

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

**(Geneva, 8 – 10 April 2015)**

The meeting was the first of three IEOAC meetings planned for 2015, with the dates for the next two meetings having been provisionally set for 1-3 July and 19-21 October 2015. The agenda for this meeting is attached at [Annex 1](#).

In attendance throughout: Farid Lahoud (Chair), Bob Samels, Steve Tinton, Mukesh Arya and Mary NCube.

**Item 1 – Opening and administrative matters**

- 1) 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 for the 15<sup>th</sup> meeting was adopted.

**Item 2 – Update on Internal Oversight Services (IOS)**

- 1) The Committee received a briefing from Director IOS on the recent developments in IOS including HR update, status of 2014 work plan, recommendations, main findings and status of implementation of recommendations. It noted that the shift of evaluation functions out of IOS, has created a technical resource constraint for the department. Due to lack of technical capacity, some of the planned audits were cancelled in 2014. An unusually high number of investigations also added burden on the resources available to IOS.

A discussion followed about the importance of audit reports and the reasons for so many reports with ‘unsatisfactory’ or ‘partially satisfactory’ rating. The Committee, renewed its concern at the apparently persistent systemic weaknesses and ineffective controls, across the organization. The Committee particularly noted the unsatisfactory internal audit reports as regards the country offices that could be a symptom of a “culture of tolerance” for non-compliance with rules and policies. It draws management attention to this matter and to the need to enhance accountability. The Committee believes that the issues highlighted in the IOS reports are being dealt with at individual level rather than at collective level for the whole organization. Drawing lessons from audit report findings, across the organization is, therefore strongly recommended by the Committee. and that the new Internal Control Framework and Accountability Framework are still not fully integrated in the work culture.

- 2) The Committee notes, nevertheless, the improving implementation of the internal audit recommendations and the closure of audit reports. Recently there has been a focus on improving the internal controls through self-assessment checklists and the internal control framework: however it appears the organization is not learning from internal audit recommendations given that examples of non-compliance seem to

recur. The IEOAC also expressed the need for disseminating the lessons drawn from IOS reports, positive findings and good practices across the organization.

- 3) The director IOS informed the Committee that he was encouraged with the improvements in DFC area, it has decided now to focus on another cross cutting area in procurement i.e. APWs. A Procurement Strategy is being developed by the organization to provide a cohesive vision and to consolidate various initiatives for integration of controls and compliance in processes and policies. The IEOAC looks forward to receiving an update on the same in its July meeting.
- 4) The Committee observes that WHO needs to examine the current e-imprest system to assess whether it is being used for what it was designed for, originally, and review where the controls are being violated in the e-imprest module.
- 5) IEOAC further suggested that appropriate attention be given in improving IT audit capacity within IOS.
- 6) The Committee also held a private session with the Director IOS.

### **Item 3 – Update on Compliance, Risk Management and Ethics (CRE)**

- 7) The Committee received with keen interest an update from the Director CRE on risk validation, compliance, whistleblowing policy, declaration of interest and code of ethics. The aforementioned topics continue to be ones of a strategic importance with several important initiatives being rolled out in parallel.
- 8) The Committee took note of the roll out of the risk register in two phases in 2014. After the identification of risk, the process of validation including the analysis of mitigation strategies has been initiated by CRE. The overall response rate from 221 budget centre has been around 55%; with WPRO and SEARO leading the way. Due to several emergency response action and the Ebola crisis, the response rate from EMRO and AFRO has been less than desired. CRE is approaching the non-respondents again to finish the exercise for their respective budget centres. The Committee encourages CRE to continue with its work and complete this phase quickly.
- 9) The Committee once again stressed the importance of the ‘operationalization of the risk register’ or embedding it in the management functions on an urgent basis. The Risk Register should be used as a management tool to further strengthen the mapping of risks in internal audit plans along with mapping it to the functions of compliance units.
- 10) The IEOAC is of the view that it is important at this stage for the Global Policy Group (GPG) to list key strategic risks facing the organization, from their perspective. There is a need to reconcile the risks identified through a bottom-up approach with a ‘top-down’ view. This will help in addressing the gaps and will also support linking the organization’s main identified risks with its strategic priorities by refining the risk response strategy.
- 11) The Committee was pleased to note that an extensive and comprehensive Whistle Blowing Policy has been in force since March 2015. It looks forward to the completion of the implementation procedures, including the identity and terms of

reference of the alert recipients. It also noted the work in progress on the policy on Declaration of Interest for external experts and code of ethics and training. It looks forward to further updates on these important issues in the forthcoming meetings.

- 12) The Committee noted that one of its previous recommendations that –“ the compliance units in all the regions should be established in harmonious and comparable manner and should be managed in a consistent consolidated approach under the framework established by CRE centrally”, has found resonance with the member states who advised the secretariat for an establishment of a central framework for harmonization of compliance units at all levels of the organization. CRE has initiated steps to review the current practices and is aiming to create a network of compliance units with harmonized job descriptions.
- 13) The Committee observed that several initiatives currently driven by CRE are of a strategic nature, like the Risk Register, the Internal Control Framework, the Whistle Blower Policy, the Harmonization of Compliance Functions across the organization etc. The IEOAC emphasized the importance of alignment required between (i) adequacy of the resources at CRE’s disposal, (ii) criticality of the strategic initiatives and (iii) responsibility at a senior level of management, in order to sustain the current momentum.

#### **Item 4 – WHO Reform: general update**

- 14) The IEOAC received an update on the reform progress in general and about some of the lessons learnt from Ebola crisis outbreak. The Committee noted with interest, progress made in the implementation of several key reform initiatives like the development of Programme Budget 16-17 on a bottom-up approach; preparation of the draft framework of engagement with non-state actors, roll out of performance management framework and others.
- 15) A discussion followed about WHO’s own perception about what went wrong and what was done right in response to Ebola crisis. The committee welcomed the open and candid approach adopted in the reviews. The lessons from the Ebola crisis will have far reaching implications for the effective running of WHO and it is clear management is determined to take appropriate actions. In relation to emergencies, the Committee was informed, that the Ebola crisis has made it evident that there is a need for a flexible dynamic workforce which is not constrained with normative functioning, has well defined roles and responsibilities and can be deployed in a short period of time. The concept of ‘pre recruited, pre-trained and pre certified’ staff is being explored by the organization. WHO will also need access to readily available funds to mobilise resources on a timely basis. The Committee also appreciate the challenges in preparing budgets for implementing the Ebola strategy for the remainder of 2015 and beyond.
- 16) The Ebola crisis has emphasised the need for WHO to have an effective management structure. One of the significant issues raised was the role, responsibility and authority of senior management at the three levels of the Organization - HQ, Regional Offices and Country Offices. The Committee noted the need for WHO to have an effective management coordination and decision making structure. It finds the Global policy Group (GPG) as a suitable vehicle to drive home the beneficial

actions in providing clear direction, decisions, and oversight in connection with cross departmental organizational issues and in coordinating the activities of WHO. The IEOAC recommends that the role, responsibilities and mandate of the GPG be formalized and institutionalized, as part of the normal management structure of the organization. This would allow GPG to provide a stronger coordinated decision making leadership role that the Committee deems critical to ensure the success of future broad organizational initiatives and to enable the consistent delivery of programmes in all regions.

- 17) The Committee is concerned that unless there is greater clarity in roles and responsibilities at three levels of organization and unless there is an alignment among major offices in terms of reform, the organization will not see the impact of all these initiatives at the ground level.

#### **Item 5 – Planning, Resource Coordination and Performance Monitoring**

- 18) The presentation on the proposed Programme Budget 2016-17 and mid-term review (MTR) for implementation of programme budget 2014-15 was well received by the IEOAC. The Committee is encouraged by the concrete progress made in the programmatic reform area and it looks forward to receiving an update in its July meeting when PB 16-17 would have been approved by WHA and the results of MTR would also be available.

#### **Item 6 – Update on the financial statements 2014**

- 19) The Committee reviewed, and discussed with management, the 2014 financial statements. It addressed the key underlying accounting policies, the reasonableness of significant judgments and the clarity of disclosures. . The presentation included the financial highlights to reflect the key expenditure areas and the major funding sources. WHO' continued dependence on a small number of donors remains a risk and a matter of concern.
- 20) The Committee was apprised about the challenges in the recording of in-kind contributions (vaccines, staff on secondment, equipment, free office spaces etc.) due to a highly decentralised organization structure, the time gap between the receipt of in-kind contribution and the recognition of the same in books of accounts. As previously recommended, the organization is trying to bring in a comprehensive centralized tool for tracking donor proposals. A Global Engagement Management Tool is being considered by WHO IT for this purpose.
- 21)** It noted that the accounts are deemed IPSAS compliant (noting that, as allowed under IPSAS rules, WHO opted for the transitional provision to implement IPSAS requirements for property and equipment until 2016). The Committee was briefed, in particular, on the current status of development of WHO's inventory and fixed assets management system to integrate fully with GSM and was informed that a detailed plan has been put in place for the AFRO region to have all the assets valued by mid next year (this being the one remaining region for which asset valuations are

outstanding). 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.

~~21)~~

#### Item 7 – Update on Staff Health Insurance (SHI)

22) The IEOAC received a presentation on the financial statements on Staff Health Insurance for the year 2014. The Committee has taken note of the financial statements and has no comments on it.

#### Item 8 – Status of External Audit

23) The External Auditor and representatives from the Finance Department joined the meeting for this item and the Committee received a comprehensive briefing on the contents of the financial statements, implementation of recommendations and audit results in respect of 'Review of Operations'.

24) The management letters issued by auditors were shared with the IEOAC a couple of weeks before the meeting. The Committee was pleased to observe the agreement between the management and the external auditors on all the major issues related to financial statements.

25) The Committee also examined the draft management letters of the external auditors encompassing their appraisal, and recommendations, in connection with programmatic and administrative reviews (non-financial "operational" review). The Committee suggested that the External Auditors and management, should coordinate optimally in the preparation of management letters and management response thereof so as to ensure (i) accuracy and consistency of language used to report matters and (ii) management accountability for responses, all in time for submission of the management letters, in final form, to the concerned bodies. It also looks forward to receiving the final version of the management letters.

26) The IEOAC also held a private session with External Auditors.

#### Item 9 – Financial and Treasury Management

27) The IEOAC received a briefing on WHO's hedging policy in view of the Swiss Franc exchange rate movement after the removal of 'cap' by Swiss National bank for the CHF to EURO rate in early 2015. The Committee is of the view that WHO's hedging policy is adapted to the needs and requirements of the organization, and the risk appetite of its governing bodies.

Mis en forme : Police : (Par défaut) Calibri, Gras

Mis en forme : Retrait : Gauche : 1,38 cm, Sans numérotation ni puces

Mis en forme : Paragraphe de liste, Retrait : Gauche : 0,75 cm, Interligne : Multiple 1,15 li

Mis en forme : Paragraphe de liste, Retrait : Gauche : 0,75 cm, Interligne : Multiple 1,15 li

Mis en forme : Paragraphe de liste, Retrait : Gauche : 0,75 cm, Interligne : Multiple 1,15 li

#### **Item 10 – Briefing on Costs Recovery Study for hosted entities and partnerships**

- 28) At the request of the DG, the Committee also examined a costs recovery study for hosted entities and partnerships in respect of cost recovery model to be applied to WHO hosted entities and partnerships. The Committee received a presentation on the topic which provided the background, the current situation and two cost sharing options being considered. After reviewing the options presented by the management, the IEOAC recommended a process as a way forward with hosted entities. The Secretariat will be reporting thereon to the Governing bodies and will work out a formal process to ensure either (i) a full costs recovery as mandated by EB, or (ii) a transparent reporting and explicit ratification of any persisting subsidy or cross-subsidy.
- 29) The Secretariat will inform the EB about the proposed methodology by IEOAC and will work out a formal process to ensure full costs recovery as mandated by EB, or transparent reporting and explicit ratification of any persisting subsidy or cross-subsidy.

#### **Item 11 – Briefing on Internal control Framework**

- 30) The Internal Control Framework (ICF) and its implementation strategy continues so to be a key item on the IEOAC's agendas. The Committee received an update on the status of roll out of ICF and the internal control self-assessment checklist in regional offices and country offices. The check-list is a management tool to be used by heads of country offices and other budget centers to assess and monitor the status of internal control in key functional areas.
- 31) A discussion followed about the culture of the organization for tolerating non-compliance; for not understanding the purpose and use of such tools but treating it as another administrative burden, lack of communication at various levels and missing linkage between various tools, policies and procedures. Even though there is a clear understanding at the top level of management about how internal control framework, roll out of risk register, self-assessment check lists, administrative and programmatic reviews are all part of one big initiative to strengthen control functions and to bring in harmonized compliance at all levels of the organization the message being perceived at the ground level is not the same. All these initiatives appear to be stand-alone messages with linkages either missing or blurred.
- 32) The IEOAC welcomes the unprecedented extent and depth of the change initiatives in process but is concerned about the challenges in implementing these all across the Organization. While the IEOAC recognizes the logic of housing the ICF under CRE, it considers that the RDs should be the main drivers of the operationalization of ICF in their respective regions, both in terms of required structural and process changes.
- 33) The Committee considers that the only way ICF would be effective is if it's used by regions as a management tool and as a second line of defense, DAFs are responsible for monitoring the implementation of the same. The tool should be internalized, as it would help in determining priorities and highlighting the risk areas. The 'buy-in' from ROs is of utmost importance. It observed that it is not CRE but Regions who should be responsible for the operationalization of ICF, more it is seen as HQ driven initiative, less likely it is to succeed.
- 34) The Committee wishes to emphasize the importance of establishing a culture of Compliance with Rules and Policies. It notes the lack of sanctions or measures in case of non-performance and it suggests establishing linkages between check-lists,

audit results and performance evaluation to ensure accountability for the delegated authority. It encourages WHO to explore the possibility of including adherence to and abidance by internal controls as one of the criteria for performance assessment.

-The IEOAC is supportive of the huge amount of work already done in developing strategy and policy documents, producing the tools, rolling these out at three level of the organization, increased awareness of the accountability and control but it is concerned about the lack of harmonization within major offices for the implementation of these initiatives. The Committee would like to see an effective roll out strategy reflecting one coherent message encompassing all the tools and initiatives.

#### **Item 12 – Update on Evaluation and Organization Learning**

- 35) The IEOAC received a briefing from the Representative for EOL on the status of ongoing activities under ‘strengthening evaluation and organizational learning’. The IEOAC considers the evaluation and organizational learning to be an important areas of management and notes that a culture of evaluation can help in the analysis of root cause of issues rather than focusing on the findings and can bring in a culture of collective learning. There is a need for integrating the culture of evaluation as part of the routine management tools.
- 36) The Committee is very supportive of the evaluation function and looks forward to reviewing the 2016-17 work plan and its resourcing in its October meeting. The Committee is also encouraged to hear that some of the evaluations are already under way and would have been completed by end of the year.
- 37) However, the Committee is concerned about the capacity of the organization to change especially with so many initiatives being implemented at the same time. It is also concerned about the concentration of all such initiatives in HQ and the challenge of seeing the impact at the country level.

#### **Item 13 – Update on Ebola Crisis**

- 38) The Committee received an update on the status of response to Ebola crisis. The presentation covered the evolution of the crisis, the major events in the time line, critical risks and challenges, the positive stories, revenue and expenditure and some of lessons learnt and steps being taken for corrective action. The Committee found the presentation to be very informative and well structured.
- 39) The Committee was also informed about the various internal and external assessments which are underway and intend to review the results of the same in its future meetings.
- 40) The IEOAC observes that senior management recognizes the need to establish a standard process for emergencies and will determine what changes are required in the structure and corporate processes. The Committee looks forward to be updated on the proposed changes and the implementation plan.
- 41) The Committee also appreciate the challenge in preparing budgets for implementing the Ebola strategy for the remainder of 2015 and beyond. It is encouraged to hear that the revised budgets would be prepared to reflect actual patterns of expenditure, based on available resources and to identifying any funding gaps.

**Item 14 – Discussion with DG and senior management**

- 42) The IEOC also met with DG, DDG and other senior members from the secretariat to discuss the critical issues, concerns and recommendations as set out in this meeting report.

**Item 15 – Other matters**

- 43) The Committee held a short private session for IEOAC members only during which it elected Mr. Bob Samels as its new Chair from July 2015 meeting. The Committee expressed its appreciation for the contribution made by outgoing Chair Mr. Farid Lahoud.
- 44) The IEOAC worked with the Secretary of the Committee to outline the rolling agenda for the next three meetings.
- 45) The Committee undertook a self-assessment exercise for its own working. It was satisfied to note an enhanced timeliness of its access to information and a better alignment of work with its mandate. As a result of the self-assessment exercise it also modified its work practices in order to further enhance the use of the Committee's time. The Committee also reviewed its own Terms of Reference and made no recommendations for changes in connection therewith.

-----