Report of the Office of Internal Oversight Services

INTRODUCTION

1. Initial audit, investigation, and evaluation results for the year 2004 and the general plan of work of the Office of Internal Oversight Services for the year 2005 are set out below for the information of the Programme, Budget and Administration Committee of the Executive Board.

2. The Office provides independent, objective assurance and advisory services designed to add value to and improve the Organization’s operations. It helps the Organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of processes for risk management, control, and governance. It conducts investigations of alleged irregular activity and it coordinates the framework on programme evaluation.

3. Under a special agreement, signed in January 2004, the Office operates a joint internal audit activity based in Washington, DC, to provide oversight services for the Pan American Health Organization.

PART I. INITIAL AUDIT AND EVALUATION RESULTS, 2004

4. The significant audit, investigation, and evaluation issues identified by the Office during the first nine months of 2004 are shown below under the major groupings outlined in the 2004 plan of work of the Internal Auditor.¹

Headquarters audits

5. Concessions at headquarters. The audit disclosed that controls related to, and compliance with contractual provisions over, concession revenue at headquarters should be strengthened significantly. Concessionaires did not always comply with contract provisions and the absence of effective follow-up by WHO contributed to uncollected revenues valued at US$ 160 000. The audit further identified a transaction dating to 2000 involving a series of structural modifications to the cafeteria, financed by way of an interest-bearing loan of CHF 1 200 000 (US$ 937 500) to the Organization, that had not been recorded in the accounts, nor had the contract been approved by the Contract Review Committee. The concerned departments have clarified responsibilities and have strengthened compliance with

¹ Document EBAC9/3.
controls. In future, financial management of infrastructure contracts will fall under the responsibility of the Office of the Comptroller.

6. **Department of Essential Drugs and Medicines Policy.** A performance audit disclosed that the results of the work of the Department have moved drug selection onto a basis which is more rational, efficient, and evidence-based. Nevertheless, further work is required to address the delayed progress of the prequalification process for critical drugs, intradepartmental communications, and the need to focus on a feasible number of strategic, priority countries.

**Audits of regional and country offices**

7. **Procurement funds and linkages to technical cooperation in the Regional Office for 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 availability of new, more expensive vaccines that might require an increase in the level of the Fund.

8. 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 biennium 2002-2003 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 improve links between the Fund and technical inputs.

9. **International Agency for Research on Cancer.** A financial audit conducted just after the recent change of the Agency’s Director disclosed weaknesses in the control environment, resource mobilization activities, and expenditure controls. Shortly before its change of administration, IARC awarded a contract, valued at US$ 72 000, to the University of Zurich for ensuring that a series of scientific books were edited; it included expenses incidental to this work. The contract expressly required that the editing work would be undertaken by the then Director of IARC and would be completed after he had separated from the Organization. Pursuant to the contract with the university, IARC then awarded a contract for US$ 60 000 for the actual editing work, to this same individual, who at that point was no longer the Director of IARC. Progress payments have been made on both contracts. When the initial contract was awarded, the required controls were not implemented; moreover control environment was already weakened since comprehensive delegations of authority and other administrative procedures were lacking. The audit further revealed a pattern of disregard for regulation with respect to donor agreements, some of which allowed improper access by donors to the Agency’s books of account. The present senior management at IARC have indicated a commitment to strengthening the control environment and tackling specific control weaknesses.

10. **Public Health and Rehabilitation Project for Eritrea.** A performance audit found that although the project is moving towards achieving its objectives, it is behind schedule. Nevertheless, the Government of Eritrea and the project’s donor, Italy, both expressed satisfaction with the work, which involves facility construction, provision of equipment and supplies, and a technical component.
The audit highlighted the need to augment the technical component and sustainability aspects, to strengthen project monitoring and reporting, and to increase technical support from headquarters.

11. **Office of the PAHO/WHO Representative, Port-au-Prince, Haiti.** The objective of the audit was to assess key financial and administrative controls in both the office of the PAHO/WHO Representative and the project *Programme des Médicaments Essentiels*. The audit identified weaknesses, in both locations, which pose an unacceptably high degree of risk to these entities. There was a notable lack of control over cash movements and fund balances for local currency bank accounts. Further, compliance was weak with respect to procedural controls over contracting activities. Lastly, 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.

12. **Office of the WHO Representative, Addis Ababa, Ethiopia.** The purpose of the audit was to appraise the managerial processes employed by the office of the WHO Representative under the principle of results-based management, to demonstrate relevance of country cooperation, efficiency in implementation, effectiveness of results, and adequacy of the country presence. The audit determined that WHO has played a leadership role in many donor and technical groups and that the Country Cooperation Strategy correlates well with the national health plan. However, the audit recommended direct involvement of WHO with subnational health units through better access, augmentation of resource mobilization at country level, increased financial and technical monitoring of the work plan, and acceleration of support for the “3 by 5” initiative.

**Investigation**

13. The volume of investigative activity in the first nine months of 2004 decreased in comparison with the same period in the previous year. Certain follow-up work continues on cases from 2003; however, only two new cases arose up to September 2004.

14. **A WHO Representative’s Office.** A WHO Representative allegedly (a) made threatening comments to other staff; (b) regularly used an official vehicle for private purposes; (c) purchased airline tickets at a class of travel above the entitlement; and (d) failed to reimburse the Organization for private telephone calls. The Regional Director accepted the Representative’s resignation while the disciplinary review is under way. Any indebtedness to WHO will be recovered as part of the staff member’s separation.

15. **A WHO Centre.** An administrative staff member allegedly misappropriated funds through a variety of means, including diverting funds destined to reimburse travel costs or to pay unused leave. The staff member allegedly gained more than US$ 31 000. A disciplinary review is under way and the matter has been referred to the judicial system of the host country.

**Evaluation**

16. **Evaluation of the WHO fellowship programme.** An Organization-wide, thematic evaluation of the WHO fellowship programme was completed during 2004. The purpose of the evaluation was to assess the contribution of fellowships towards developing sustainable national capabilities in the area of health and human resources. The exercise was expected to provide insight into the effectiveness and outcomes of the fellowship programme.
17. The evaluation incorporated a review of the practices of the six regional offices, visits to eight countries and a review of existing documents and statistics. The team included two external consultants familiar with the fellowship programme in order to help ensure an independent analysis.

18. The evaluation has shown that despite the policy stated in the WHO Manual, decentralization of the fellowship programme and withdrawal of headquarters to a coordination role have led to different practices and development of inconsistent data within the Organization.

19. Results-based management is leading to an improved integration of fellowships – as one training mechanism among others – into the work of the technical programmes. However, transparency and objectivity of the selection of candidates remain questionable. Further, despite commendable initiatives and efforts, evaluation of the results of individual fellowships remains a weakness. This has a negative impact on the possibility to learn from previous experience and to assess the value added that a fellowship may provide.

20. Fellowship training enhances the personal and professional capacity of the individual and offers the potential to contribute to health services. Though a key to achieving system-wide benefits, WHO and countries pay insufficient attention to the use of fellows on their return.

21. The evaluation concluded that, while addressing the specific shortcomings described in the evaluation report, WHO should, more importantly, undertake a systematic and diligent review in order to place fellowships into an overall health and human resources perspective as opposed to a stand-alone programme.

22. **Pilot country evaluations.** Evaluations of programme implementation at country level were carried out in Mongolia, Myanmar, and Uganda. The purpose of the exercise was to: (a) assess the development of country-specific cooperation strategies and the impact of this process on the relevance of the support received by the country from the different levels of the Organization; (b) review implementation of WHO’s corporate strategy and its adjustment to local conditions; (c) assess the overall performance of support WHO provided to the national health policy; (d) identify Organization-wide lessons on WHO’s effectiveness and factors influencing performance at country level. Evaluations also included a review of the efficiency of the Organization’s processes and systems, and an assessment of the adequacy of the resources available in the country office for efficient programme delivery.

23. The teams included an external evaluator in order to provide an independent analysis of the findings. In each country, the evaluation teams examined the relevance, adequacy, effectiveness, efficiency, and sustainability of strategies, programmes and activities implemented and/or funded by WHO. The overall presence of WHO and the quality of the Country Cooperation Strategy were discussed with the ministries of health, and with WHO partners in the United Nations system and among nongovernmental organizations. Direct observation and visits to health facilities also contributed to the outcome assessment.

24. The evaluation has shown that the Country Cooperation Strategy is a key instrument for policy dialogue with governments. It is used by international partners as a blueprint for action in the health sector. It has triggered a reorientation of the content of WHO’s programme, consistent with national priorities and with WHO’s corporate strategy. It has induced a greater coherence between the three levels of the Organization in support of country needs.
25. Lessons from the pilot evaluation exercise have not yet been completely drawn. Significant progress in the management of the country offices has to be sustained. Efforts must be renewed to ensure that WHO is strategic, more focused, and more coherent, and to implement the concept that the ministry of health is the principal, but not the only, partner in the country. More attention should be devoted to the monitoring of programme implementation, not exclusively in terms of process, but also of assessment of outcomes.

26. **Headquarters and regional evaluations.** Current guidelines require a thematic or programmatic evaluation to be performed in each region and at headquarters for the biennium. Currently, four regional offices have identified topics and are in the process of planning or conducting such evaluations. Funding for this work is normally provided by headquarters. However, a current lack of resources is a severe constraint and it has consequently hampered efforts to complete this work. The search for resources is under way in order to successfully complete all regional evaluations.

**PART II. GENERAL PLAN OF WORK, 2005**

27. The universe of the work of the Office comprises discrete units and includes the headquarters programmes, services and functions; the regional offices; offices of WHO Representatives and liaison offices; the secretariats of UNAIDS, the International Computing Centre, and the Global Fund to Fight AIDS, Tuberculosis and Malaria; the African Programme on Onchocerciasis Control; and IARC.

28. Using this structure as a guide, risk is assessed annually in order to ensure that the priorities of the Office are consistent with the Organization’s risks. The fraud risk profile is reviewed at the same time. The guidelines on evaluation specify target numbers and types of evaluations which are also performed during the biennium. The results of these assessments, which also include the input of senior management, are then used to determine a specific allocation of available resources. The final detailed plan of work is submitted to the Director-General.

29. The plan of work for 2005 is based on assumed full staffing of the Office during the year. The staffing complement now includes 10 professional auditor/evaluator posts, which is considered adequate for the Organization’s needs.

30. The annual risk assessment has historically indicated that the Office’s work should be split more or less equally between headquarters, regional offices, and country offices. A degree of flexibility is necessary, and regularly scheduled work may be interrupted or deferred in response to developing situations. The following summary plan is presented under the major functional or organizational headings of the audit universe.

31. **Headquarters programmes, services and functions.** Increasing emphasis will be laid on performance audit of technical programmes. In general, the substance of the work focuses on progress toward achievement of the expected results. Work will also be carried out on financial and administrative functions, which is more narrowly focused and seeks to evaluate compliance with established controls. Lastly, risk relating to new or modified information systems will be addressed in addition to the work planned on existing systems.

32. **Regional offices.** In general, the scope of regional office audits is determined by the level of risk existing in the planning, implementation, administrative and accounting functions, and the offices’ role as accountability centres for country offices. The work will seek to provide assurance that risks involved in achieving the stated objectives have been recognized and mitigated. Further, the operations
of each regional office will be reviewed in the context of evaluating the internal control structure for the programme of work.

33. **Offices of WHO Representatives.** The Office continues to review country offices in the context of their significance in the collaboration between WHO and Member States. The scope of the audits will focus on the relevancy, efficiency, effectiveness and adequacy of the WHO country presence. Work entails a review of all aspects of the offices’ activities and includes issues related to the managerial process and planning, programme delivery, and review and monitoring.

34. **Secretariats of UNAIDS, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the International Computing Centre; the African Programme on Onchocerciasis Control; and IARC.** All of these bodies operate administratively within the WHO control structure and are audited by the Office on a reimbursable basis. Audit work will be coordinated with, and the results reported to, their respective heads.

35. **Investigation.** Resources are reserved for investigation of irregular activity which is largely addressed on an ad hoc basis as specific situations develop. Proactive investigative work may be conducted where assessment discloses high-risk situations. If necessary, regularly scheduled audit work is interrupted or deferred to provide necessary resources for response to investigative needs.

36. **Global programmatic evaluation.** Under the evaluation guidelines, two global evaluations, one programmatic and the other thematic, are planned for the biennium. The Office is in the process of identifying an area for the global programmatic evaluation to be conducted during 2005.

**EXTERNAL AUDITOR**

37. The Office has established and will maintain close contact with the External Auditor. Periodic meetings are planned to coordinate audit work and to avoid duplication of efforts.

**ACTION BY THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE**

38. The Committee is invited to note the above report.