAC recognizes the significant amount of work being handled by the Department of Human Resources Management, especially with the exceptional demand on its resources due to the Ebola virus disease crisis. It recommends that the necessary resources be allocated to the Department in order to meet the set tight deadlines.

36. In respect of the Organization’s policy on mobility, IEOAC stressed that it is critical to identify the rotational positions. Furthermore, it considers the support of the regional directors as of critical importance for it to succeed.

WHO REFORM: INFORMATION TECHNOLOGY

37. IEOAC considers the GSM transformation project as a significant enabler of the internal control framework. The project will help to increase administrative efficiency and improve operational effectiveness and is one of the most important tools to reduce financial, operational and compliance risks. The Committee received the briefing on the implementation roadmap of the project, supports the

initiative taken by management to enhance internal control through GSM and looks forward to the roll out of the project.

38. The Committee noted the three major areas of risk to the successful implementation of the project: (i) the ability of the Organization to recruit the key specialist personnel in a timely manner; (ii) its ability to effectively manage the “cross-functional” aspects in silos, given a lack of seamless linkages across different functional areas; and (iii) its ability to choose the right implementing partner.

39. IEOAC observes that the decentralized structure of information technology management throughout the Organization is a constraint to it effectively supporting WHO reform and ongoing operations. The Committee recommends that as a way forward, the Secretariat’s department of information technology requires: (i) an appropriate governance structure; (ii) a well-defined information technology strategy (following the identification of costs and an inventory of all the existing systems with “buy-in” by all stakeholders; and (c) a clearly defined budget to meet the immediate investment requirements (long-term investment would depend on the strategy).

WHO REFORM: FINANCIAL STRATEGY

40. The Committee received a briefing on the financial strategy being formulated as an attempt to consolidate several budget and finance initiatives undertaken within the reform agenda. The financial strategy summarizes and links these initiatives and provides a longer-term vision for financing the Organization in a more predictable, transparent and aligned manner.

41. The Committee reviewed the revised financial strategy structure for budgeting, financial management and financial reporting. It deemed the financial strategy critical for WHO reform to align programmes to the funding process. This will allow the Organization to align the funding activities of its regions with the consolidated funding activities of the Director-General. If successful, it will provide Member States with a clear and logical budget, funding and reporting structure to underpin WHO’s overall programme of work.

42. IEOAC commented on the risks associated with the funding of Category 6 of the Programme budget, corporate services/enabling functions. Despite the new funding approach, the challenges for meeting costs related to human resources or information technology are still apparent.

JOINT MEETING WITH REPRESENTATIVES OF THE JOINT INSPECTION UNIT

43. At its thirteenth session, IEOAC had a constructive discussion and exchange of views with the representatives of the Joint Inspection Unit (JIU). It considers JIU to be a natural interlocutor, and noted at that time the apparent lack of an update by WHO on implementation status according to JIU’s web reporting tool.

44. The Committee was later informed that many of the recommendations made by JIU may have already been implemented. It advised WHO to ensure that regular and thorough updates were provided to JIU via its reporting tool. It also suggested that WHO should address the “ownership” issue of JIU recommendations in the future (at the time of the IEOAC meeting, the coordination of these recommendations was at administrative level rather than at management level).

45. Consequently, at its fourteenth session the Committee was presented with the latest status of implementation of JIU recommendations, and was pleased to note the progress made such that WHO was now largely “in compliance”, according to JIU.

STAFF HEALTH INSURANCE

46. An update on the after-service health insurance funding projections and the feasibility study on staff health insurance claims administration was well received by IEOAC. The Committee suggested that the administration of staff health insurance should be integrated within the overall internal control framework, with associated risks being captured in the new risk register.

OTHER MATTERS

47. The Committee received a brief update on the Ebola virus disease crisis and the challenges posed, notably at the expenditure level to ensure that funds are used for the purpose specified in the donor agreements. It also recommended that a separate assessment of the crisis and the lessons learnt be undertaken by WHO at an appropriate time next year.

**Farid Lahoud (Chair), Mukesh Arya,
Mary N'Cube, Robert Samels, Steve Tinton**

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