



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



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REPORT ON THE ACTIVITIES OF THE INTERNAL OVERSIGHT SERVICES UNIT

Introduction

1. The Internal Oversight Services Unit (IOS) of the Pan American Health Organization transmits herewith its annual report for the calendar year 2006 for the information of the 140th Session of the Executive Committee.
2. Financial Regulation XII establishes the mandate for the Director of the Pan American Sanitary Bureau (PASB) to maintain an internal audit function which is responsible for the review, evaluation, and monitoring of the adequacy and effectiveness of the Organization's overall systems of internal control. For this purpose, all systems, processes, operations, functions, and activities within the Organization shall be subject to such review, evaluation, and monitoring.
3. The Pan American Health Organization's Internal Oversight Services Unit had been a joint audit activity under the general authority of the Director-General of the World Health Organization (WHO) and the Director of the PASB. During the terms of the two previous directors of the PASB, discussions had taken place regarding a closer oversight of the PAHO Internal Audit Services Unit by the Director of the Bureau. In 2002, the then-Director of the PASB chose to separate the PAHO internal audit function from WHO's Office of Internal Oversight Services.
4. In 2003, the newly-elected PASB Director reestablished the joint PAHO/WHO coordination of the PAHO Internal Oversight Services (IOS) Unit with the desire to ensure direct reporting of the IOS Unit to the Director of PASB. During 2006, PAHO and WHO discussed the reporting lines of the three professional posts in the PAHO ISO Unit. The PASB Director desired enhanced oversight of the IOS program in order to ensure adequate review, evaluation, and monitoring of the overall systems of internal

control for the Organization's \$800 million in income per biennium, with approximately \$100 million in funds of the World Health Organization and \$700 million in funds of the Pan American Health Organization.

5. In August 2006, the Director of the WHO Office of Internal Oversight Services (WHO IOS) and the Director or PASB agreed that (1) WHO IOS would continue its oversight of the WHO-funded projects in the Region of the Americas, similar to its role in other WHO regions, through compliance audits and program implementation evaluations, and (2) PAHO would assume the internal oversight of the PAHO-funded projects through compliance audits and program implementation evaluations.

Internal Audit

6. The PAHO IOS Unit experienced a change during 2006 when the WHO IOS Senior Auditor assigned to PAHO/AMRO unexpectedly resigned in February 2006 and the PAHO IOS Auditor transferred to another PAHO unit in May 2006. Thus, the PAHO IOS Unit entered into a state of significant transition.

7. In August 2006, the former PAHO IOS Auditor was asked to temporarily collaborate with the audit function and perform field audits. In October 2006, a former WHO senior auditor joined PAHO to also perform audits of the PAHO/WHO country offices.

8. In order to address the internal audit work which had accumulated, the two auditors initiated a risk assessment analysis of the country offices, including the views of senior managers who were directly involved with the country offices, which resulted in a revised risk assessment-based audit plan. Therefore, the IOS activities in 2006 pertain to field audit visits to four PAHO/WHO Representations and one PAHO/WHO Center. Those offices were Bolivia, Brazil, Jamaica, and Nicaragua, and the Caribbean Food and Nutrition Institute (CFNI) in Jamaica.

9. As of May 2007, the charter, mission, risk assessment plan, responsibilities and staffing of the PAHO IOS Unit are being reviewed with the support of the WHO IOS Office and an external consultant who specializes in audit services. The PAHO IOS Auditor formally returned to the IOS Unit in April 2007. The position of Evaluation Officer has been advertised and will move to a selection committee shortly. The post of Chief of the PAHO IOS Unit will be open for competition no later than July 2007. It is expected that the charter, mission, risk assessment plan, responsibilities, and staffing of the IOS Unit will be completed during the summer of 2007.

Audit and Evaluation Results

10. Regardless of the limited audit work undertaken during 2006, the overall results in the control processes, risk management and compliance with PAHO/WHO financial rules and regulations in the field offices visited were generally satisfactory. Areas where improvements could be made were recommended to management at Headquarters and field offices. Positive replies were received from management on implementation of audit recommendations.

11. An area of previous concern and almost universal to all PAHO/WHO field offices has been the letters of agreement which are a common means to transfer funds to institutions or entities in the delivery of technical cooperation.

12. Previously, it was indicated that two factors, the lack of a process owner and weaknesses relating to information technology, affected the effectiveness in the managing of letters of agreement.

13. Based on internal audit recommendations, the PASB Director designated, at the beginning of 2007, a business owner who has the overall responsibility, among others, for:

- overall compliance with the terms of the letters of agreement;
- maintaining the registry for all letters of agreement;
- monitoring the responsible technical officer's follow up of submission of the required administrative and technical reports by the grantee; and
- approval for payment terms.

Follow-up and Implementation

14. The IOS Unit monitors the implementation of all its audit recommendations and verifies the reported implementation during the subsequent audit visits. The IOS staff notes the timeliness of the implementation of audit recommendations.

External Auditor

15. The IOS Unit maintains close contact with the PAHO External Auditor. The audit work is coordinated in order to avoid duplication of efforts.

Overview of Audits Undertaken and/or Responded to during 2006

16. During 2006, the Pan American Health Organization experienced and/or responded to 21 audits or evaluations initiated by PAHO's Internal Oversight Services Unit, WHO's Office of Internal Oversight Services, and the National Audit Office of the United Kingdom of Great Britain and Northern Ireland (PAHO's External Auditor). This total is comprised of two evaluations and 19 financial/administrative audits.

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