



PAN AMERICAN HEALTH ORGANIZATION
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REPORT ON THE ACTIVITIES OF THE INTERNAL OVERSIGHT SERVICES

Introduction

1. The Office of Internal Oversight Services (the Office) of the World Health Organization transmits herewith its annual report for the calendar year 2005 for the information of the 138th Session of the Executive Committee of PAHO.
2. The Office operates a joint internal audit activity under the general authority of the Director-General of WHO and the Director of PAHO. An audit team, which is an integral part of WHO's Office of Internal Oversight Services, is based in Washington, D.C., to provide oversight services covering both PAHO and AMRO. The activity functions in accordance with WHO's Financial Rule XII and PAHO's Financial Regulation XII.
3. Financial Rule XII establishes the mandate of the Office and requires submission of a summary annual report to the Director-General and the Governing Bodies on its activities. The reporting provisions of this rule have been adopted by PAHO.
4. The Office performs an independent, objective assurance and advisory activity designed to add value to and improve the Organization's operations. Using a systematic and disciplined approach, it helps the Organization to accomplish its objectives by evaluating and improving the effectiveness of processes for risk management, control, and governance. It is responsible for investigation of alleged irregular activity. It conducts programmatic performance auditing and evaluation at both the regional and the country level. The Office is authorized full, free, and prompt access to all records, property, personnel, operations, and functions within the Organization which, in its opinion, are relevant to the subject matter under review.

Internal Audit - AMRO/PAHO

5. The audit team in Washington comprises two professional auditor posts and is supported by Geneva-based auditors and evaluators. Recruitment of the Washington team was completed in late 2004 and the two posts were staffed fully during 2005. However, completion of the work plan proved to be challenging with part of the scheduled work eventually deferred to the following year.

6. In February 2006, the Senior Auditor unexpectedly resigned. Subsequently, the Director of PAHO indicated her desire to review the reporting lines of the Washington team, which is now under discussion between PAHO and WHO Headquarters. Recruitment of a Senior Auditor and internal audit work under the 2006 plan of work remain in abeyance pending agreement on the proposed reporting lines for the Washington team.

7. The team in Washington, which is jointly funded, incurs such costs as travel and operating supplies in order to fulfill its mandate. During 2005, sufficient funds were allocated to cover necessary expenses and no work was deferred due to lack of funding.

8. The Office maintains contact with PAHO's External Auditor. Consultations were held during the year to coordinate audit work and to avoid overlap in coverage. The Office provides the External Auditor with a copy of all internal audit and evaluation reports.

Audit and Evaluation Results

9. In the opinion of the Office, the results of the limited audit work undertaken during 2005 indicate that overall, the processes for control, risk management and governance within PAHO continue to provide a measure of assurance that significant shortcomings in the procedures that lead to achievement of the Organization's objectives would be prevented or disclosed.

10. No limitations were placed on the scope of the work of the Office in the course of conducting its business; nor were there any significant unresolved differences of opinion between the Office and PAHO's senior management in respect of acceptance of residual risk.

11. **Office of the PAHO/WHO Representative, Quito.** A review of the finance and administration transactions of the office revealed a weakness in demonstrating that value for money was obtained during procurement of goods and services. The value of contracts issued during the two and one-half year period prior to the audit was US\$ 0.8 million, and there was a notable lack of compliance with procedural guidance in areas

such as competitive quotes and submission of supporting budgets or estimates. The audit further reported that improper storage of computerized backup data created an unacceptable risk related to its recovery in the event of a disaster. Subsequent to the report, the Representative responded positively on implementation of the recommendations and the audit was closed.

12. **HIV/AIDS Unit at PAHO/Regional Office for the Americas.** The audit confirmed that progress had been made in the Americas towards achieving the "3x5" target; however, the progress varies dramatically by country and some priority countries continue to show low treatment rates. The HIV/AIDS Unit has been strengthened recently but the audit identified continuing problems related to shortages of funding and noted the need for collaboration with partners, an increased skills mix of the staff and administrative support. Finally, the Revolving Fund for Strategic Public Health Supplies requires strengthening through information to stakeholders, resource mobilization, and improved linkages to technical activities. An initial response has been received and the Office has requested additional information and clarification on some points.

13. **Office of the Caribbean Program Coordinator and PAHO/WHO Representative, Bridgetown.** The results of the audit demonstrated a lack of compliance with procurement procedures over the last four years. During this period, approximately US\$ 2.8 million worth of contracts and purchase orders were issued and compliance problems were evident with respect to requisitions, competitive bidding, adjudication reports, and other procedural requirements. The audit highlighted the need to fill the supervisor position over the procurement area. The audit further highlighted the need to observe proper segregation of duties in the area of finance and to enhance the security for computerized systems. An initial response has been received and is currently under review by the Office.

14. **Letters of agreement at PAHO/Regional Office for the Americas.** These agreements are a key means of transferring funds during delivery of technical cooperation and their volume has increased from US\$ 8.5 million in the 2002-2003 biennium to US\$ 14.1 million at the end of the third quarter of the 2004-2005 biennium. Our testing disclosed a lack of compliance with established policies, and there was little evidence available that could demonstrate procedures were followed to ensure that activities were implemented as agreed. The work identified compliance issues relating to approvals, required budgets, reporting by the recipient, review of expenditures, and inadequate records. Factors contributing to this situation were the lack of a process owner and weaknesses relating to information technology.

15. **Travel at PAHO/Regional Office for the Americas.** The audit assessed the effectiveness of PAHO's procedures and controls over duty travel to ensure that it is conducted in compliance with policies and procedures with due regard for value for

money. Compliance with policy and procedure was acceptable; however, there was a need to enhance the information available to management for negotiating airline fares and monitoring expenditure. Recommendations were also made to reduce travel costs through advance planning and to strengthen financial controls.

16. **Office of the PAHO/WHO Representative, Guyana.** The evaluation assessed the Organization's strategy for cooperation and its program implementation in and with Guyana during the past five years. The Guyana country team has been technically upgraded and contributed to high profile interventions in 2005. The country cooperation strategy brought coherence to the country biennial plan of action and aligned the support from the Regional Office and Headquarters. It also helped in mobilizing additional resources for child and adolescent health, communicable diseases, and health systems development.

17. The support that the Organization provided in response to the floods of 2005 and in the area of maternal and child health are examples that have raised considerably the visibility of WHO/PAHO. However, in other areas such as developing policies on human resources for health or a comprehensive health information system, the efforts of the Organization have not yielded positive results. The recent technical expansion of the country team has created increased expectations and therefore an appropriate level of resources should be ensured.

18. **Child and Adolescent Health Development.** The Organization-wide programmatic evaluation assessed the work of WHO and PAHO with national, bilateral, and multilateral partners. While evaluation team members visited PAHO Headquarters and the country office in Guyana, the evaluation methodology was designed to give a global overview of the Child and Adolescent Health Development area of work, rather than detailed findings on individual regions.

19. The report noted that PAHO was engaged in the development of regional policies and strategies for child and adolescent health. It also highlighted the fact that some Regions, notably PAHO and EURO, are more advanced in implementation of adolescent health programs. PAHO was recognized for implementing an approach termed Integrated Management of Adolescent Needs (IMAN), which focuses on needs rather than disease and for maintaining staffing levels in the area of child and adolescent health which exceed the average in the other WHO Regions.

20. Globally, the evaluation noted that due to combined efforts of WHO, Member States and other partners, progress has been made in many countries in reducing infant and under-five mortality. While recognizing the importance of improving health systems, human resources for health and health service delivery, it was noted that unless current progress is accelerated, the related MDG goals will not be met in many countries. The

evaluation recognized the achievements of the program, in spite of funding shortages, but concluded that increased and reoriented efforts in several program areas, particularly adolescent health, were required.

Follow-up and Implementation

21. The Office monitors the implementation of all its recommendations and verifies the reported implementation during subsequent audit visits. The Office notes the timely implementation of audit recommendations at PAHO.

Action by Executive Committee

22. The Committee is invited to note the report.

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