



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



SECOND SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 10-12 March 2008

Provisional Agenda Item 4.1

SPBA2/3 (Eng.)
25 February 2008
ORIGINAL: ENGLISH

REPORT ON INTERNAL OVERSIGHT SERVICES

Introduction

1. The present document reports on the activities of PAHO's Internal Oversight Services and updates the Subcommittee on Program, Budget, and Administration (SPBA) on activities previously reported on during the 27th Pan American Sanitary Conference in October 2007.
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 subjected to such review, evaluation, and monitoring.
3. In August 2006, the Director of the WHO Office of Internal Oversight Services (WHO IOS) and the Director of the PASB agreed that PAHO would assume the internal oversight of the PAHO-funded projects, through compliance audits and program implementation evaluations, and that 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.

Background

4. The charter, mission, risk assessment plan, responsibilities and staffing of the PAHO Internal Oversight Services (PAHO IOS) were reviewed with the support of WHO IOS and an external consultant who specializes in audit services.

5. PAHO IOS will cover both the audit and the evaluation functions. The position of Evaluation Officer has been filled, and the new staff member commenced work during the first week of January 2008. Since joining PAHO, the Evaluation Officer has met with PAHO managers to learn about the Organization and to develop a work plan to be approved and implemented. The recruitment for the Senior Internal Auditor is in progress and is expected to be completed in May 2008.

Progress Report

Audit Program for 2006-2007

6. During the 2006-2007 biennium, the Pan American Health Organization underwent and/or responded to fifty-four audits initiated by PAHO IOS, WHO IOS, and by PAHO's External Auditor, the National Audit Office (NAO) of the United Kingdom of Great Britain and Northern Ireland. These audits are comprised of 42 financial/administrative audits, eight project-specific audits, two performance audits, one integrated audit, and one evaluation.

7. WHO and PAHO Internal Oversight Services performed 23 of these audits during the 2006-2007 biennium, including 19 financial/administrative audits, one integrated audit, two performance audits, and one evaluation. The attached chart, "Summary of Internal Oversight Services Activity 2006-2007," identifies the audits, the audit dates, the status of the audits, and the major recommendations.

8. The results of the financial/administrative audits conducted by PAHO's External Auditor will be included in the "Financial Report of the Director and Report of the External Auditor for 1 January 2006 – 31 December 2007." The Report of the External Auditor will be presented to the 142nd Session of the Executive Committee in June 2008.

Audit Program for 2008

9. A work plan was prepared and submitted for the Director's approval during December 2007. The plan contemplated a fully staffed IOS team, and included audit visits to PAHO's 15 Field Offices and/or Centers and 6 program items to be completed at Headquarters.

10. Audit activities to be performed by WHO IOS during 2008 may cover three areas:

- I. Financial and Operational Audits in Country Offices.
- II. Program Performance Audits.
- III. Thematic Evaluations.

11. The overall work plan of PAHO IOS is currently under revision in order to incorporate the evaluation plan which is the responsibility of the newly-appointed Evaluation Officer. Evaluation activities during 2008 include elaboration and approval of a mission and policy for integrated evaluation at PAHO; establishment of norms and standards for evaluation; improvement of feedback mechanisms into program design; the compilation of lessons learned in order that they can be made available to managers along with a comparative analysis of three or four countries; two evaluations of PAHO management processes; and one country evaluation on selected crosscutting issues.

Action by the Subcommittee on Program Budget and Administration

12. The SPBA is invited to comment on this report and provide general guidance to the Secretariat.

Annex

Summary of Internal Oversight Services Activity 2006-2007

Report Title	Biennium	Audit Visit Date	Report Date	Auditor	Closure Date	Comments	Major Recommendations
FINANCIAL/ADMINISTRATIVE AUDITS							
Office of the PAHO/WHO Representative, Ecuador	2004-2005	14-Feb-05	18-Apr-05	WHO IOS	8-Feb-06	Closed	The PWR Office must strengthen its management and monitoring of letters of agreement, courses and seminars, compliance with PAHO local purchasing procedures, access rights to the accounting system, and internal controls for disbursements. Need to establish a manual on procedures for contractual service agreements and eliminate the allotment differences between FAMIS and AMPES/OMIS.
Office of the Caribbean Programme Coordination, Barbados	2004-2005	18-Apr-05	15-Jul-05	WHO IOS	30-Nov-06	Closed	The PWR Office must improve the management and monitoring of letters of agreement, courses and seminars, purchasing procedures, and access rights to the accounting system, as well as the management of missing assets. Need to establish a manual on procedures for contractual service agreements.
Letters of Agreement at the PAHO/AMRO	2004-2005	September 2005	15-Sep-05	WHO IOS	5-Dec-06	Closed	The audit recommended strengthening the controls in administering and monitoring letters of agreements (LOA). The compliance with established policies and procedures, such as approval by the Letters of Agreement Review Committee (LOARC), submission of proper budgets and final reports, review of the expenditure, appropriate maintenance of files and records, and appropriate use and authorization of LOAs, needs to be improved. In addition, it was recommended to designate a process owner of LOAs, and enhance the module for LOAs in AMPES/OMIS.
Travel at AMRO/PAHO	2004-2005	November 2005	28-Nov-05	WHO IOS	10-Aug-06	Closed	The audit recommended improving global negotiations with airlines and management reporting on travel-related financial and operational information, as well as enhancing the AMPES/OMIS system to ensure travel is adequately monitored and administered. Other recommendations made in the report highlighted the need to reduce travel expenditure through better planning, to tighten financial controls, and ensure greater compliance with policies.

Report Title	Biennium	Audit Visit Date	Report Date	Auditor	Closure Date	Comments	Major Recommendations
Office of the PAHO/WHO Representative, Bolivia	2006-2007	14-Aug-06	25-Aug-06	PAHO IOS	16-Nov-06	Closed	The PWR Office must strengthen its management and monitoring of letters of agreement, courses and seminars, purchasing procedures, access rights to the accounting system, and PALTEX program. Internal controls for disbursements and petty cash must be improved.
Office of the PAHO/WHO Representative, Nicaragua	2006-2007	18-Sep-06	28-Sep-06	PAHO IOS	18-Dec-06	Closed	The PWR Office must strengthen its management and monitoring of letters of agreement, purchasing procedures, and access rights to the accounting system.
Office of the PAHO/WHO Representative, Brazil	2006-2007	22-Oct-06	17-Nov-06	PAHO IOS	2-Apr-07	Closed	The PWR Office must strengthen its management and monitoring of letters of agreement, courses and seminars, and access rights to the accounting system. Internal controls for petty cash transactions must be improved.
Caribbean Food and Nutrition Institute	2006-2007	23-Nov-06	14-Dec-06	PAHO IOS	16-Apr-07	Closed	The Institute must take steps to address the delays in quota assessment payments, implement a cost accounting system for publications, and improve controls on petty cash transactions and overtime.
Office of the PAHO/WHO Representative, Jamaica	2006-2007	15-Nov-06	15-Dec-06	PAHO IOS	20-Apr-07	Closed	The PWR Office must address the changes in work environment and consequent implementation issues in program management, improve the management and monitoring of letters of agreement and oversight of overtime.
Office of the PAHO/WHO Representative, Costa Rica	2006-2007	29-Jan-07	8-Feb-07	PAHO IOS	22-May-07	Closed with the exception of recommendation 23 (PPS/PS)	The PWR Office must improve the management and monitoring of letters of agreement and courses and seminars, as well as establish a manual on procedures for contractual service agreements.

Report Title	Biennium	Audit Visit Date	Report Date	Auditor	Closure Date	Comments	Major Recommendations
Office of the PAHO/WHO Representative, Belize	2006-2007	25-Jan-07	2-Mar-07	PAHO IOS	23-May-07	Closed	The PWR Office must improve the management and monitoring of courses and seminars, segregation of duties, and human resources, including an analysis for third party insurance.
Office of the PAHO/WHO Representative, Venezuela	2006-2007	17-Jan-07	2-Mar-07	PAHO IOS	11-Jun-07	Closed with the exception of recommendations 12ii, 30i, 30ii, 35ii, 35iv, 39ii (PWR)	The PWR Office must improve the management and monitoring of letters of agreement, courses and seminars, the Paltex Program, segregation of duties, oversight of overtime, and verification process for the outsourced payroll operations of the employment agency. Must fill the administrator post.
Office of the PAHO/WHO Representative, Chile and Bioethics	2006-2007	19-Mar-07	9-Apr-07	PAHO IOS	13-Jun-07	Closed	The PWR Office must strengthen the management and monitoring of letters of agreement, courses and seminars, and the Paltex program, as well as establish a manual for the procedures for contractual service agreements.
Office of the PAHO/WHO Representative, Paraguay	2006-2007	7-May-07	29-May-07	PAHO IOS	28-Aug-07	Closed	The PWR Office must improve the management and monitoring of letters of agreement, courses and seminars, compliance with local purchasing procedures, and access rights to the accounting system, as well as establish a manual on procedures for contractual service agreements.
Office of the PAHO/WHO Representative, Argentina	2006-2007	14-May-07	1-Jun-07	PAHO IOS	29-Aug-07	Closed	The PWR Office must strengthen the management and monitoring of letters of agreement, courses and seminars, petty cash transactions, compliance with PAHO local purchasing procedures, and access rights to the accounting system, as well as establish a manual on procedures for contractual service agreements.
Office of the PAHO/WHO Representative, Colombia	2006-2007	22-Jul-07	3-Aug-07	PAHO IOS	17-Oct-07	Closed	The PWR office must improve its management and monitoring of letters of agreement, courses and seminars, internal controls for petty cash transactions, compliance with PAHO local purchasing procedures, and access rights to the accounting system.

Report Title	Biennium	Audit Visit Date	Report Date	Auditor	Closure Date	Comments	Major Recommendations
Office of the PAHO/WHO Representative, Mexico	2006-2007	20-Aug-07	11-Sep-07	PAHO IOS	26-Nov-07	Closed	The PWR Office must strengthen its management and monitoring of letters of agreement, courses and seminars, overtime, and the Paltext program.
Office of the PAHO/WHO Representative, Cuba	2006-2007	8-Oct-07	18-Oct-07	PAHO IOS	28-Dec-07	Closed with the exception of recommendations 10a, 10e, 10f, 10g, 16b (PWR) & 36 (FMR)	The PWR Office must improve its management and monitoring of letters of agreement and courses and seminars, as well as the internal controls for disbursements and cash transactions.
Area of Financial Management and Reporting at AMRO/PAHO	2006-2007	10-Sep-07	12-Nov-07	WHO IOS		PAHO responded to the Draft Audit Report on 5-Dec-07. Awaiting for Final Report	The Area of Financial Management and Reporting must update its written operating procedures for financial transactions and improve the management of access rights to the accounting system and monitoring of letters of agreement and electronic transfers of funds. A more effective electronic mechanism for the review of temporary delegations of authority must be established by the Organization.
INTEGRATED AUDITS							
Office of the PAHO/WHO Representative, Mexico	2006-2007	27-Aug-07	4-Oct-07	WHO IOS		Response to Final Audit Report in process	The integrated audit recommended that (1) the Country Cooperation Strategy (CCS) be aligned with the National Health Plan 2007-2012; (2) the PWR strengthen compliance with AMRO/PAHO procedures, as well as with partner agreements; (3) the 2008-2009 Biennial Plan Budget (BPB) consider supporting essential drugs and implementation of International Health Regulations; (4) the PWR explore ways to increase the returns of the Regular Budget (RB) investments in the El Paso office through a concrete plan of activities in 2008-2009; (5) the PWR expand technical capacity in accordance with the needs of HIV/AIDS program; (6) the publication of technical material by professional staff be fostered; (7) the management of access rights to the accounting system be improved and issues concerning segregation of duties be addressed; (8) issues related to the areas of human resource management and development be addressed, including revisiting the recommendations from the Country Office report on administrative support; and (9) the PWR strengthen internal financial controls, including banking and exchange transactions.

Report Title	Biennium	Audit Visit Date	Report Date	Auditor	Closure Date	Comments	Major Recommendations
PERFORMANCE AUDITS							
HIV/Aids Unit in AMRO/PAHO	2004-2005	7-Mar-05	14-Jun-05	WHO IOS	22-Sep-06	Closed	The audit recommended a review of HIV/AIDS unit staffing needs, including the mix of expertise and administrative support; establishing and improving surveillance system; monitoring of financial and technical components of the HIV/AIDS program at regional level; operationalizing the Regional Revolving Fund for Strategic Public Health Supplies (SF) to achieve the objective of improving technical inputs into HIV/AIDS drug and diagnostics procurement and logistics; reaching out to partners in terms of leadership, technical support and resource mobilization to increase funds for technical support and prevention activities.
Communicable Diseases Unit at AMRO/PAHO	2006-2007		16-Jul-07	WHO IOS		Response due on 16 Jan 08. On 12 Nov 07 a report on progress by HDM/CD was sent to WHO IOS	The performance audit recommended a formal staffing plan be prepared for the three Communicable Disease Surveillance and Response (CSR) teams; a plan for a smooth transition is started before retirement and transfers of some key CSR team staff of the Health Surveillance and Disease Management (HDM) area, Communicable Disease Unit (CD); strengthen and increase joint planning with WHO collaborating centers; coordination of the units involved in preparing the AMRO/PAHO business continuity plan be expedited; implementation of antimicrobial resistance (AMR) activities be carefully monitored to ensure they meet obligations under funding agreements; overall real-time monitoring by project be improved; and a CSR resource mobilization strategy be developed that includes resources needs, AMRO/PAHO comparative advantages, donor mapping and they accountabilities.
EVALUATIONS							
Office of the PAHO/WHO Representative, Guyana	2004-2005		7-Mar-06	WHO IOS		It remains open, the PWR responded to the final report on 13-Oct-06	The evaluation recommended that the PWR address the sustainability of WHO/PAHO operations, the alignment of the BPB to the strategic directions identified in the CCS, support the development of a Health Human Resources Policy Plan, strengthen its brokerage capacity in supporting the government in attracting more equitable funding distribution, and strengthen the capacity of the Ministry of Health (MOH) and other national institutions to harmonize and integrate the existing health information systems.