

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

Virtual meeting | 29 – 31 March 2021

AGENDA ITEM 1

Opening and administrative matters

- The Chair confirmed a **quorum** with three of the members of the IEOAC present.
- Mr Bert Keuppens, who will join the next meeting of the Committee as a member in March 2021, was invited by the Chair to attend the various presentations made by the Secretariat to the Committee and observe its proceedings.
- No conflicts of interest were recorded by the present members.
- The **agenda** was unanimously adopted.
- In view of the ongoing COVID-19 situation **the meeting was held virtually** with the secretariat present at the WHO-offices in Geneva.
- Agenda and Participant list of the meeting is enclosed.

AGENDA ITEM 2

WHO Overview Briefing | DDG, CdC, ADG/BOS

Context | Summary

- The committee welcomed the new CdC, Dr Catharina Boehme
- Because of the continued COVID-19 pandemic, WHO operates largely in a remote environment. Despite the restrictions imposed through travel restrictions and remote working 40% of the Program of Work have been implemented at the end of 2020 with a likely implementation rate of 90% at the end of the current biennium.
- Travel restrictions have made support for country office operations and the usual alignment across the three levels of the organization more challenging. Apart from increasing virtual engagement and introduction of new ways of working country offices have been permitted to pursue a temporary local hiring strategy to counterbalance the lack of regional or head office support
- The long period of remote work has been mastered well from a technical standpoint of view, however, WHO is – like most organizations working remotely over an extended period of time - experiencing visible signs of negatively affected staff wellbeing, engagement and overall mental health. Because of these challenges the **WHO has declared 2021 the Year of the Workforce** in order to create a more enabling environment for all staff. This program is based on five pillars
 - Promoting diversity equity and inclusion
 - Creating an enabling working environment
 - Fulfilling the potential of the workforce
 - People caring about people
 - Communication and staff engagement (enabling/supporting pillar)

- Senior Management reported on the overall program priorities in the near term.
 - ACT Accelerator/ COVAX
 - Report on the origins of COVID
 - Business continuity

Recommendation I

- Senior Management is advised to continue to strengthen measures to protect staff mental health and well-being. Continuous engagement with staff both within teams and globally through communication methods such as pulse surveys is recommended

AGENDA ITEM 3

Terms of Reference (“ToR”) of the IEOAC | CdC, ADG/BOS, Legal Counsel

Context | Summary

- Following the JIU-Review¹ the need to amend the ToR was discussed on various occasions since mid 2019.
- The IEOAC had presented its draft of new ToRs to Management as a discussion basis. The IEOAC suggests a stronger delineation of duties with the IAOC and the avoidance of duplicative and overlapping oversight work. Furthermore, the IEOAC is of the view that organizational changes to bring former WHE closer into the “one WHO” as well as transformation from a decentralized to a more corporate approach within the areas of responsibilities of BOS requires an adequate reflection in the ToRs.
- In line with the recommendation of the JIU-Review the IEOAC has a preference for direct reporting to the Executive Board. This would create a level-playing field for oversight mechanisms as the IAOC is reporting to the EB as well.
- The promised written feedback was delivered belatedly to the Committee and addressing only parts of the issues raised.

Observations

- Senior Management, contrary to earlier commitments, suggested that the IEOAC provides its proposal to the PBAC and through it to the EB directly.
- The committee agreed to hold informal consultations with the Chair of PBAC prior to the delivery of the new ToR-proposal to PBAC. These informal consultations have taken place and the Chair of PBAC requested the IEOAC to present its process proposal and not yet the suggested new ToR to the next PBAC. This would enable member states represented in the PBAC to align/agree with the proposed process prior to the start of the substantive debate.

Recommendation II

- The Chair of the IEOAC to contact the Chair of PBAC for an informal discussion on the ToR and with the aim to obtain PBACs feedback on the suggested changes

¹ JIU/REP/2019/6 “REVIEW OF AUDIT AND OVERSIGHT COMMITTEES IN THE UNITED NATIONS SYSTEM”

AGENDA ITEM 4 and 5

WHO Financial Highlights | CdC; ADG/BOS, Comptroller & Director Finance a.i.

Meeting with External Auditor | Private session with Director of External Audit

Context | Summary²

- The Director of External Audit, Office of the Comptroller and Auditor General of India”, confirmed that there were no major changes in accounting policies or judgements made by Management in the preparation of the financial statements in accordance with International Public-Sector Accounting Standards (IPSAS).
- The 2020 financial results were reviewed and discussed following an overview given by the Comptroller a.i. The Committee assessed the key underlying accounting policies, the reasonableness of significant judgments and the clarity of disclosures. The Committee noted that the Financial Statements have been prepared and submitted in a timely manner (with minimal audit recommendations)
- The outbreak of the Covid-19 pandemic early in 2020 posed unprecedented health and economic challenges worldwide and put the WHO at the center of worldwide attention.
- In 2020, WHO reported record revenues of US\$ 4.299 million (after US\$ 3.116 in 2019) and total expenditure of US\$ 3.561 million (after US\$ 3.088 in 2019). Much of the growth is due to the role of WHO in fighting the Covid-19 pandemic. The implementation along the WHO strategic priorities is shown below

For the year ended 31 December 2020

(In thousands of US dollars)

Description	Programme budget 2020-2021	Expenses 2020	Total expenses	Difference – Programme budget and expenses	Implementation (%)
Strategic Priority					
1 One Billion more people benefiting from Universal Health Coverage	1 358 770	557 027	557 027	801 743	41%
2 One Billion More People Better Protected from Health Emergencies	888 845	262 558	262 558	626 287	30%
3 One Billion More People Enjoying Better Health And Well-Being	431 079	108 194	108 194	322 885	25%
4 More effective and efficient WHO providing better support to countries	1 090 006	444 611	444 611	645 395	41%
Polio eradication, Emergency operations and appeals and Special Programmes	2 071 700	1 690 905	1 690 905	380 795	82%
Total	5 840 400	3 063 295	3 063 295	2 777 105	52%

- Revenue trends shows that voluntary contributions have increased as a proportion of WHO’s overall revenue from 80% five years ago (2016) to 89% last year, and assessed contributions show a corresponding decline in the same period from 20% to 11%. This trend accelerated in 2020 due to the influx of voluntary contributions received in response to the Covid-19 pandemic. **The committee is concerned about the declining part of assessed contributions as part of overall WHO financing.** Assessed contributions have roughly stayed the same for more than a decade while overall requirements and revenues of WHO grew.

Recommendation III

- Member States and Senior Management are invited to continue and accelerate their dialogue on putting WHO finances on a more sustainable path

² Source data: WHO Financial Statements 2020

Recommendation IV

- The committee invites Member States and Senior Management to determine an appropriate minimum level of assessed contributions as a percentage of total revenues to reverse current trends in composition of overall financing

- Total expenditure increased from 2019 to 2020. Expenses were highest in the non-base segment of the Programme budget, for Polio eradication, Emergency operations and Special programmes, which totalled US\$ 1691 million, an increase of 24% from 2019 (US\$ 1359 million). The main driver for the increase is the response to the COVID-19 pandemic where total expenditure in 2020 was US\$ 912 million (overview over Covid-related spending by region below). In regards the triple billion targets, the “Strategic Priority - One Billion more people benefiting from Universal Health Coverage” had the highest expenditure and percentage expenditure in 2020, with US\$ 557 million and 41% respectively

– Office	USD \$ millions	%
Africa	188	21%
Americas	87	9%
Eastern Mediterranean	178	20%
Europe	82	9%
South East Asia	73	8%
Western Pacific	48	5%
Headquarters	255	28%
Grand Total	912	100%

- Total staff and other personnel costs increased in 2020 by US\$ 398 million compared with 2019, and its share of overall expenses grew to 39% (from 32% in 2019). This is due mainly to the higher actuarial valuation of after-service health insurance caused by lower long-term interest rates and lower projections of member contribution. In addition a weaker US dollar and the strengthening of the Organization’s capacity under the WHO Health Emergencies Programme contributed to higher costs for staff.
- Contractual services were the second-largest category of expenses, accounting for 28% of the total in 2020 (32% in 2019). This represents the cost of contracts entered with experts and service providers who support the Organization in achieving its planned objectives. **The COVID-19 pandemic slowed the delivery of country-level public health activities which led to a reduction of Direct implementation expenditure** by 18% compared to 2019.
- Expenses for medical supplies and materials nearly doubled in 2020, accounting for 15% of total expenses in 2020 against 8% in 2019. **The large increase (US\$ 524 million in 2020 compared to US\$ 259 million in 2019) was due largely to the supply chain operations WHO set up** to rapidly procure and deliver supplies and equipment need to respond to the COVID-19 pandemic.
- The balance of accounts receivable includes amounts due from Member States for assessed contributions, amounts due for voluntary contributions and other receivables. **For assessed contributions, the total amount due at 31 December 2020 amounted to US\$ 320 million** and included

US\$ 20 million of rescheduled arrears (US\$ 237 million at 31 December 2019, including US\$ 29 million of rescheduled arrears).

Recommendation V

- Given the increased activity level, the committee urged Management to continue focus on properly functioning internal control systems to mitigate risks associated with contractual services and in particular procurement of medical supplies and materials

- Given further that the accounts were compliant with IPSAS and that the Auditors would be issuing an **unmodified opinion** on the 31 December 2020 Financial Statements of the WHO, the Committee recommends the submission of the financial statements 2020 to the PBAC, and further to the World Health Assembly.

- The Committee thanked the Director of External Auditor, Office of the Comptroller and Auditor General of India for their work.

Observations

- The new external auditor carried out the financial and compliance audit of the World Health Organisation (WHO) for the year ending 31 December 2020 for the first time. The financial audit covered scrutiny of records relating to the Financial Statements. The compliance audit covered scrutiny of records primarily relating to Investment Management, Inventory Management, Contractual Services and Procurement Management.

- There were 32 External Audit recommendations outstanding as of 31 December 2020, of which only one has been implemented and other were either pending or under implementation. The external auditor observed the need for the management to improve the pace of implementation of previous recommendations and make a time bound action plan to implement the same.

- WHO operates a pooled treasury system, wherein WHO treasury manages the investments on behalf of other four non-consolidated entities SHI, UNITAID, UNAIDS and ICC. Investible funds entrusted by all the entities are comingled with WHO funds and invested, while some is held as cash and cash equivalents. It is recommend that Cash and Cash Equivalent and Short Term investments of WHO should be disclosed distinctly for more transparent and adequate disclosure.

- According to clause 7.4 of the Investment Policy of the WHO, the selection of Investment Managers should be done through a competitive bidding by issuing a Request for Proposal, every five years. It was observed that that the management of short term Investment portfolio of WHO and SHI were not submitted to RFP every five years as required by the policy. The last RFP for WHO mandates was issued in 2011, SHI's equity portfolio was issued in 2012 and its fixed income portfolio was put to RFP in 2015. It is recommend that Investment mandates should be put to RFP at prescribed intervals, in compliance with the Investment policy, to derive the best market options at competitive fees.

- The external auditor reviewed contractual services that represent expenses incurred for suppliers such as experts and service providers who are engaged to support the Organization's programmatic activities. During 2020 total expenditure on contractual services was \$ 986.13 Million which was second highest expense item after staff cost. The main components within contractual services are Direct Implementation; General Contractual Services; and Consulting and Research contracts. The external auditors draft report reviewed by the committee made reference to

observations related to these services that shall be reviewed and discussed with senior management on the occasion of the next IEOAC meeting.

- On procurement WHO should increasingly resort to open competitive bidding as the first choice and use limited tendering only in exceptional situations like emergency purchases. When undertaking limited tendering, the criteria and justification for pre-selection of vendors for the issue of ITB should be duly recorded. This recommendation has been agreed by management.
- To ensure value for money and to maintain parity in price evaluation, WHO should try to move towards the total landed cost concept. This would require development of suitable evaluation models. WHO should also try to adopt suitable ‘Transportation model’ for minimising the cost and time for transportation of supplies from multiple source to multiple destinations.
- WHO should maintain a list of international prices of all medicines and medical supplies which can be used for reference while making purchases.
- WHO should maintain complete documentation of the whole procurement process as laid down in Clause 2.5 of the WHO Procurement Handbook, in order to uphold the principle of transparency and enable the verification of the procurement.
- WHO should put in place a supply chain system which can be activated to cater for emergency. Modalities for emergency operations along with suitable incentives should be incorporated in the contracts with the suppliers and shipping and logistics contractors. These recommendations are aligned with management’s intentions for the future and design work has already started.
- The external auditor issued the following recommendations that are supported by the committee
 - (i) To address the increasing trend of cases of misconduct, WHO should enhance its punitive as well as preventive approach. Delays in investigation and disciplinary action should be reduced so that prompt and proportionate disciplinary action acts as a deterrent.
 - (ii) WHO needs to adopt a risk based approach to prevention by identifying the offices and units with high risk of misconduct and focus on outreach and strengthening of controls in these in these offices. Since, largest number of cases pertain to Fraud, efforts should be made to increase awareness of fraud and preventive fraud controls. WHO may strengthen preventive measures like checking of antecedents before recruitment, integrity vetting for promotions, and rotation of staff in sensitive positions.

Recommendation VI

- Senior Management to continue focusing on tracking the timely addressing of external audit and other recommendations issued and to initiate correction measures if required.

AGENDA ITEM 7

Staff Health Insurance (SHI) Update | ADG/BOS, Comptroller & Director Finance a.i; Head SHI, Finance Officer, Lead Actuary AON, Valuation Actuary, AON)

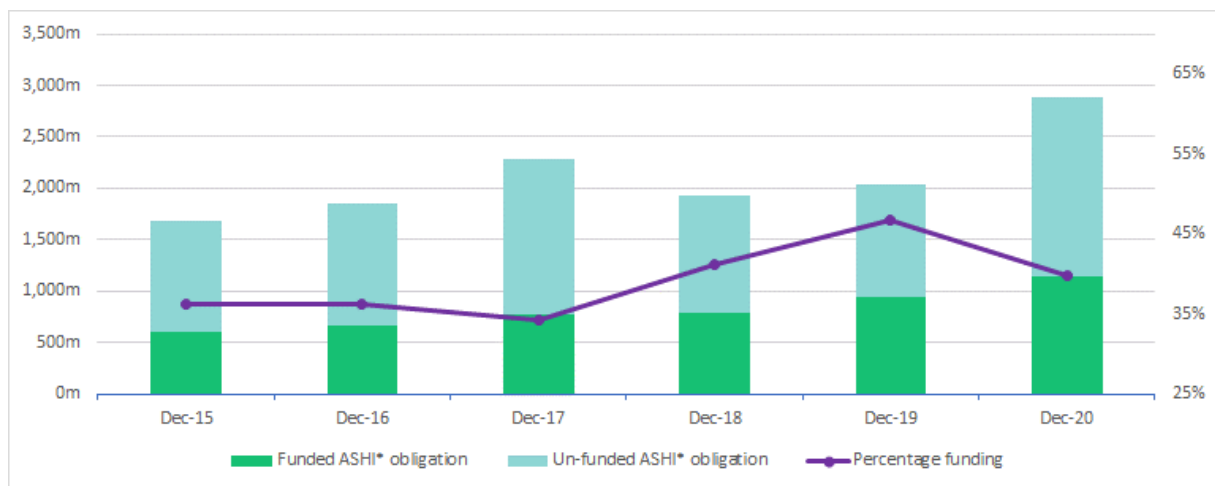
Context | Summary³

- The Staff Health Insurance liability (SHI) is the largest component of the staff liabilities; the SHI scheme provides medical reimbursements for serving and retired staff members and their

³ Source data: WHO Financial Statements 2020

dependents and covers more than 32 700 participants. The Staff Health Insurance fund prepares a separate financial report and is subject to an external audit.

- The 31 December 2020 actuarial valuation of the future liability of Staff Health Insurance was estimated at US\$ 2.880 million (US\$ 2.031 million in 2019), of which US\$ 1.145 million (US\$ 947 million in 2019) or 36% is funded. Total funding increased by US\$ 198 million or 21% compared with 2019. The increase in liability is mainly due to the current external economic factors (e.g. lower interest rates with decreased discount rates, exchange rate fluctuations medical inflation etc.)
- The committee has for many years reported the year of SHI's likely full funding. After intensive discussions, however, we have come to the conclusion that such a presentation is most likely not fully appropriate for SHI. The future value of SHI's obligations is dependent on a number of assumptions that are subject to significant change. The Committee therefore believes that a report on the long-term trend of SHI funding is more informative. Despite major changes in assumptions, as shown in the Table below, the SHI funding trend in 2020 continues to appear reasonable.



Observations

Recommendation VII

- Senior Management to continue its efforts aiming at reasonable funding of the SHI in the medium-term

AGENDA ITEM 8

Compliance Risk Management and Ethics (CRE) Update | (CdC, ADG/BOS, Director CRE, Coordinator CRE (Ethics), Coordinator CRE (Compliance))

Context | Summary

- The Committee was pleased to receive a detailed update of the Compliance Risk and Ethics work at WHO including in the area of sexual exploitation and abuse as well as in area of preventing and addressing abusive conduct
- The IEOAC was also informed that a global review of WHO's compliance landscape to ensure it is fit for purpose, currently underway.
- Furthermore it noted the creation of a compliance function being created in WHO's shared service centre (Global Service Center-GSC) located in Kuala Lumpur as part of the transformation agenda, and the issuing of a request for proposal by the organization to this regard.

Observations

- The IEOAC noted the impressive procedures of WHO in the area of compliance, risks and ethics. However it urges the organization to move from policy to action to ensure there is no disconnect between WHO procedures and the reality on ground.

Recommendation VIII

- The Committee urges Management to issue guidance on risk tolerance levels for key risks and how to translate those tolerances into operational level decisions.
- The Committee urges Management to ensure that all principal risks are updated in the Risk register and that the Risk Committee meets on a regular basis to update and review WHO’s risk management efforts

AGENDA ITEM 9

Internal Oversight Services (IOS) Update | CdC, ADG/BOS, Director IOS

Summary of reports of concern by type and status⁴:

Allegation Type	2016	2017	2018	2019	2020
Corruption	8	14	5	9	7
Failure to comply with Professional Standards	15	4	11	11	13
Fraud	32	30	55	61	40
Harassment	9	13	25	28	27
Recruitment irregularity	5	10	8	14	13
Retaliation		1	4	2	2
Sexual Exploitation and Abuse		1	3	5	6
Sexual harassment	5	3	10	6	8
Other (and blank)	5	6	27	26	27
Total	79	82	148	162	143
<i>Change y-o-y</i>		<i>+ 4 %</i>	<i>+ 80 %</i>	<i>+ 9 %</i>	<i>-12%</i>
<i>Percent of investigations with status “closed”</i>	<i>92 %</i>	<i>83 %</i>	<i>68 %</i>	<i>48 %</i>	<i>45 %</i>

Context | Summary

- Director, IOS provided an update on the strategic direction of the oversight functions within WHO as well as IOS workplan for 2021 and the current situation with regards to investigations. The committee noted the positive action to move key documents into the cloud files thus facilitating access for audits. The committee requested more detailed information on internal resources of the department to meet operational needs following which the Secretariat confirmed allocation of funds for temporary staff to address the backlog of investigations, as well as for fixed term staff to support the ongoing work of the department.
- The Committee was also informed about the importance of replacing the current ERP system to enhance the first and second lines of defense on internal controls.
- The Committee was pleased to note some of the advisory work performed by the IOS which is very useful to ensure that appropriate actions are taken by Management while new or updated processes and systems are being implemented.

Observations

- The Committee reiterated that although capacity to deal with backlog of investigations is essential it is necessary to put in place a process to ensure full closure of all cases. This process should explore

⁴ Source Data: IOS presentation to IEOAC 33rd Meeting: Current Statistics

a review from senior management on overall timelines as well as lessons learned following the review of outcomes of investigations.

Recommendation IX: The Committee reiterated its earlier recommendation to deal with backlog of investigations which is necessary to ensure full closure of all cases in a reasonable time frame and in this respect appropriate bench marks should be established based on lessons learned following the review of outcomes of investigations

- For the new ERP, Management should continue its efforts to minimize customization of the system and accept changing its internal processes instead. .

AGENDA ITEM 11

Introduction to the WHO Foundation | CdC, ADG/BOS, CEO WHO Foundation, Director HMP, Senior Legal Officer

Context | Summary

The IEOAC received an overview of the WHO Foundation with regards to how WHO manages its interaction with the WHO Foundation. The Committee noted that the WHO Foundation is an independent foundation under Swiss law and that the foundation's objectives were fully aligned with that of WHO's. The IEOAC appreciated the use of the WHO Foundation as a complementary and diverse source of funding, to WHO's resource mobilization strategy.

Observations

- The Committee however noted a certain flexibility with regards to the affiliation mechanisms between the WHO Foundation and WHO which could lead to potential risks of receiving funds from undesirable sources.
- Given the fact that WHO Internal Auditor is considered external to the WHO Foundation, the IEOAC recommends an audit of the WHO Foundation to be included in the workplan of the WHO Internal oversight

Recommendation X

- WHO Internal Oversight to include a review of the WHO Foundation in its workplan in the coming 24 months.
- The agreement with the WHO Foundation should include an appropriate audit clause to ensure that WHO has the authority to conduct audit of the Foundation periodically.

AGENDA ITEM 12

Evaluation: discussion on Transformation Evaluation | CdC, ADG/BOS, DG Representative for Evaluation and Organizational Learning, Chief Evaluation Officer, Team Lead Transformation Evaluation

Context | Summary

The 2020-2021 biennial evaluation workplan – which was developed in consultation with senior WHO staff and was considered by the IEOAC at its meeting in October 2019, and further approved after review by the 146th session of the Executive Board, called for an evaluation of WHO Transformation.

In this regard, the IEOAC at its 33rd Meeting was presented with draft findings of the transformation evaluation and will be given the opportunity to comment on the draft report of the evaluation team.

Observations

- The IEOAC appreciated the briefing and noted the work carried out by WHO within its Transformation Agenda. However it reiterated the importance of continuing dialogue with staff to maintain staff engagement with the transformation and limit staff fatigue due to the lengthy time-lines being required for WHO’s transformation.
- The IEOAC also noted WHO’s growing work in Emergencies and recommends that in order to protect the organization’s key normative functions, WHO should review its priorities and determine which initiatives could be considered as a second priority. The Committee observed that with so many initiatives and the impact of Covid-19, WHO is “tired organization” with staff trying to work on multiple priorities.

Recommendation XI

- WHO should prioritize its activities within a reasonably designated time frame with the objective of ensuring that lower priority initiatives are not carried out at the expense of the organization’s key normative functions.
- WHO should take into consideration staff fatigue with increased workload required to implement various transformation activities and at the same time deal with the Covid-19 pandemic issues.

AGENDA ITEM 12

Accountability functions: Anti-corruption and Fraud Prevention | CDC, ADG/BOS Director CRE, Director SUP a.i., Comptroller & Director Finance a.i, Director IOS, Coordinator CRE (Compliance), Coordinator CRE (Ethics)

Context | Summary

- The Committee was briefed on the Anti-corruption and fraud prevention work being done by WHO across the three levels of the organization . This included the road map for WHO ‘Fraud risk management, building on the 2020 External Auditor’s report⁵ and 2019 External auditor’s observations⁶ It noted the creation of a cross organizational working group composed of: the Internal oversight services; finance, procurement, legal, IT, human resources, emergencies, , staff health insurance, and EURO, AFRO and EMRO regions, created with the objective of updating WHO anti-fraud and anti-corruption mechanisms

Observations

- The IEOAC noted that a tool box with various fraud prevention policies is to be established by February 2022. The Committee was informed that under procurement broad areas of fraud issues and ethical behaviour requirements are in place. For emergencies, there are flexibilities in placing orders for goods and services which are reviewed by the Review Committee on a post-facto basis. The Global Service Center also reviews for any anomalies with price comparisons amongst various Long-term agreements (LTAs). Due to the Covid-19, there have been huge challenges on availability of medical supplies.

⁵ A73/27

⁶ A72/39

Recommendation XII

- . WHO should highlight Risks which focus on fraud and corruption which should become part of the programme implementation to improve the overall delivery of programmes.

AGENDA ITEM 13

FENSA, developments and projects | CdC, ADG/BOS, Director CRE, Coordinator DAN

Context | Summary

- With the objective of understanding whether FENSA is correctly calibrated with regards to the approval of parties and with the aim of understanding if FENSA could be considered as “fit for purpose” for WHO, the Committee met with WHO’s focal point on this subject and with Director CRE

Observations

- The Committee noted that in 2020, the specialized unit responsible for performing standard due diligence and risk assessment, CRE/DAN conducted over 1200 reviews responding to requests from technical departments and units across the three levels of the Organization, as well as hundreds of reviews for low-risk engagements. Lessons learned will be captured and shared with staff to improve the process, facilitate engagements with non-State actors and address the needs of the technical units.
- The Committee was pleased to note that the Organization was working towards putting in place a correctly calibrated system that was neither too soft - leading to too many parties being approved or too strict - leading to too few parties being approved. It however urged the organization not to focus only on the quantitative results of FENSA but to seek to ensure high level qualitative lessons learnt that will ensure a WHO that is fit for purpose.

Mr **Christof** Gabriel Maetze (Chair), Mr **Jay**antilal Karia,

Mr **Christopher** Mihm.

.....