



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



## 136th SESSION OF THE EXECUTIVE COMMITTEE

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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 2004 for the information of the 136th 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. As agreed between the two organizations in January 2004, 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 12.1.
3. Financial Rule XII establishes the mandate of the Office and further requires submission of a summary annual report to the Director-General on its activities. The Financial Rule also states that this report shall be submitted to the Health Assembly, together with any comments deemed necessary. The reporting provisions of this rule have now been applied to PAHO at the request of both the Member States and the Director.
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. After signature of the agreement on oversight services, recruiting for the Senior Auditor post began and was completed in late third quarter of 2004. The team is supported by Geneva-based auditors and evaluators.

6. The priority work at PAHO can be performed only within the limits of available resources. High-risk situations involving investigation of irregular activity, which develop unpredictably, may divert such resources away from identified priorities. Accordingly, the Office establishes priorities for scheduled work in order to compensate for any unexpected assignments.

7. The team in Washington, which is jointly funded, incurs such costs as travel and operating supplies in order to fulfill its mandate. During 2004, 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 audit work undertaken during 2004 indicate that overall, the processes for control, risk management and governance within PAHO continue to provide reasonable assurance that significant shortcomings in the 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. The work completed in 2004 was largely done by Geneva-based staff as the team in Washington was being established. Major issues and areas of improvement that were identified during the audits undertaken in 2004 are described below.

**12. Procurement funds and linkages to technical cooperation in the Americas.**

The audit reviewed the public health supplies procurement programme as represented in both the Expanded Programme on Immunization Revolving Fund for Vaccine Procurement and the Regional Revolving Fund for Strategic Public Health Supplies. The results of the audit confirmed that the Expanded Programme on Immunization Revolving Fund for Vaccine Procurement had largely achieved its objectives, was acknowledged as a successful programme, and was considered a major component of technical support to countries. The audit identified several risks to its continued success which require attention including: changes in suppliers affecting drug prices and availability; reorganization of the immunization unit; and new more expensive vaccines which may require an increase in the level of the fund.

13. The Regional Revolving Fund for Strategic Public Health Supplies was intended to mirror the success of the Expanded Programme on Immunization Revolving Fund for Vaccine Procurement, but it has not yet been effective in meeting its objectives. Its expenditure of US\$ 12 million in the 2002-2003 biennium was almost wholly attributable to a single country for the purchase of insecticides. The audit noted the need to publicize this fund, establish an effective revolving fund mechanism, and better link the fund to technical inputs.

**14. Office of the PAHO/WHO Representative, Port-au-Prince, Haiti.** The audit disclosed weaknesses in financial and administrative controls which pose an unacceptably high degree of risk to both the office of the PWR and the project *Programme des Médicaments Essentiels*. There was a need to formalize controls over cash movements and fund balances for local currency bank accounts and compliance was weak with respect to controls over contracting activities. The project's accounting transactions did not appear to be accurately recorded or reported and weaknesses in inventory controls called into question the validity of the project's inventory records.

**15. Office of the PAHO/WHO Representative, Guatemala City, Guatemala.** An audit of the functions of budget, finance and administration disclosed weaknesses in two specific areas. There was a notable lack of compliance with controls over contracting activities which has resulted in a situation where obtaining value for money cannot be clearly demonstrated. The audit further disclosed that excessive access rights granted to staff conflicted with proper segregation of duties for major computer systems in use and there was no off-site storage of backup data.

**16. Evaluation of the WHO fellowship programme.** This global evaluation, which included activities related to AMRO/PAHO, assessed the contribution of fellowships towards developing sustainable national capacities in the area of health and human resources and provided insight into the outcomes of the fellowship programme. The evaluation determined that the decentralization of the fellowship programme and the

withdrawal of headquarters to a coordination role have led to different practices and development of inconsistent data within the Organization. While the evaluation noted an improved programmatic integration of fellowships as a training mechanism, objectivity in the selection of candidates is uncertain, evaluation of the results of individual fellowships is weak and the utilization of fellows on their return receives insufficient attention. The evaluation concluded that WHO/PAHO should undertake a systematic review at each level and better integrate fellowships into an overall health and human resources perspective as opposed to a stand-alone programme.

### **Follow Up and Implementation**

17. The Office monitors the implementation of all its recommendations and verifies the reported implementation during subsequent audit visits. The Office is satisfied with the overall disposition of the significant audit recommendations and implementation of audit recommendations is current.

### **Action by Executive Committee**

18. The Committee is invited to note the report.

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