



WORLD TRADE
ORGANIZATION

RESTRICTED

WT/BFA/W/574

13 September 2021

(21-6776)

Page: 1/32

Committee on Budget, Finance and Administration

Original: French

**REPORT OF THE INDEPENDENT EXTERNAL AUDITORS ON THE WTO'S HANDLING
OF THE COVID-19 HEALTH CRISIS AND ITS CONSEQUENCES**

The Report of the Independent External Auditors on the WTO's handling of the COVID-19 health crisis and its consequences is attached.



EXTERNAL AUDIT OF THE WORLD TRADE ORGANIZATION

AUDIT REPORT

THE WTO'S HANDLING OF THE
COVID-19 HEALTH CRISIS
AND ITS CONSEQUENCES
(June 2021)



WTO OMC

CONTENTS

SUMMARY	7
LIST OF RECOMMENDATIONS.....	10
I. FRAMEWORK, OBJECTIVES AND METHODOLOGY OF THE AUDIT	11
1. Framework of the audit.....	11
2. Objectives of the audit.....	11
3. Conduct and methodology of the audit	11
II. CONTEXT	12
III. OBSERVATIONS AND RECOMMENDATIONS	13
1. Preparing the Organization for crisis management	13
1.1. Weaknesses in risk assessment and management.....	13
1.2. Lack of a general business continuity plan	14
2. Organization of crisis management from March 2020	14
2.1. Timeline of crisis management implementation.....	14
2.2. Creation of the Health Task Force (HTF)	15
2.3. Communication with staff.....	16
3. Technological dimension of crisis management.....	17
3.1. Impact on business continuity	17
3.2. Adaptation measures and their effectiveness	18
3.3. ITSD support and security of operations	21
4. Human resources management.....	23
4.1. Adapting the Staff Rules.....	24
4.2. Monitoring employee health and prevention mechanisms	25
4.3. Management of on-site work.....	25
4.4. Establishing and managing teleworking	26
5. Financial and budgetary impact of the crisis.....	28
5.1. Estimated financial impact.....	28
5.2. Impact on the Organization's performance.....	30
IV. CONCLUSION.....	31
V. ACKNOWLEDGEMENTS	32

SUMMARY

The COVID-19 health crisis has affected the whole world after successive epidemic events since late 2019 and early 2020. The WHO officially declared a pandemic on 11 March 2020 and stated on 13 March 2020 that "*Europe has now become the epicentre of the pandemic*". From mid-March 2020, many States started taking restrictive measures, including on transport and travel or on the use of certain places conducive to the spread of the pandemic. The Schengen area thus closed all its borders on 17 March 2020. In Switzerland, the first case of COVID-19 was reported on 25 February 2020 and the first death on 6 March 2020. On 16 March, the Federal Council announced that it was an "extraordinary situation" within the meaning of the law on epidemics, authorizing it to take immediate and temporary measures throughout the country. Such measures would be repeated throughout 2020, and again in 2021, in response to the developments in the pandemic and successive waves. The restrictions imposed across the board, including on public transport, the closure of certain shops or cultural or leisure facilities, the more or less uniform requirement for teleworking, the restriction on public activities by some governments, physical distancing requirements and the closure of schools, on the one hand, have created disruption in the operation of all productive work units and, on the other hand, resulted in exceptional costs in response to the situation created by such measures.

For the WTO, these measures have created a work environment that is fairly comparable to that of other international organizations: travel restrictions affecting operational activities and the ability to hold international forums; impact of the crisis on Member States' budgetary capacity; widespread teleworking for staff, with its implications for labour productivity; savings on certain fixed and variable costs due to the closure of facilities, set against additional costs arising from remote working and extraordinary specific protective measures; impacts on overall operational performance; sick leave and isolation for workers infected with COVID-19, as well as other illnesses that are gradually emerging linked to new collective and professional lifestyles.

The crisis came on suddenly and caught the Organization by surprise. For a number of years, and especially following cases of zoonoses that have led to emerging epidemics (SARS, avian influenza, etc.), many futurists and health surveillance officials had been warning of the growing likelihood of disruptive pandemics. However, while awareness of the need for proactive risk management was growing at the same time, practically no public or private organization, even the most advanced in this field, considered this pandemic risk to be so serious as to justify the prior development of mechanisms (structures and procedures) to contain any resulting crisis.

In this regard, the WTO has not fared better or worse than most public organizations. But since it had not developed a structural system to identify risks of all kinds and manage crises likely to affect it, and since it lacked any predefined, robust and tested business continuity plans, it did not have the legal, structural and operational tools to tackle this particular crisis when it erupted.

However, the Organization reacted promptly and effectively to the emergency by putting in place the structures (the Health Task Force (HTF)) and *sui generis* procedures to address two key issues having the greatest impact on its resources and mission: (a) protecting the health of staff and doing its best to allow them to continue to serve the Organization's interests and mission; and (b) ensuring, as far as possible, the continuity of the Member States' collective activities (committees and other forums).

The HTF, originally set up to manage just the health risks, went on to bring together specific critical operational divisions to contribute, quickly and effectively, to the design and implementation of necessary measures of all kinds (organization of work, IT support, security, etc.). Some ambiguities arose with regard to its governance and powers following the departure of the Deputy Director-General (DDG), who originally chaired the HTF and endorsed the operational decisions within his purview.

Not being prepared for the management of acute crises, owing to the lack of tried and tested plans, structures and procedures, the WTO thus implemented, as a matter of urgency, an extraordinary mechanism underpinned by the good will, skills or empiricism of some staff members. In the light of generally accepted principles of crisis management in complex organizations, this mechanism had some shortcomings (such as imperfect decision-making chains, unassigned operational responsibilities, limited initial scope of critical functions within the HTF).

However, it is fair to say that most large public organizations were no better prepared, although this does not absolve the Organization of its responsibility. Moreover, despite its shortcomings and weaknesses in principle, the mechanism put in place at short notice has been sufficiently effective, particularly with regard to the communication with and information for staff and delegations, the comprehensiveness and transparency of which was a key strength of the WTO's crisis management.

As soon as access to premises and working tools was prohibited and staff were asked to telework for an indefinite period of time, the management of the crisis took on a greater technological dimension. Tools for remote working, communication and exchanges were needed. The value of initiatives undertaken prior to the outbreak of the crisis in the context of a potential shift in communication tools (Zoom, WebEx) then became evident. Similarly, a previous test, planned for the end of 2019, of specific video conference software that allows Member States to meet under proper conditions of confidentiality with an interpretation function (Interprefy), meant that the tool and its functionalities could be adopted extremely quickly after the onset of the crisis. The heavy use of remote working tools, as well as the high number of contacts between teleworking staff and the support service illustrates the importance of the technical choices of the Information Technology Solutions Division (ITSD), its effectiveness and, ultimately, the resilience of the Organization.

Teleworking not only raises technical issues, but also legal and psychosociological concerns. In concrete terms, decisions had to be and were taken to establish and organize the teleworking for all staff. From a legal point of view, the External Auditor is concerned however about the Director-General's authority to modify the Staff Rules, with a view to the collective and systemic application, even in the event of *force majeure*. For its part, the Secretariat considers that these powers are clearly established by provision 115.2 of the Staff Rules. Given the exceptional nature of the situation and the absence of any pre-established formal crisis management framework, in this case the Ministerial Conference should probably have explicitly granted the Director-General exceptional management powers, including the authority to waive the Staff Rules, and should do so in the event of a future serious and unforeseeable crisis (recommendation No. 1).

More broadly, the current framework governing teleworking covers a normal state of affairs where this arrangement is used on a voluntary and exceptional basis. It is undoubtedly not suited to a crisis situation in which teleworking is imposed on all or some staff members. New forms of teleworking were trialled *volens nolens* by the Organization during the crisis. Should this experience lead to changes in the WTO's teleworking regulatory framework, naturally the new framework, which would be discussed and adopted, should provide for the necessary developments to adopt teleworking as a means of crisis management (recommendation No. 2).

Undeniably and conclusively, while all the mechanisms, introduced and implemented as a matter of urgency, are not flawless, they have, on the whole, proven to be agile and effective, meeting the needs of virtually all stakeholders (staff, delegations, partners).

Now the emergency that warranted "reactive" management is over, the time has come for the WTO to undertake a comprehensive feedback exercise, whether it is a question of risk structuring and management, crisis governance and organization, or operational issues relating to staff support or management, including in terms of computing and digitization tools.

Some projects, including those that have remained pending for many years, such as crisis management (policy, governance, structures, procedures,) or the relationship between risk management and internal monitoring, should now be able to be finalized quickly. Others, including those linked to new modes of organization of work discovered during the crisis, certainly, warrant further analysis and wider internal discussion.

Beyond the qualitative and operational approach to the management of the crisis, the financial cost of the crisis was CHF 7.8 million in 2020. Insofar as the situation has also enabled the Organization to reduce its expenditure by CHF 21.4 million, the result is a net saving on the 2020 budget of CHF 13.6 million. These amounts are minimal, in particular because staff costs, which have not been significantly affected by the crisis, account for a very large proportion of the budget. Thus, the financial results of the management of the COVID-19 crisis do not call for any particular comments.

However, this audit provides examples of performance management and analysis shortcomings. While the External Auditor was able to identify shifts, and the choices they represent, in the allocation

of resources to the various operational objectives, it is impossible to establish the impact of the crisis and the extent to which the situation has affected the Organization's performance, in quantitative and/or qualitative terms.

Ultimately, this crisis therefore underlines the particular importance of having specific indicators to measure performance rather than resources (means) or the level of effort made (recommendation No. 3).

At the WTO, as elsewhere, the pandemic has put an exceptional spotlight on the weak points as well as the capacities and potential of an organization which can no longer be content to replicate a way of functioning whose efficiency, as the crisis has shown through specific examples, still leaves room for improvement.

LIST OF RECOMMENDATIONS

1. The recommendations are given in order of priority:

- **priority 1**, fundamental issue, requiring management's immediate attention. Points to the existence of a high level of risk for the Organization's objectives;
- **priority 2**, less urgent issue to be handled by management. Points to an intermediate level of risk;
- **priority 3**, issue for which oversight could be improved and to which management's attention is drawn. Points to a moderate level of risk.

Area and services concerned	Priority	Recommendation
DDG	1	1. The External Auditor recommends submitting a proposal to the Ministerial Conference that, in the event of a <u>major, unexpected and prolonged crisis</u> , the Director-General be given the necessary special powers for the flexible and proactive management of the Secretariat, including the possibility of delegating powers to certain directors.
DDG	1	2. The External Auditor recommends finalizing, in accordance with future crisis management plans, a set of regulations to be submitted, depending on their particular nature and scope, to either the governing bodies or senior management for approval, so as to provide a framework for teleworking when <u>major crisis</u> situations make it necessary. This set of texts specifically focused on crisis management should, in any event, form part of the overall legal framework for teleworking, which could possibly be renewed in the light of the experience gained during the COVID-19 pandemic.
DDG	1	3. The External Auditor recommends formalizing the monitoring of the Organization's performance through quantified means and performance indicators. These indicators should be defined by each service and transmitted to the Financial Operations Directorate for consolidation. In the longer term, this monitoring could form the basis for an annual performance report separate from the Annual Report and the Financial Performance Report.

I. FRAMEWORK, OBJECTIVES AND METHODOLOGY OF THE AUDIT

1. Framework of the audit

2. In accordance with the mandate given to us by the General Council of the World Trade Organization (WTO), the provisions of paragraph XI of the Organization's financial regulations and the notification issued on 12 January 2021, as supplemented on 28 March 2021, a team of three auditors carried out a performance audit from 3 to 21 May 2021 on "The WTO's handling of the COVID-19 health crisis and its consequences". The terms of reference of the audit were shared in advance with the Organization's management.

3. The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) on performance auditing and compliance auditing, the WTO financial regulations and the mandate entrusted to the External Auditor. These standards require the External Auditor to comply with the relevant ethical requirements, to exercise professional judgment and apply critical thinking throughout the audit.

2. Objectives of the audit

4. The External Auditor has set himself the following objectives:

- Inform the General Council of the details of the measures adopted by the Organization in response to the situation created by the COVID-19 health crisis;
- Examine the consistency and effective timing of these internal measures in relation to the development of external constraints that were imposed on the Organization by the Swiss federal or cantonal authorities or that the Organization chose to impose on itself in consideration of its responsibility as a public stakeholder in the canton of Geneva;
- Calculate the cost of each of these measures where data were available;
- Draw up the overall balance sheet (costs/savings) for 2020 and possible extension for 2021 and beyond.

5. In addition to the short-term aspect of managing the effects of the pandemic, this audit was supplemented by an assessment of the organization of, and structural procedures pertaining to, risk analysis and the forecasting and management of potential crises, and a study of the handling of feedback within the Organization.

3. Conduct and methodology of the audit

6. Due to the health situation and resulting restrictions on travel and physical contact, the whole audit process was conducted remotely. For the first year of its mandate, this constraint proved particularly burdensome for a performance audit which, besides documentary analysis, requires, more than any other form of audit, close and continuous contact with those in charge of the programme being audited, in order to achieve a better understanding of the occurrences observed.

7. Even though the WTO provided computer equipment to the Auditors to perform this remote work in accordance with the Organization's security rules, these circumstances hampered access to the resources (data and evidence) required to analyse and document the subjects covered, and contact with the persons responsible for the services concerned by the handling of the health crisis. Despite the services' unquestionable willingness to cooperate, which the External Auditor would like to emphasize, this significantly slowed down progress on the work and lengthened the timetable for the production of the final report, the substance of which has nevertheless been little affected.

8. The audit methodology involved a combination of:

- Analyses of pre-existing internal documents and the use of questionnaires to collect raw quantitative and qualitative data;

- Interviews with the main divisional managers in both the administrative and financial sectors as well as the operational sectors, and with the heads of the *ad hoc* mechanisms created during and for the management of the crisis;
- Interviews with health crisis managers at other international organizations (public and private) operating in the canton of Geneva;
- The design, dissemination and use of two qualitative surveys aimed at members of the senior management team and all WTO staff.

9. Draft written observations on each of the examined subjects were shared with the managers concerned, who were able to provide an initial formal and factual response during the audit. All the observations and recommendations contained in this report were ultimately discussed with the relevant managers during a comprehensive formal response procedure: the Secretariat received the External Auditor's draft report on 30 July 2021; its comments (factual and/or formal) and written contributions, provided to the External Auditor on 25 August 2021 have been examined and, where appropriate, fully reflected in this report.

II. CONTEXT

10. The whole world has been affected by the COVID-19 crisis, after successive epidemic events since late 2019/early 2020. Following the detection and treatment of numerous cases of COVID-19 in more than 20 countries outside China in the first few weeks of 2020, the World Health Organization (WHO) declared a public health emergency of international concern (PHEIC) on 30 January 2020. The WHO officially declared a pandemic on 11 March 2020 and stated on 13 March 2020 that "Europe has now become the epicentre of the pandemic". From mid-March 2020, many States started taking restrictive measures, particularly on transport and travel and on the use of certain places likely to become breeding grounds for the spread of the pandemic. The Schengen area thus closed all its borders on 17 March 2020.

11. In Switzerland, the first case of COVID-19 was declared on 25 February and the first death on 6 March. On 16 March, the Federal Council stated that the situation in Switzerland was an "extraordinary situation" within the meaning of the law on epidemics, authorizing it to take immediate and temporary measures throughout the country. Such measures continued to be introduced throughout 2020, and in 2021, in response to developments in the pandemic and successive waves.

12. Naturally, these measures have had a very serious impact on the social, economic and cultural activities of the countries affected, with each country - and in Switzerland, in some instances or circumstances, each canton - establishing its own rules that are not necessarily coordinated with the "rest of the world". The effects of these measures nevertheless remain contingent. However, across the board, the restrictions imposed on public transport, the closure of certain shops or cultural and leisure facilities, the more or less uniform requirement for teleworking, some governments' restrictions on public presence, behavioural requirements, including physical distancing, and the closure of schools have not only led to disruption in work activities, but also resulted in exceptional costs to deal with the situation.

13. For the WTO, these measures have created a work environment that is fairly comparable to that of other public or private organizations: widespread teleworking, with its implications for labour productivity; savings on certain fixed and variable costs due to the closure of facilities, set against additional costs arising from remote working and unusual specific protective measures; impacts on overall operational performance; isolation of infected workers and sick leave due to COVID-19, as well as illnesses linked to new collective and professional lifestyles.

14. Specific impacts - constraints as well as opportunities - related to the international nature of the Organization had to be taken into account: the significant impact of reduced international travel due to reduced services and border restrictions; the advantages of diplomatic status in the face of travel or border restrictions; the impact of these measures on the holding of multilateral forums; and the budgetary capacity of the contributing States (themselves facing exorbitant domestic financial needs) to finance the management of the crisis.

III. OBSERVATIONS AND RECOMMENDATIONS

1. Preparing the Organization for crisis management

1.1. Weaknesses in risk assessment and management

15. Risk assessment and management is a recent concern for the WTO. While a draft "risk management policy" document was prepared in late 2012, it was not until March 2014 that the necessary clarifications were adopted for the publication of a supposedly definitive document.

16. Producing such a document was highly important, if only symbolically, to support the commitment of the senior management to establish a risk management "system". Although it is presented as a "general policy" document, the current version (which has not been revised since 2014) is particularly condensed. It merely sets out general principles and standard definitions applicable to any organization. While it does provide for a degree of distribution of responsibility in risk identification, assessment and management, the audit showed that the most important provisions have not yet been strictly applied (or only in a sporadic or irregular fashion).

17. With the exception of IT risks (operations and security), which are naturally addressed in a dedicated, continuous and professional manner by the Information Technology Solutions Division (ITSD), the term "risk-owners" in the risk management policy is not sufficiently explicit.

18. The annual production of a first risk management report only occurred in November 2016 followed by another in September 2018, with no reports having been produced since. This lack of reports may be explained by the vacancy of the position of head of governance and risk management. These old risk management reports, which have been reviewed by the External Auditor, focus on "critical risks", namely those with a high assessment score (resulting from the probability of occurrence score and potential impact score). Aside from the technological risk relating to the development of cybercrime and the "risks" relating to the financing of the Organization by its contributors, the risks reported to senior management, and to the Committee on Budget, Finance and Administration (CBFA) for its information, are of an external nature and relate to the Organization's central mission to safeguard and promote the multilateral trading system.

19. Despite the precedent of avian influenza and alarmist assessments by a number of experts from specialized international agencies (WHO, the Food and Agriculture Organization of the United Nations (FAO)) and futurists, and despite the preparedness measures taken by a number of Western governments, which warned, as early as 2004, of the likelihood and risks of a highly lethal pandemic, no system for managing such a risk had been developed, let alone deployed, prior to the onset of the COVID-19 crisis, in the Organization's records or plans.

20. It is fair to say that, prior to the current crisis, neither this prospect, nor the critical disruption it risked causing, were generally taken into consideration either in the international public sector (save the exceptions above) or in the private sector.

21. Even though the occurrence of a sudden and unexpected crisis cannot be reasonably anticipated, a pre-established crisis management system can at least enable a response thereto. Such a plan, covering most typical situations (namely, according to the document, when "a sudden and unexpected event requires immediate action") has existed in draft form since October 2008 (a pandemic crisis was listed as a potential emergency). For 12 years, this draft, which was nevertheless complete, structured and adapted to the Organization, was not implemented for reasons the External Auditor was unable to identify: besides the fact that the position of risk manager has lacked continuity since 2017 (which does not in itself explain why the document remained in draft form for so many years), it is likely that a certain management routine, combined with a dilution of responsibilities for risk management, as well as the dynamics of decision-making within the Organization were enough to provide a certain sense of security that delayed the finalization of this crisis management plan.

22. Finally, at the very least and in the absence of a specific internal dynamic, the head of internal audit should have been in a position to encourage reflection on risk assessment, preparation for crisis management and finalization of the plan establishing the mechanisms and procedures for dealing with an unexpected critical event. The delays in finalizing and approving the Organization's

internal oversight framework (see: report on the accounts of the WTO for the year ending 31 December 2020) may also have contributed to the delay in processing the plan, as the authority of the Office of Internal Oversight and its contribution to enterprise risk management (ERM) are not clearly identified. At the time of finalizing this report, the Secretariat indicated that the recruitment of a Compliance, Risk and Resilience Officer was under way and that the formal internal oversight framework, which could not be finalized under the previous Director-General, would be submitted in due course for approval by the new Director-General.

1.2. Lack of a general business continuity plan

23. Business continuity is a key aspect of crisis management. The concept was also clearly identified and was the subject of specific provisions (creation of a business continuity team) in the above-mentioned draft crisis management plan prepared in 2008. While ongoing initiatives have been taken and plans adopted in the technological domain managed by the ITSD, albeit limited to purely technical aspects without addressing the occupational aspect of business continuity (see report on the accounts of the WTO for the year ending 31 December 2020), no general business continuity plan had been drawn up or was even under development at the onset of the COVID-19 crisis when stringent material obligations were imposed. Admittedly, in January 2020 the work plan for the Administration and General Services Division (AGSD) did include the "updating of the crisis management policy". However, the mention of such an - obviously necessary - action under the summary heading of one of the points in a long list of an assortment of actions to be undertaken, may illustrate a willingness, but not the substance of a genuine business continuity plan.

2. Organization of crisis management from March 2020

2.1. Timeline of crisis management implementation

24. As stated above, after the WHO declared a PHEIC on 30 January, the first COVID-19 case was reported in Switzerland on 25 February. On 28 February, on the basis of the law on epidemics, the Federal Council banned gatherings of more than 1,000 people until 15 March, declaring a "special situation". On 16 March, the Federal Council declared Switzerland to be in an "extraordinary situation" within the meaning of the law on epidemics, authorizing it to take immediate and temporary measures throughout the country. Such measures continued to be introduced throughout 2020, and in early 2021, in response to developments in the pandemic and successive waves.

25. The WTO reacted quickly and moved in step with the Federal Government. According to the information gathered by the Auditors, the WTO reportedly participated in the Federal Council press conferences from February 2020. At the end of the same month, in consultation with the cantonal doctor, the WTO set up its first cross-functional crisis response team. The staff and the General Council were kept abreast of the situation by senior management (communications from Deputy Director-General (DDG) K. Brauner) on 28 February and 3 March 2020. Specific initiatives were taken with the same forward-looking responsiveness, such as the advance purchase of stocks of hand sanitizer by the AGSD at the end of January 2020, and a number of training sessions by the ITSD on videoconferencing using the Microsoft Teams software.

26. The WTO was one of the first international organizations in Geneva to close its doors, the Director-General deciding on the first site closure two days before the Federal Council's statement on 14 March 2020. It appears that the school closures by the local government pointed to more restrictive measures ahead, thereby providing a strong warning signal. In addition, an exchange and coordination meeting of the United Nations (UN) agencies based in Geneva was held on 14 March 2020.

27. In the absence of a pre-existing crisis management mechanism and plan, the early adoption of certain practical measures in response to the statements by the WHO and later by the Swiss Federal Council, and the establishment of the crisis response team in February, show that despite the significant uncertainties surrounding the nature and reality of the pandemic, and how to protect against it, the Secretariat of the Organization responded swiftly to the information as it became available.

2.2. Creation of the Health Task Force (HTF)

28. Given the lack of pre-established mechanisms and plans, the WTO set up an *ad hoc* crisis management system. The establishment of the Health Task Force (HTF) through a circular dated 26 February 2020, broadly defines its scope of work without, however, specifying its exact competences:

"A Special Task Force has been created to monitor the coronavirus COVID-19 outbreak and ensure that **contingency plans are being monitored** and adjusted as necessary to prevent and control any impact the outbreak may have on the WTO environment and work."

29. The part stating "contingency plans are being monitored" may come as a surprise, since no contingency plan existed upon the mechanism's establishment. However, its originators can be given credit for their willingness to entrust it with the monitoring of any plans adopted while managing the crisis.

30. At the time the crisis was unfolding, when the only certainty was that of its harmfulness and its significant, though still poorly understood, lethality, priority was given to the safety of staff. This is illustrated by the name of the mechanism and the fact that its management was entrusted to a DDG responsible for administration and therefore human resources management, rather than to an operational DDG.

31. The HTF's membership was necessarily devised in a hurry, and the involvement of certain units that were in fact inevitably concerned (such as the ITSD) was not planned from the outset. This was quickly corrected to ensure optimal centralization of the necessary decisions. However, no internal text provides the HTF with clear and defined powers: its decision-making power lies with its chair (DDG) and the powers delegated to him. Furthermore, the members are appointed *intuit personae*, albeit by virtue of their functions and, as no provision has been made for their replacement, there is a risk of dysfunction.

Table 1: Membership of the Health Task Force (HTF)

Name	Function at the WTO	Function in the HTF
Karl Brauner	Deputy Director-General	Chair
Miguel Burnier,	Legal Counsel	Secretary
Members of the initial team		
Wayne McCook	Office of the Director-General (DGO)	
Christian Dahoui	Human Resources Division (HRD)	
Dr Charbanou Jochum	(HR) Doctor	
Muriel Salette Carroz	Travel Specialist	
Amène Bellir	Security/Prevention Officer	
Subsequently appointed members		
Sandra Gripari	Facilities Management	
Rachad Fakhouri	Facilities Management	
Appalanaidu Tamminayana	ITSD	
Jenifer Mutano	Conference Services	
Simon Padilla	Staff Council Representative	
Malika Gonin	Administrative support	
Fernando Puchol	Communications	
Cathy Boyle	DGO	
Téné Sidibé	Administrative support	
Carole Fernando Michelle	HRD	

32. As is generally the case in many public or private bodies, a crisis response team must cover four main areas: decision-making, situation, anticipation, communication. Such functions remained undefined or incomplete within the HTF: for example, no one was designated to take charge of the "anticipation" function. If the post had not been vacant this responsibility would normally have been given to the risk manager; in their absence the head of internal audit should probably have been assigned more responsibility, and more explicitly.

33. The establishment of the HTF did not prescribe a set meeting schedule, which was appropriate for a team tasked with responding to crisis developments. It can be observed that it met as often

as deemed necessary, on a weekly basis, in response to government announcements and to critical aspects of developments in the pandemic.

34. The development and implementation of crisis management measures was rapid and effective while the HTF was led by the DDG, who had decision-making powers by virtue of his main functions. The Secretariat stated to the External Auditor that in the event of a "significant governance measure", decision-making was no longer the responsibility of the HTF but of the Director-General, although no criteria clearly define which decisions were concerned. From the moment the DDG stopped taking part in the meetings, he was replaced *de facto* by the Chief of Staff of the Director-General, given the lack of formal replacement process. All decisions then had to be submitted to the Director-General for approval. The External Auditor was unable to assess the time span between proposals by the HTF and actual implementation under this new arrangement; it is likely that this arrangement, involving a less flexible decision-making process, did not improve the efficiency of the crisis management mechanism.

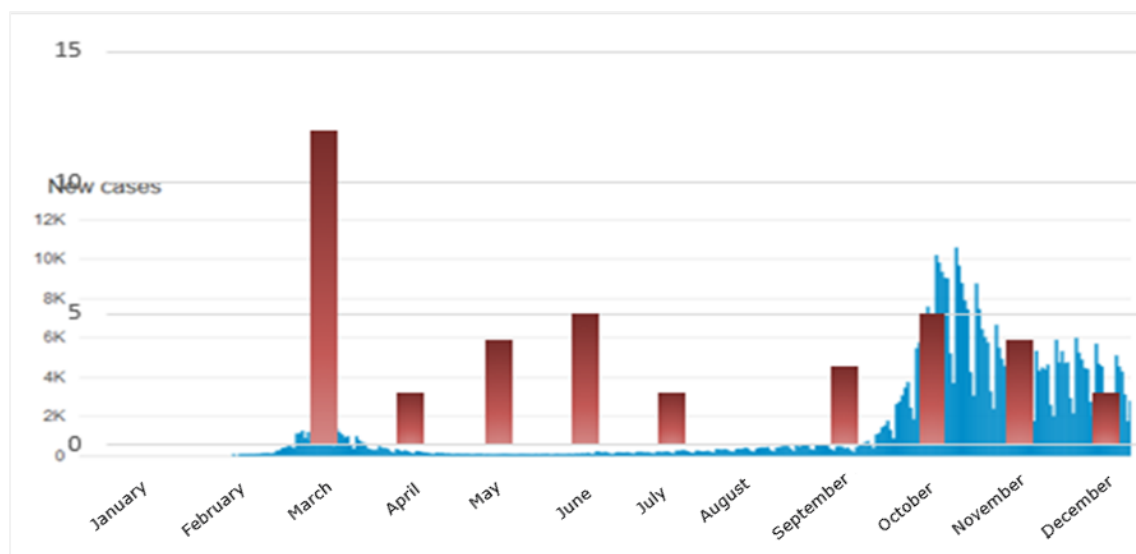
35. In short, unprepared for the management of major crises, for want of a plan, mechanisms and tried-and-tested procedures, the WTO thus had to implement an emergency *sui generis* mechanism, relying on the goodwill, skills and pragmatism of a few of its staff members. In contrast with the generally accepted principles for crisis management in complex organizations, this mechanism exhibited a number of shortcomings, including flawed decision-making chains, unassigned functional responsibilities, and limited initial coverage of critical functions within the crisis response team. However, while not exonerating the Organization of its responsibility, it is fair to note, firstly, that most large public organizations were no better prepared, and secondly that, despite its shortcomings and weaknesses in principle, the hurriedly established system worked as effectively as necessary, as illustrated by the observations above.

2.3. Communication with staff

36. After providing general information to staff on COVID-19 on 28 February 2020, the first information note from the HTF was sent to all staff on 3 March 2020. The note was subsequently updated 12 times, most recently on 18 December 2020, with no similar note produced in 2021, as HTF chose to communicate with staff by other means (particularly email).

37. A comparison between the frequency of the HTF's general communication with staff and trends in confirmed cases (WHO data) shows a level of responsiveness that is consistent with developments in the health crisis, i.e. a high level of responsiveness as of March at the time of the first government measures, then once again from September onwards in light of the upsurge in cases and lockdowns.

Figure 1: Comparison between HTF communication with staff and trends in confirmed cases in Switzerland (WHO data) in 2020



Source: External Auditor (survey of memos/emails to staff – in red) and WHO (trend in the number of confirmed cases in Switzerland – in blue).

38. According to a survey of all staff organized by the External Auditor, staff consider that they were kept well informed (71% score of 8 or more on a scale of 10 for staff below grade 10) about the measures taken by the Organization. Less than 5% consider that they were not kept well informed. In all workplaces, managing the pandemic demonstrated the importance of handling the human aspect and information. This survey's highly satisfactory results thus illustrate the appropriateness of the HTF crisis response team's communication choices.

3. Technological dimension of crisis management

39. The onset of the crisis accelerated the Organization's IT strategy and provides a good opportunity for its transition to digital administration. The Organization adopted its 2020-2023 IT strategy in February 2020, on the eve of the crisis. This project comprises several components:

- Striving for security and user satisfaction at acceptable costs
- Increased productivity
- Developing innovative solutions

40. It is specifically structured around the search for a seemingly fine balance between the need to digitize administration and management and a desire for stability in the Organization, or even a form of resistance to change. This last aspect could be observed in the delays and hesitations in establishing risk management mechanisms and responsibilities or the internal oversight framework, which is an area of improvement the Secretariat.

41. The Secretariat's sudden shift to teleworking, driven by crisis management, as well as the switch to webinars for delegations' conferences, were major operational - and IT - challenges that could prove to offer an opportunity to make faster progress than expected in modernizing the Organization's culture, practices and digital tools.

3.1. Impact on business continuity

42. Since IT is now an essential operational tool for organizations, any business continuity initiative must include a "digital" component, covering equipment, infrastructure and remote working tools, ideally in conjunction with a framework of business procedures established before the outbreak of a crisis.

43. In most areas, crisis preparedness was minimal, and while it was more advanced in the area of IT, it remained limited in operational terms. The existence of "business continuity plans" was the minimum requirement for the deployment of an information system and did not in itself constitute a risk management measure conducted beyond the purely technical sphere. This matter was extensively covered in the audit report on the 2020 accounts.

44. In addition, as the WTO has a mediation and trade resolution mission, business continuity requires that meetings, committees and forums be held by means of sufficiently robust and secure systems.

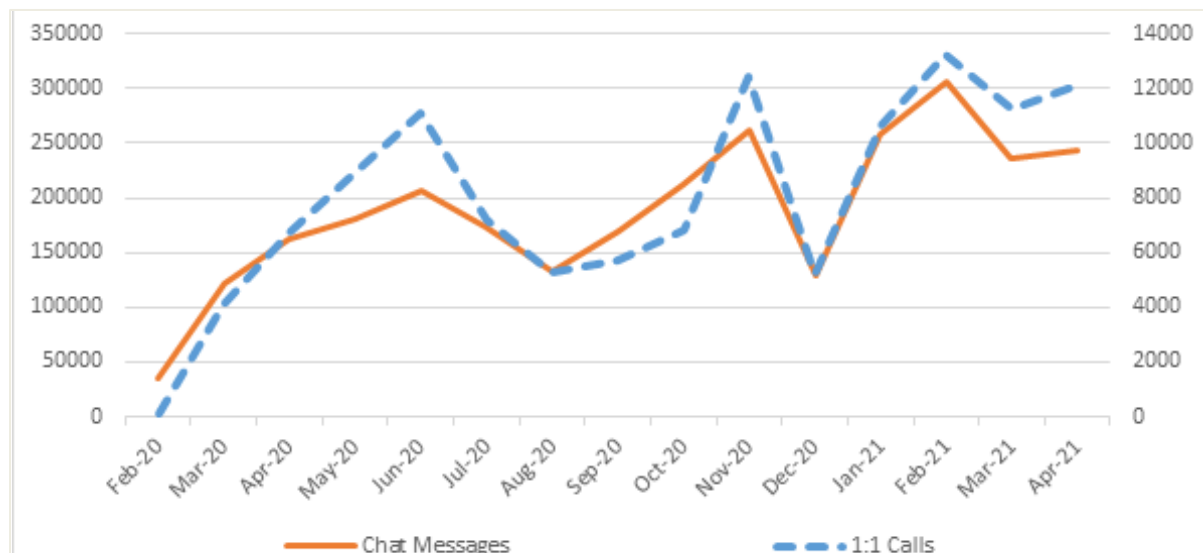
45. The ITSD had previously conducted a risk assessment and concluded that messaging (email) was the most critical service for the continuity of the Organization's operations. The Division had recommended that this matter be addressed through a joint initiative in which each stakeholder identified their needs in relation to business continuity.

46. The External Auditor could not establish whether this assessment was available at the onset of the crisis. From this point of view, it is all the more regrettable that no ITSD representative was invited to sit on the HTF upon its establishment, which was corrected a month later. What might appear to be a tactical error at the start of the handling of the crisis can be explained, however, by the fact that the HTF was set up to deal with a health situation that did not foretell a rapid and widespread switchover of staff to teleworking. This also highlights the shortcomings in the flow of information relating to risk identification, assessment and management: a member of the crisis response team responsible for anticipation could have foreseen the critical need for messaging and remote communication tools at an early stage.

3.2. Adaptation measures and their effectiveness

47. The move to full teleworking in March 2020 prompted the Organization to implement new tools, which, while already deployed, were not yet widely used. The Microsoft Teams web conferencing solution was particularly successful, as reflected in the usage figures, following a period of adjustment in April 2020.

Figure 2: Use of Microsoft Teams in the Organization in 2020 and early 2021



Source: ITSD data.

48. The Organization's sudden shift to teleworking is a success story that can be credited to the crisis response team and to the strategic and technical support of the ITSD: despite the lack of an advance crisis management policy, the pre-deployment of teleworking tools contributed significantly to ensuring business continuity.

49. However, mandatory teleworking requires staff to agree to work at home as if they were at their desk on the Organization's premises. In this regard, the decision taken in November 2020 to cover the staff's necessary costs for fitting out their home environments and workspaces, while entirely necessary and therefore justified from an operational point of view, was nevertheless only adopted eight months after the start of the crisis.

50. According to the figures provided by the Organization, 353 staff members – approximately 50% of the workforce – availed themselves of this possibility. The External Auditor is not in a position to assess the effectiveness of this measure, between a windfall effect and a proven need, and which ultimately appears, despite its belatedness, to be a flexible and suitable response, at a limited cost of around CHF 82,000 (CHF 232/person on average). The advantage in terms of sustaining output and the quality of remote working conditions and, if nothing else, in terms of staff morale, was not assessed but is likely.

51. On 13 March 2020, the HTF decided to cancel all on-site activities, leading the Organization to set up teleconference solutions for use by delegations. The pre-existing solution (Zoom software) was deemed inappropriate for the Secretariat and more so for the delegations. Despite the fact that many public, including governmental, and private organizations have been using it since the start of the pandemic, an assessment conducted in April 2020 by the UN Information Security Special Interest Group (UNISSIG) concluded that security was inadequate, at least in respect of certain individual and collective activities.

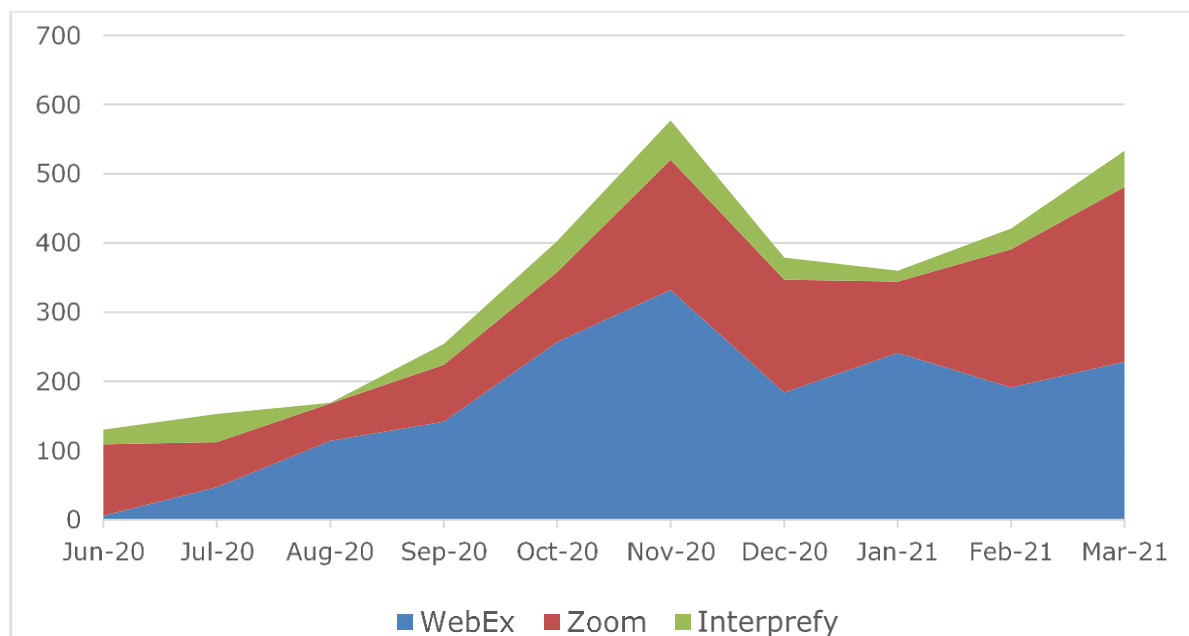
52. While Zoom software was still used for certain purposes that did not require (from the Organization's point of view) a high level of security, calls for tenders were launched in April 2020 (based on the market knowledge previously developed by the ITSD) to set up teleconferencing tools that were deemed to be both user-friendly and secure. The use of exceptions to advertising

requirements under Financial Rule 9.3.c1 of the WTO Financial Regulations for emergency purchases proved to be justified.

53. As a result of the collaboration between the Organization's legal experts and the ITSD to determine the need for confidentiality of certain meetings and discussions, and liaison with international organizations with similar needs, WebEx videoconferencing software was finally chosen. It is currently being enhanced to include interpretation of confidential meetings with WebEx Legislate.

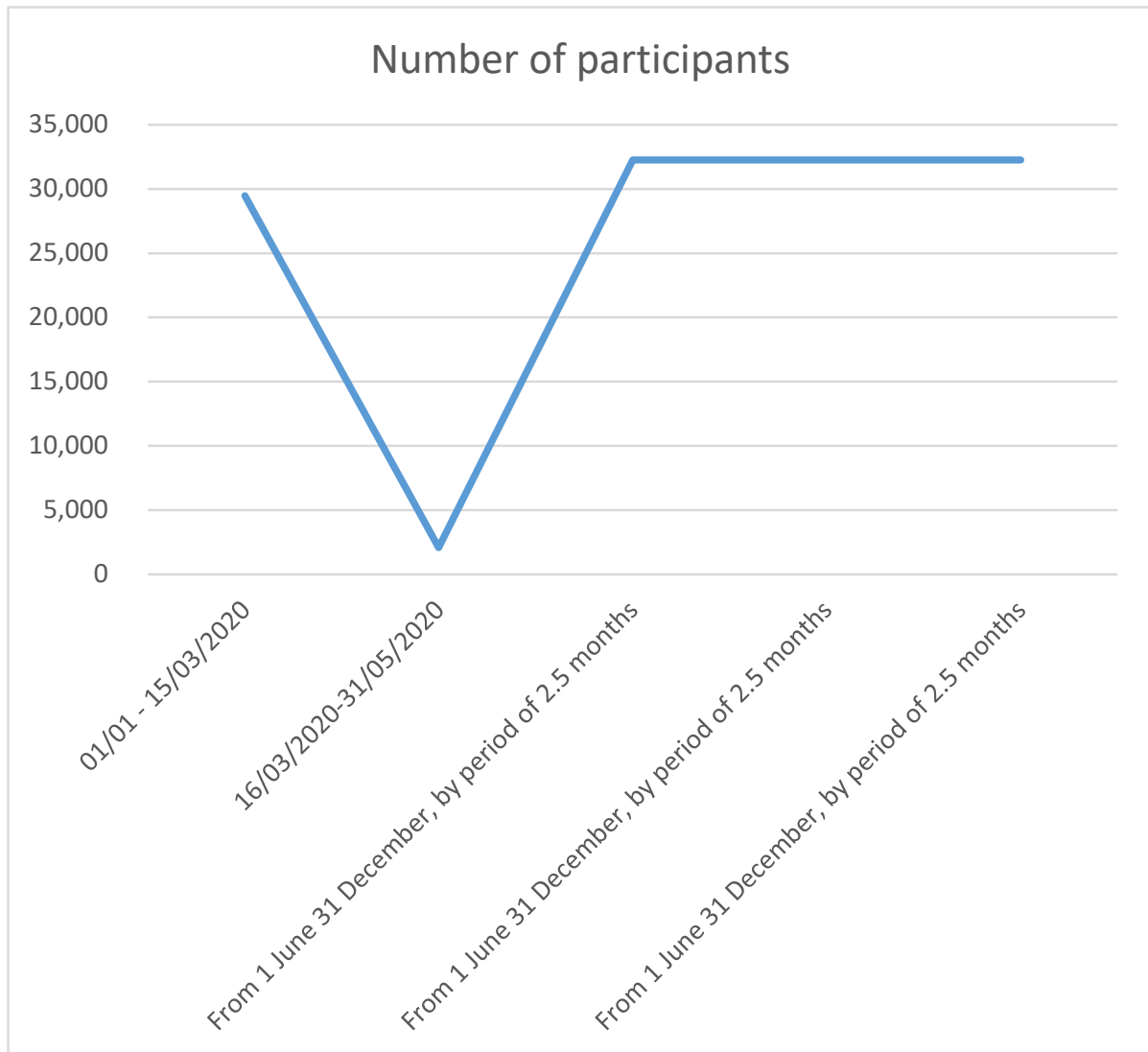
54. In addition, the introduction of Interprefy software, used for the first time on 15 May 2020, enabled delegations to quickly resume the pace of their activities by teleconference, a pace which increased rapidly in the summer of 2020 and quickened after September 2020. Fortunately, beyond the constraints of crisis management and as part of a structural equipment plan, initial contacts with the supplier of this software solution were made in late 2019 and a "pilot" was produced in February 2020, which undoubtedly greatly facilitated its rapid integration for the benefit of delegations.

Figure 3: Number of web conferences by web conferencing software for delegations at the end of 2020 and beginning of 2021

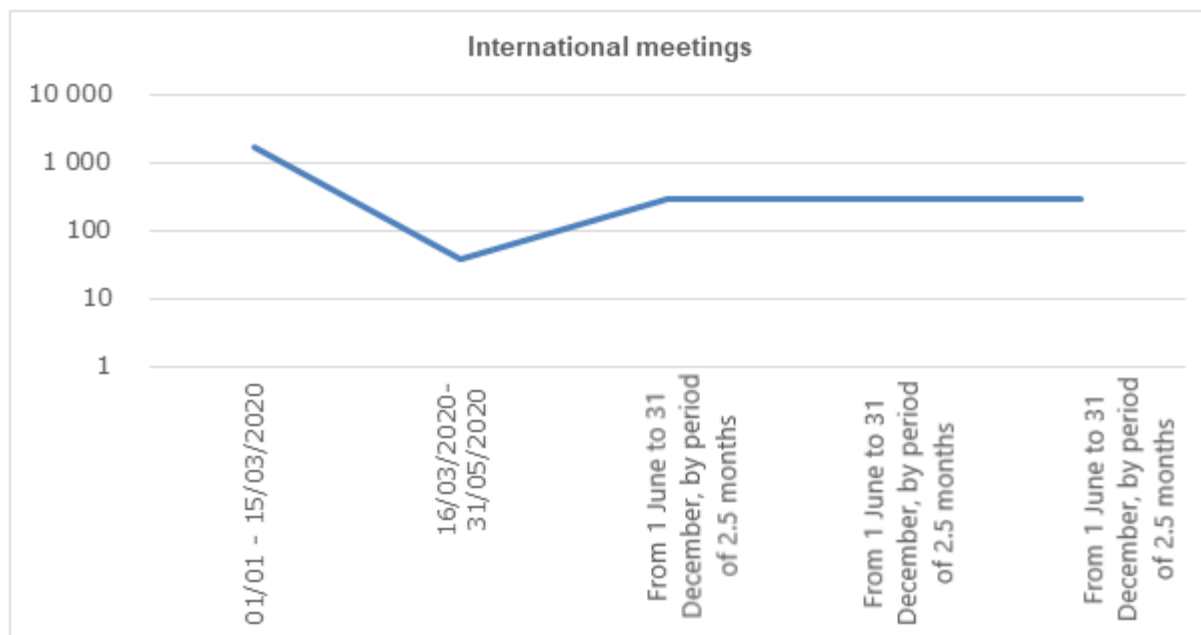


Source: ITSD.

55. It is interesting to note that while, unsurprisingly, the number of delegation meetings fell sharply over the period March-May 2020 and recovered from June 2020 onwards (video conferences and physical meetings) to a little over a third of the previous level, the number of participants in this reduced number of meetings rose significantly.

Figure 4: Number of delegates or experts participating in virtual meetings in 2020

Source: External Auditor based on AGSD data (since the Auditor was only given the overall figure for the period June-December 2020, the figure has been spread over periods of approximately 2.5 months for ease of comparison).

Figure 5: Number of international meetings in 2020

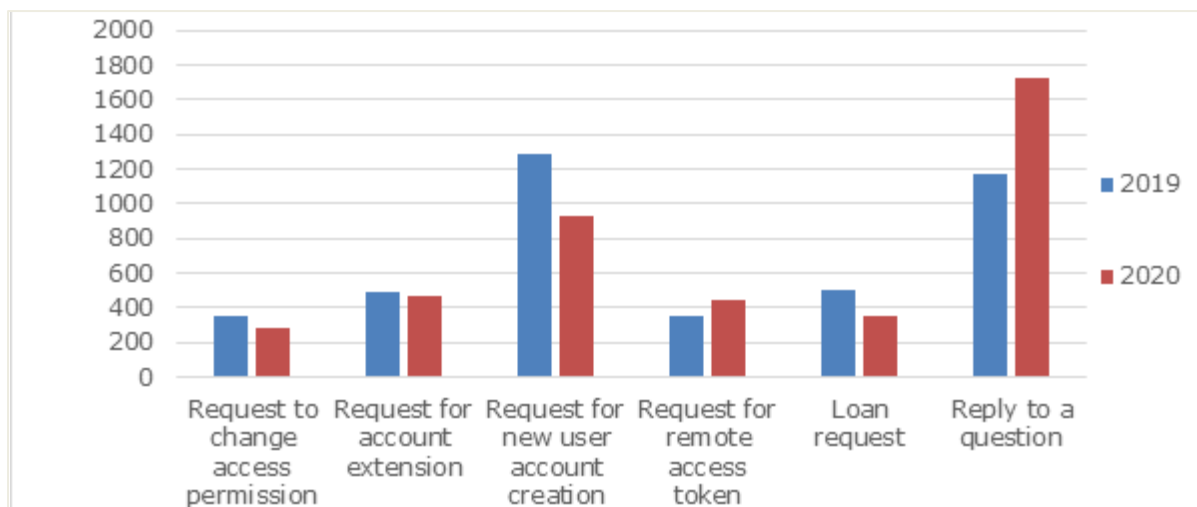
Source: External Auditor based on AGSD data (since the Auditor was only given the overall figure for the period June-December 2020, the figure has been spread over periods of approximately 2.5 months for ease of comparison).

56. While meetings and forums via videoconference are not usual practice and require a well-functioning technical environment, it appears that members of staff and delegations actually find them more accessible and are in favour of them. The responses in the surveys carried out by the External Auditor on this point and on the future of videoconferencing confirm these data. They certainly justify giving further consideration post-crisis to the future use and economic scope of remote connection and meeting tools, differentiated according to type of meeting and user categories. It goes without saying that such a study should look at the qualitative aspects, including in terms of preserving the Organization's "corporate" culture, maintaining staff productivity in the long term, and the reduction in direct human relationships and its impact on the efficiency of diplomatic relations (especially in areas such as negotiations or arbitration).

3.3. ITSD support and security of operations

57. After the initial phase of organizing the handling of the crisis and the critical phase of the pandemic's first wave, during which activity was extremely restricted, the Organization did not experience any more technical incidents than usual. The IT Service Centre did not face a higher volume of user requests after the onset of the crisis. Overall, according to the data collected, 18,779 notifications of incidents/service requests were processed in 2020, compared to 18,511 in 2019, which is an insignificant increase. Moreover, if we exclude requests related to securing remote access and using Microsoft Teams, demand for IT support was even lower.

58. Requests specifically related to "incidents" account for 50% of requests for assistance compared to 46.5% in 2019, which points to staff experiencing slightly more difficulty in using the equipment and software solutions available to them.

Figure 6: Main reasons for referral to ITSD support in 2019 and 2020

Source: ITSD performance dashboard.

59. The breakdown of these requests shows the situation clearly: the increase in requests is primarily to do with remote access to the Organization's resources (request for access token) and various general issues, which would seem to highlight the need for staff members to remain in contact with the support technicians in this unusual situation. More difficulties would have been expected and these results can be seen as an illustration of the Organization's resilience.

60. Apart from the time involved in exchanges between staff and technical support, processing times have remained broadly comparable, indicating that the responsiveness of IT support has not been adversely affected by the crisis situation. The variations observed are primarily due to the method of processing requests adopted during the health crisis. Whereas in normal times requests could be made by telephone, they are now made by email. As requests are processed by telephone, this has sometimes meant longer processing times than in a "normal" year, although they remain fairly limited (at most +30 minutes for an access authorization).

Table 2: Comparison of the processing time for the main requests made to IT support in 2019 and 2020 (in minutes)

Processing time	2019	2020	Variation	Maximum response time target (service contract)	Ratio performance/target in 2020
Change of access authorization	97	127	+31%	300	42%
Account extension	38	44	+16%	1200	4%
Account creation	116	131	+13%	240	55%
Request for a remote access token	27	24	-11%	240	10%
Loan request	351	307	-13%	1200	26%
Reply to a question	5	27	+ 440%	600	5%

Source: External Auditor, based on ITSD data.

61. However, the analysis carried out, showing response times well below the theoretical targets set for IT support, raises questions about the target levels which, despite the new conditions created by the pandemic, have remained the same as those for 2019.

62. While users are satisfied overall with the actual response times, the terms and conditions of the "performance contract" of the ITSD division as a service provider for users are unsatisfactory insofar as the targets set are so far removed from reality that there is no way they could serve as a performance incentive. Either the service targets are too comfortable, or too many resources were invested in a support function that is certainly effective but inefficient and not very economical. Moreover, service targets, which have already been set by service category, should also be specified according to business line division needs.

63. **Given the uncertainty that the Organization is still facing with regard to extending remote working, or even making it relatively permanent, and what will need to be organized as a result, particularly in terms of support for staff and delegations, and the use of appropriate tools, the External Auditor has no recommendations to make. He suggests, however, that lessons be drawn from the handling of the health crisis in this area to improve the ITSD support service contract.**

64. Very early on, a system for securing remote access to the Organization's servers (RSA Token) was put in place to enhance IT security. This shows that the issue of security from a technical viewpoint was taken into consideration at an early stage, as was the case for teleconferencing tools, at the level of the Organization's IT infrastructure.

65. The WTO needs, however, to take greater account of the growing and critical risk of cybercrime. The External Auditor is pleased to note that, at the onset of the crisis, the Organization had two normative frameworks, one relating to the Policy on Security and Architecture Assessment of Information Systems (document OFFICE(15)/64) and the other to the Information Security Policy (document OFFICE(17)/91), which provided a basis to fall back on during the sudden transition in March 2020. Given that, apart from operational data protection and staff personal data protection requirements, 5% of the information handled or stored (according to the Chief Information Security Officer, CISO) is related to highly confidential trade negotiations or arbitrations, the protection of, and access to, data in general are of paramount importance for the Organization.

66. According to data provided by the CISO, cyber threats increased significantly in 2020, and continue to be at a higher level in 2021 than before the crisis. This situation is not unique to the WTO; it is a general observation made in public administrations and large enterprises.

Table 3: Comparison of IT security alerts

	2019	2020	2021*
Detected by the Organization's Security Operations Centre (SOC)	15	106**	59
Reported to the IT Service Desk	150	234	293
Major incidents	3	11	10

* Projection based on known data as at 18 May 2021.

** Some of the increase in 2020 is due to false alarms linked to the inclusion of new sources.

Source: External Auditor, based on data from the CISO.

67. These risks have already been categorized as the maximum in the risk register (likelihood: 3; impact: 3). Experience now shows that they have quite specific characteristics, as their likelihood of occurrence is not only "high" according to the risk register rating, but almost "certain". The WTO is therefore aware that is a need for the risks to be assessed separately, outside of the common framework for assessing current risks, and also for the specific management of action plans for the monitoring and elimination of risks. The ITSD's existing high level of risk awareness and knowledge should enable it to respond to these specific characteristics.

4. Human resources management

68. According to a survey conducted by the Secretariat in February 2021, 86% of staff members consider that the crisis has significantly or very significantly changed the way they work; none of the respondents indicated that the situation has had no impact. Human resources are at the core of the operations of the Organization, the mission of which is to deliver services to its Members. They were therefore central to the actions taken both for the direct benefit of members of staff (health) and to ensure the continuity of operations (teleworking solutions in particular).

69. Guidelines on human resources management were issued by the HTF, to complement the existing rules, at the beginning of the crisis and continuously thereafter. These guidelines covered leave, special sick leave for COVID-19, travel restrictions and arrangements for accessing WTO headquarters.

70. Two subgroups of the HTF were established, one specifically for case and contact tracing, and the other to identify which staff would be required to ensure the continuity of the Organization's operations.

4.1. Adapting the Staff Rules

71. There is no specific statutory provision in the WTO rule book for identifying an event constituting "force majeure" that allows exceptions to be made, in certain circumstances, to the existing Staff Rules. It is directive prepared by the HTF (document OFFICE(20)/24/Rev.1), dated 9 March 2020, which sets out specific rules for making exceptions to the existing rules:

"The Director-General has decided to make the following exceptions to the Staff Rules:

Uncertified sick leave under Staff Rule 110.3(a)(ii) in connection with recommendation and instruction 1 above may be taken up to five consecutive working days, instead of the three days stipulated in that provision; and

Sick leave taken in relation to these recommendations and instructions do not count towards the total number of permissible uncertified sick leave under Staff Rule 110.3(a)(iii). The Human Resources Division, in consultation with the Health Task Force, will monitor sick leave taken by staff members and may request additional information from staff members, as appropriate."

72. Urgent decisions had to be taken in order to protect the staff members. However, the External Auditor questions whether the Director-General has the power to make unilateral exceptions to the Organization's Staff Rules. Article VI:3 of the Marrakesh Agreement provides that "*The Director-General shall appoint the members of the staff of the Secretariat and determine their [...] conditions of service in accordance with regulations adopted by the Ministerial Conference*".

73. It is therefore unclear whether a DDG or any other internal body, such as HTF, could, in the absence of explicit authority from the Council (or a crisis management plan regularly adopted by the governing body), make discretionary and unilateral changes to the Staff Rules.

74. The Secretariat does not agree with this analysis and considers that provision 115.2 of the Staff Rules gives the Director-General the power to amend or make exceptions to the Staff Rules and therefore provides the necessary flexibility for crisis management. This rule reads as follows:

"Amendment of, and exceptions to, the Staff Rules

Subject to Staff Regulation 13.2, the Staff Rules may be amended by the Director-General.

Exceptions to the Staff Rules may be made by the Director-General, provided that such exceptions are not inconsistent with any Staff Regulation, that they are agreed to by the staff member directly affected and that they are not prejudicial to the interests of any other staff member or group of staff members."

75. According to the External Auditor, provision 115.2 only provides for individual situations in which it is appropriate to make exceptions to the rules generally applicable to staff members covered by the Staff Regulations. Admittedly, the need to take exceptional and urgent decisions prevailed on the day of the onset of the crisis. However, and insofar as the powers attributed to the Director-General can only be exercised in respect of individual situations (the modification of which must, moreover, be accepted by the member concerned), it would have been in keeping with the spirit of the texts and the powers of the governing bodies to submit to the General Council a decision covering the exceptions to the Staff Rules needed for crisis management as they appeared to the Secretariat after some weeks of experience. At the very least and using this experience as a basis, going forward this would have made up for the absence of a pre-established crisis management mechanism endorsed by the Member States in the event of a prolonged state of crisis.

Recommendation No. 1. The External Auditor recommends submitting a proposal to the Ministerial Conference that, in the event of a major, unexpected and prolonged crisis, the Director-General be given the necessary special powers for the flexible and proactive management of the Secretariat, including the possibility of delegating powers to certain directors.

4.2. Monitoring employee health and prevention mechanisms

76. As early as January 2020, the WTO put in place appropriate preventive measures (hand gel, masks and signage). The lead taken by the Organization in this area meant that it was able to provide two hand gel dispensers to another organization unable to obtain any following stock shortages owing to an unprecedented surge in orders.

77. The specific monitoring of employee health has been introduced. The Organization has continued the usual monitoring of staff by the human resources department, with the exceptional involvement of a doctor and a psychologist. In addition to monitoring the health of members of staff, a critical factor in the Organization's "collective" health, specific initiatives have been taken, in particular relating to stress management. Despite these efforts, over half of staff members consider that they have suffered from isolation from the work environment or from poorer working conditions. As this crisis has revealed that the major challenges faced by staff members were more of a psychosocial than a technical nature, the Organization should probably consider, if teleworking were to continue, a more methodical assessment of the psychosocial occupational risks involved and their impact on the motivation and individual productivity of staff and, secondly, on its ability to maintain the sustained level of quality of services expected by the Member States.

4.3. Management of on-site work

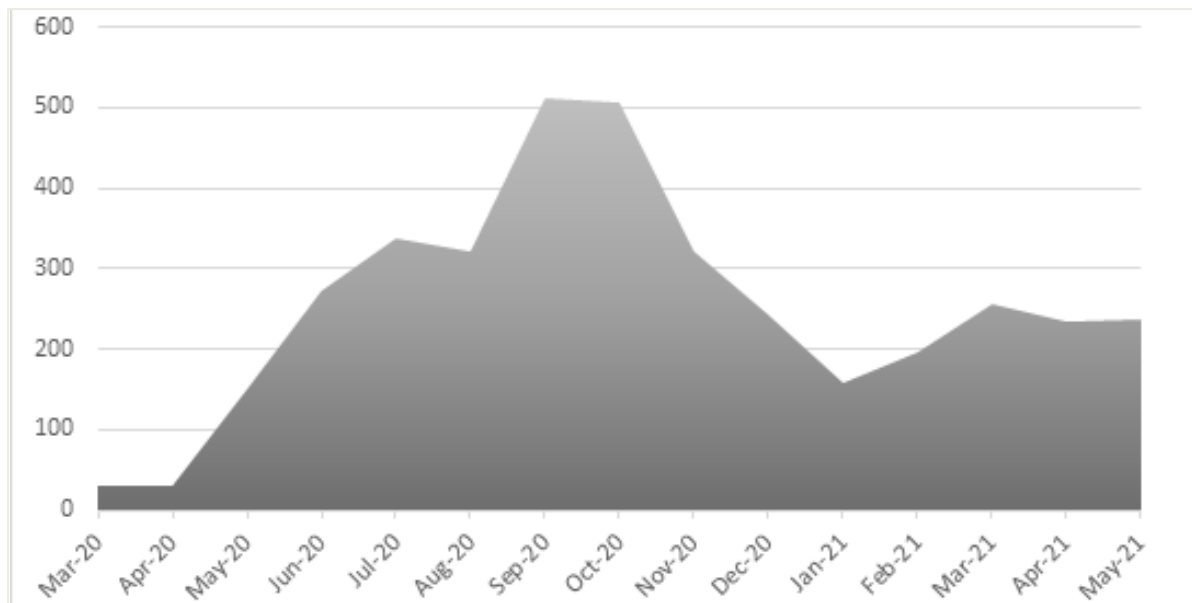
78. As of 15 March 2020, the HTF proposed initially that "on-site critical staff" be designated to ensure the continuity of the Organization's operations and administrative functions (IT and payroll), but also to guarantee the accessibility of headquarters (security and maintenance). The crisis response team has played its full part in this.

79. "On-site critical staff" were therefore clearly identified by an HTF dedicated subgroup. In March and April 2020, during the most acute period of the crisis, only around 50 staff members had access to headquarters, based on a list managed by the security officers.

80. The HTF subsequently also decided that each department would make its own internal arrangements to limit the number of (non-essential) staff allowed to work on site, a decision that echoed federal directives implemented elsewhere in Switzerland. The number of staff members allowed to be on site at any one time was restricted to 130 (half the number before the limit was imposed).

81. The guidelines for on-site presence have been generally followed, at least during the critical period of the first wave of the pandemic. According to the data provided by the officer in charge of safety and security, there have been few cases where access to headquarters has been denied, which shows that staff members remain disciplined and are acting responsibly.

82. There was a significant relaxation of this discipline after the easing of health measures in early summer 2020, and even during the successive waves of autumn 2020 and spring 2021. The Organization had to cope with an influx of staff members on site at certain times: in September and October 2020, sometimes more than 500 people were present at headquarters, or 80% of the workforce, way above the maximum number of 130 staff members allowed. This situation probably reflected the desire of managers and staff to return to their usual working environment following months of health restrictions. Although this desire was understandable at the end of the summer and at a time when the information circulating was more reassuring, the situation is nonetheless still non-compliant and shows the challenge faced by senior management in trying to strictly enforce, in a "corporate" spirit, a collective discipline that is supposed to rise above the interests of individual divisions. The return to teleworking from autumn 2020 naturally led to a fall in attendance at headquarters again, but a degree of restriction fatigue could also explain the continued relative slackening of discipline compared with March 2020.

Figure 7: Highest attendance at headquarters in a single day

Source: External Auditor, based on information on access from WTO security services.

4.4. Establishing and managing teleworking

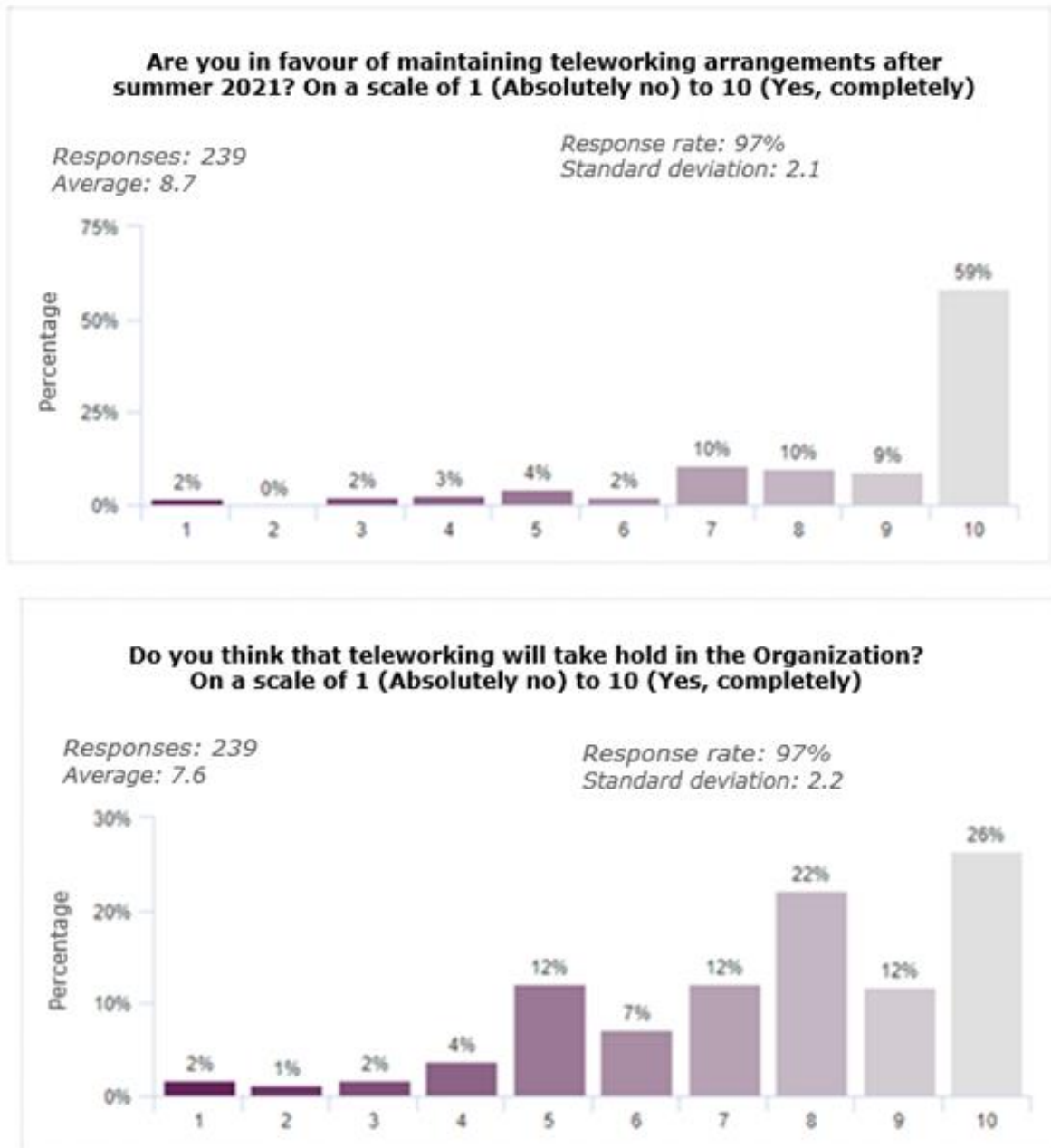
83. The only internal regulatory framework for teleworking is contained in a 2005 memorandum (document OFFICE(05)/10). It only covers teleworking on an exceptional and voluntary basis and could not serve as a legal or operational basis for a mass and mandatory extension of this working arrangement. During the first period of closure (March–April), it was therefore out of absolute necessity staff members had to begin teleworking because they were not allowed access to their offices.

84. Here again, the needs of the unforeseen emergency prevailed. After the partial reopening of the premises in May 2020, the Human Resources Department attempted to systematize teleworking more consistently with the management of the ongoing crisis. A draft directive was finalized at the end of June 2020 and submitted to the other departments: according to the information gathered by the External Auditor, this draft has not yet been agreed between the departments or approved by the senior management. Thus, for several months, including during the subsequent waves of the pandemic, and even today, teleworking, its terms and conditions and the guarantees provided to staff members are still regulated informally by extending the practices adopted as an emergency measure in March 2020.

85. Although not documented, the Secretariat (in particular senior management in its replies to the External Auditor's survey) considers that, apart from the period March–April 2020, the measures, procedures and tools put in place have allowed activities to continue satisfactorily, with a limited impact on productivity.

86. According to the External Auditor's staff survey conducted in May 2021, two thirds of staff members think that teleworking will have to continue in the Organization. Three quarters of them, including those at Grade 10 or above, are in favour of continuing teleworking after summer 2021. This is not necessarily inconsistent with the widely shared belief that teleworking has led to a relative deterioration in work relationships and to personal stress. The issue for the future remains to find a balance in collectively organized teleworking in order to minimize its counter-productive social, operational and financial impacts.

Figure 8: Results of the External Auditor's survey on the continuation of telework in the Organization



Source: External Auditor, survey conducted in May 2021.

87. As all the organizations have discovered during the crisis, there are advantages as well as disadvantages to extending teleworking, and the WTO will eventually have to take a position on this issue. Whether or not teleworking is extended Organization-wide and established as a new way of working, the WTO must review and expand the existing legal framework, which is limited to individual and voluntary use, to include, in the crisis management plans it will have to draw up, a section specifically regulating the use of teleworking in the event of a serious crisis. All aspects of the issue should be addressed and covered either by extending the Staff Rules or by pre-established procedures ready to be launched in the event of a crisis, including decision-making processes, terms and conditions of obligation, terms and conditions of remuneration, and the monitoring of psychological risks.

Recommendation No. 2. The External Auditor recommends finalizing, in accordance with future crisis management plans, a set of regulations to be submitted, depending on their particular nature and scope, to either the governing bodies or senior management for approval, so as to provide a framework for teleworking when major crisis situations make it necessary. This set of texts specifically focused on crisis management should, in any event, form part of the overall legal framework for teleworking, which could possibly be renewed in the light of the experience gained during the COVID-19 pandemic.

5. Financial and budgetary impact of the crisis

5.1. Estimated financial impact

88. In its 2021 Financial Performance Report, the WTO presented a balance sheet of the costs and savings arising from the health crisis. According to the Secretariat, the balance sheet highlights net savings of CHF 7.4 million in the 2020 financial year, in other words CHF 10.1 million in savings on the one hand and CHF 2.7 million in additional expenditure on the other.

89. The method adopted for this calculation varies according to the expenditure item concerned. For some items, particularly for expenditure that is dependent on volumes consumed, the difference between the initial budget and final expenditure is used, on the assumption that the difference is due entirely to the health crisis (for example, consumption of fluids and costs of the International Computing Centre (ICC)). For others, new expenditure strictly related to health management is recorded (for example, supplies of masks and hand gels and purchase of software required for remote working such as Interpretify). For yet other items, an estimate is made of the "crisis" part of the savings made (electricity, for example), or of the overall impact – positive or negative – of the crisis (cleaning, for example).

90. Making a distinction between the impact of the crisis and its management and the impact of controlled management during a normal year is not straightforward. The method used by the Organization inevitably leads to an approximate result:

- For example, the assumption that the difference between the initial budget and actual expenditure is due wholly to crisis management is not sound. However, in the absence of a more appropriate alternative assumption, there is no choice but to settle for an approximate result;
- The method of comparing 2020 expenditure to 2019 levels was rejected by the Secretariat. The latter indicated that the 2019 financial year had already been disrupted because of uncertainty over the collection of statutory contributions, meaning that the Organization had to reduce expenditure in the last quarter to ensure that staff salaries could be paid;
- The impact of the crisis on staff-related operations (catering and payroll) is not reflected in the financial statement prepared by the Secretariat.

91. However, the cessation of catering activities resulted in a loss of CHF 90,000 on the rent usually received from the service provider. The WTO records this "loss" as reduced revenue: the crisis impact assessment, which focuses on expenditure (excess or reduced), obviously cannot take this into account.

92. Furthermore, a saving of CHF 11.2 million was made on staff costs compared to the initial budget. The bulk of this concerns salaries (CHF 7 million), pensions (CHF 1.9 million) and home leave (CHF 1 million). The underperformance in this area is due to the high number of vacant posts in 2020.

93. This saving is partly offset by additional expenditure of CHF 4.1 million for temporary staff. This expenditure is primarily due to the increased use of interns for research activities during the pandemic.

94. The trend of offsetting the permanent staff budget against the temporary staff budget had already been mentioned in the 2019 Financial Performance Report, although this was to a lesser extent (CHF -4.6 million savings on permanent staff vacancies and CHF +5.3 million over budget for temporary staff).

95. If the above-mentioned operations are added back into the health crisis financial statement, final savings amount to CHF 13.8 million.

Table 4: Savings made due to the health crisis in 2020 (in millions of CHF)

Additional expenditure items	COVID-19 variation	Savings items	COVID-19 variation
IT consultants	0.9	Translation	1.1
International Computing Centre	0.4	Post	0.2
IT Service Desk	0.1	Overall cleaning contract	0.1
Safety equipment	0.1	Maintenance	0.5
Audio-visual adaptation of meeting rooms	0.2	Electricity	0.1
Special cleaning and disinfection	0.1	Heating	0.1
Medical supplies	0.1	Security provider	0.9
Teleworking software	0.9	Travel (technical assistance missions and seminars)	6.2
Catering rent (negative income)	0.9	Reprographics	0.4
		Office supplies	0.1
		Publications	0.3
		Hospitality	0.2
Temporary staff	4.1	Staff costs (excluding temporary staff)	11.2
Total additional costs	7.8	Total savings	21.4
Overall balance		13.6	

Source: External Auditor based on WTO data.

96. Consequently, no conclusion can be drawn in the debate over whether there is a direct link, total or partial, between the crisis and the final amount of net savings or net additional costs because the External Auditor was unable to examine the items concerned operation by operation. This is not important ultimately, as the only controversial issue is the lower expenditure on permanent staff. Thanks to the other major savings item (travel), it had been possible to make additional purchases: furniture, audio-visual equipment and security equipment.

97. The draft 2021 budget was prepared in April 2020 and the Secretariat quickly drew conclusions regarding the crisis and needs, in particular with regard to the adaptation of information systems. Resources were reallocated to the appropriate budget lines to ensure the continuation of teleworking:

- Consultants for various IT projects (CHF +300,000);
- Allocation to the International Computing Centre provider of virtual platforms (CHF +150,000);
- IT maintenance (CHF +300,000);
- Expenditure on software for various IT projects, including Interprefy (CHF +800,000);
- Technical assistance seminars (CHF +600,000)

98. In 2020, outstanding statutory contributions as at 31 December reached their highest level since 1995. Arrears doubled between 2019 and 2020, but this is not significant because it is due to one of the ten main contributors to the WTO postponing payment of a large contribution to January 2021. No significant impact of the crisis on the payment of statutory contributions has yet been noted in 2021.

99. Regarding voluntary contributions, the number of contributors has remained stable, but the amounts of contributions are decreasing (CHF 15.8 million in 2020 against CHF 21.9 million in 2019). Two project funds were closed at the end of 2019. Technical assistance activities decreased due to the pandemic, resulting in a 28% fall in net expenditure.

5.2. Impact on the Organization's performance

100. Since 2012, the allocation of resources has been analysed according to the eight operational objectives set by the Organization (the support function general objective is broken down into the eight others). Each quarter, staff are asked to declare the time they have spent on each of these objectives, and the information is then consolidated at the end of the year. Although these data are declarative, they appear to be consistent with the Organization-wide major activity trends.

101. During the crisis, WTO resources were redirected to certain areas. At first glance, there has been a decline in technical assistance and capacity building, but an increase in research activities (which resulted in the recruitment of staff on short-term contracts and interns). The WTO produced fewer documents (and therefore translated fewer documents), and conducted fewer key outreach activities. While trade policy monitoring has also seen a significant drop in activity, this is obviously linked to the drastic reduction in (or, during certain periods, even cancellation of) travel.

102. A review of the change in the Organization's expenditure by "output" category between 2018 and 2020 shows that:

- Expenditure on negotiations decreased by CHF 1 million over the period, and continuously in 2019 and 2020;
- Expenditure on trade policy monitoring fell by CHF 6 million (CHF 28 million in 2018, CHF 25 million in 2019 and CHF 22 million in 2020), a decrease of 20%. The number of trade policy reviews decreased from 18 in 2018 to 12 in 2019 and to only 7 in 2020;
- Expenditure on dispute settlements decreased by CHF 7 million, linked to the disappearance of the Appellate Body in 2019 and due in part to travel restrictions in 2020;
- Expenditure on capacity development decreased only slightly in 2018 and 2019 (from CHF 41.9 million to CHF 41.4 million), despite a sharp decline in national activities (from 121 to 98). This decrease in activities is likely to have been even more significant in 2020 (although not costed), resulting in a decrease in expenditure of CHF 8 million between 2019 and 2020;
- Expenditure on research remained stable between 2018 and 2020. The decrease in publications would have been offset by the increase in statistical activities, but the overall trend in research activities seems to be unclear – the recruitment of temporary staff points to an increase in research activities;
- Expenditure on communications and public relations ("reaching out") increased by CHF 0.9 million. Despite the cancellation of physical events, collaboration with third-party organizations has increased, particularly in the areas of research and intellectual property.

103. In summary, most of the Organization's activities, with the exception of those directly affected by the stoppage of physical exchanges (such as meetings and missions), seem to have followed the general downward trend affecting the Organization's output for the past few years. This trend would not be closely linked to the health crisis.

104. The WTO's operational objectives are used only to describe the allocation of resources to the various objectives it is pursuing, and not to analyse the results achieved in pursuit of each objective. An objective measurement of the Organization's performance by operational objective would help to refine the analysis of resources allocated to each, which is presented annually in the Financial Performance Report and used as the basis for preparing the budget. Currently, resources are allocated to the different objectives depending on the cyclical needs emerging during the financial

year, rather than on the basis of needs predetermined by a strategy and work programme associated with the budget.

105. This is illustrated in particular in human resources management, which is characterized by the ongoing use of temporary staff while vacancies for permanent posts remain high. In 2018, the implementation rate of the human resources budget was 98%: 96% under "permanent staff expenditure", and 113% under temporary staff (due to three events and a high level of dispute settlement activity). In 2019, according to the written statements formally collected from the Secretariat by the External Auditor, the increase noted in temporary staff was the result of a choice to recruit some staff on short contracts to test them out before signing permanent contracts. These recruitments involved the agriculture negotiations, economic research and dispute settlement. At the end of 2019, a number of departures were noted, leading to an increase in the number of vacant posts. The same trend of increasing temporary staff continued in 2020, in the area of economic research and dispute settlement (fisheries negotiations). The situation should stabilize in 2021, when the results of the structural review currently under way will show human resources needs by area of activity.

106. The changes in trust fund expenditure cannot easily be correlated with the level of trust fund activity. For example, the Global Trust Fund has seen a decrease in contributions received, but more significantly in its expenditure (-58%). This is primarily because, given that it covers around two thirds of technical assistance costs, the corresponding expenditure has fallen as a result of the travel ban. This meant that, for the first time since 2014, the fund's expenditure did not exceed the amount in contributions received during the year and brought its balance sheet (CHF 11.4 million) closer to the target set by the Member States (CHF 12.5 million). However, in the absence of numerical data, it is difficult to reconcile the change in the fund's financial situation with its performance.

107. The purpose of the audit was to identify not only the impact of the health crisis on the Organization's budgetary and financial management, but also on the results it achieved. While the first issue has been clearly identified by the Organization itself, it is difficult to comment on the second in the absence of precise performance indicators. It is therefore impossible to use the analyses of the 2020 crisis to identify the contribution of the different categories of resources to the achievement of the WTO's objectives.

108. The aim of the performance indicators is to measure progress against a quality target of the key results defined for them. Indicators should enable the WTO to report on and improve its performance by measuring results rather than resources (input) or amount of effort expended. The indicators should focus on the quality of key results and the impact outside and inside the Organization. The indicators continue to evolve in order to best assess WTO performance. The purpose of this approach is to enable the WTO and stakeholders to measure the progress made by the Organization over time in terms of the effectiveness, efficiency, productivity and quality of its work. To do so, the WTO should select a limited number of indicators related to its main areas of intervention.

Recommendation No. 3. The External Auditor recommends formalizing the monitoring of the Organization's performance through quantified means and performance indicators. These indicators should be defined by each service and transmitted to the Financial Operations Directorate for consolidation. In the longer term, this monitoring could form the basis for an annual performance report separate from the Annual Report and the Financial Performance Report.

IV. CONCLUSION

109. For a number of years, and especially following cases of zoonoses that have led to emerging epidemics (for example, SARS and avian influenza), many futurists and health surveillance officials had been warning of the growing likelihood of disruptive pandemics. However, while awareness of the need for proactive risk management was growing at the same time, practically no public or private organization, even the most advanced in this field, considered this pandemic risk to be so serious as to justify the prior development of mechanisms (structures and procedures) to contain any resulting crisis.

110. In this regard, the WTO has not fared better or worse than most public organizations. But since it had not developed a structural system to identify risks of all kinds and manage crises likely to affect it, and since it lacked any predefined, robust and tested business continuity plans, it did not have the operational tools for tackling this particular crisis when it erupted.

111. However, the External Auditor is bound to note that the Organization reacted promptly and effectively by putting in place structures (the HTF) and procedures to address the two key issues having the greatest impact on its resources and mission: (a) protecting the health of staff and doing its best to allow them to continue to serve the Organization's interests and mission; (b) ensuring the continuity of the Members' collective activities as far as possible. No doubt these mechanisms, which were established and implemented in an emergency, are not without shortcomings but overall they have functioned to the satisfaction of nearly all stakeholders (staff, delegations and partners).

112. Whether it is a question of risk structuring and management, crisis governance and organization, or operational issues relating to staff support and management, including in terms of computing and digitization tools, the time has now come for the WTO to carry out an exhaustive feedback exercise. Some projects, including those that have remained pending for many years, such as crisis management (policy, governance, structures, procedures) or the relationship between risk management and internal monitoring, should now be able to be finalized quickly. Others, including everything linked to new modes of organization of work discovered during the crisis, certainly warrant further analysis and internal discussion.

113. In any event, at the WTO, as elsewhere, the pandemic has put an exceptional spotlight on the weak points as well as the resources and potential of an organization which can no longer be content to replicate a way of functioning whose efficiency, as the crisis has shown through specific examples, still leaves room for improvement.

V. ACKNOWLEDGEMENTS

114. The External Auditor would like to sincerely thank all WTO staff for their availability and for the precision of the information provided.

End of audit observations.
