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## **Report of the Office of Internal Oversight Services**

1. As is customary at the start of each year, the general plan of work of the Office of Internal Oversight Services for the coming year is outlined for the information of the Programme, Budget and Administration Committee of the Executive Board.
2. The mission of the Office is to provide 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.

### **ORGANIZATION AND SCOPE**

3. The Office is based at headquarters but is responsible for oversight of all levels and offices of the Organization.
4. Work is conducted in accordance with the International Professional Practices Framework promulgated by the Institute of Internal Auditors. The standards provided by the Institute have been adopted for use throughout the United Nations system and provide independent, authoritative guidance designed to ensure an effective oversight function.
5. Reporting directly to the Director-General, the Office conducts internal audits, investigates alleged cases of wrongdoing and harassment, and coordinates the Organization-wide evaluation function in accordance with WHO's evaluation policy.<sup>1</sup> The Office has full and prompt access to all records and personnel of the Organization, and can review all systems, processes, operations and activities within the Organization.

### **BUDGET AND STAFFING**

6. At the end of 2013, there were 20 posts<sup>2</sup> (17 professional and three general services) within the Office, an increase of three posts from the same point in 2012. The skills mix of its staff (including in the fields of medicine, public health, audit, accounting, finance, information technology, evaluation, law, investigation and business administration) enables the Office to perform both programmatic and operational reviews. Work is performed by teams that have a profile of skills relevant to each project review. The new staff posts, which are in the process of recruitment, include an additional auditor and

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<sup>1</sup> Approved by the Executive Board in decision EB131(1).

<sup>2</sup> At the time of drafting the report, five posts were in various stages of the recruitment process.

two other technical posts in order to respond to the growing workload in the area of performance reviews and evaluations as well as an additional administrative position to support the increased size of the team.

7. The Office has continued to implement operational improvements in order to increase the coverage and efficiency of internal oversight within existing resources. These improvements have included the continued refinement of the Office's risk assessment model in order to improve allocation of resources to the highest risk areas; the redesign of the approaches to desk and operational audits; the adoption of short-form reports for operational compliance audits; and the implementation of an electronic work-paper management system.

8. The Office is continuing, albeit more slowly than expected, with the implementation of the second phase of the plan approved by the Director-General to strengthen the Office of Internal Oversight Services considerably in the current biennium. This action responds to the concerns raised by Member States, the External Auditor and the Independent Expert Oversight Advisory Committee regarding, inter alia, the audit coverage of country offices. For 2014, the human resource plan calls for a further augmentation of the technical programmatic capacity of the Office, through the addition of a further two professional staff to support the increased workload associated with the implementation of WHO's evaluation policy.

9. The strengthening of human resources in 2012–2013 enabled the Office to increase the volume of coverage of WHO's country offices and allow it to provide senior management with significant evidence of recurring control weaknesses and systemic issues that need to be resolved by global solutions. This heightened attention to the internal control environment has led to the strengthening of the internal control framework and will enhance overall accountability.

10. The budget to implement the Office's work plan for the biennium 2014–2015 amounts to US\$ 12.7 million. This figure takes into account the new positions filled in 2013 and planned for 2014 and the increases in actual staff and costs. In addition, the Office recovers costs from UNAIDS<sup>1</sup> and other WHO entities for which the Office undertakes audit tasks (e.g. the International Computing Centre and UNITAID).

## **AUDIT AND EVALUATION**

11. The principle of results-based management guides the managerial process at WHO. The Programme budget 2014–2015 and the WHO reform process provide the agenda and strategic direction according to which WHO operates and is held accountable for achieving results in the medium term. The Office will continue to evaluate and improve processes for risk management, control and governance through conduct of audits and evaluations in the context of a results-based management framework. The plan of work remains risk-based; however, significant initiatives such as the implementation of the internal control framework, the rollout of enterprise risk management and the impact of the WHO managerial reform will also be a guiding focus for 2014.

12. The Secretariat has a decentralized structure. The Office takes the geographical spread of the responsibility and accountability centres into account when planning and prioritizing its work. Similarly, the Office also considers the relative priorities of its three areas of work (audit, investigation

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<sup>1</sup> One P5 professional position is currently financed by UNAIDS.

and evaluation) in its planning process. This approach results in the allocation of resources being divided broadly into programme performance, operational support, and a particular focus on initiatives to foster the culture of evaluation. Reserves are built into the work plan so as to give the necessary flexibility for response to unexpected events that could interrupt or delay the schedule.

13. In order to ensure that its available resources are focused on the areas of highest risk, the Office uses a risk assessment model. This model supports professional judgments made in the prioritization of the annual plan of work. The model has three basic components: the audit universe drawn from the Global Management System database and the general management risk register; a set of weighted risk parameters that are applied consistently to obtain a relative risk ranking; and a further screening against specific risk factors.<sup>1</sup> The Office is also mapping the coverage of the proposed plan of work for 2014 to the “top level Organization-wide” risks outlined in the Annex to document EB133/10 and the lower level risk registers as they are developed. Execution of the work plan and the related findings should therefore provide feedback on the assurance, attributable to the related internal audit activities, that the top level risks are being effectively mitigated.

14. **Programme performance.** During 2014, although the Office will continue to ensure coverage of the risks at country offices, it is planned to sharpen the focus on the performance audits of selected priority programmes at headquarters and at the regional offices. In the case of larger programmes, audits will combine a review of programmatic performance with a review of managerial and operational support. This integrated approach, which has been well proven at the country-office level, enables the Office to identify both programmatic and operational risks, as well as any other issues that may impede delivery of programme-specific expected results. The Office uses the work plan of the programme or country office as a starting point for reviewing programme performance. Once performance issues have been identified, the Office assesses what should be put in place to mitigate the related risks.

15. **Operational support.** Various administrative, financial, logistical and information systems operate within the Organization to support programme delivery. Such systems and cross-cutting functions need to operate within an internal control structure comprising rules, regulations, policies and procedures. At the same time, the components of the structure need to operate efficiently, effectively and economically in order to facilitate the Organization’s primary task of achieving expected results. The Office will continue to work with the Secretariat to support the assessment of compliance with the internal control framework and the roll-out of enterprise risk management, as appropriate.

16. In establishing priorities for 2014, the Office will continue the use of innovative ways of working in order to provide coverage of WHO country office operations and cross-cutting functions using operational desk reviews, conducted from headquarters using Global Management System tools and data. The risk control models for the Global Management System developed by the Office to identify the highest risk areas will be linked to the new internal control and accountability frameworks under development; use of data mining and analysis will be increased; and more emphasis is being placed on compliance and controls in cross-cutting functions.

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<sup>1</sup> The risk assessment model is described in more detail in document EBPBAC13/4; the Annex to the present document provides a list of the risk assessment model parameters.

17. **Enterprise resource planning.** In 2014, the Office will continue to seek assurance that significant risks relating to the Global Management System have been identified and that they are mitigated by proper control procedures, as part of the overall control environment.

18. **Evaluation.** Further to the approval of the evaluation policy in May 2012, the Office has been developing new guidelines in order to further clarify roles, responsibilities and use of evaluation products within an Organization-wide evaluation policy framework. The topics for evaluations to be conducted by the Office in 2014 will be selected according to quantitative and qualitative criteria. The Office will take into consideration the current plans for the commissioning of decentralized evaluations<sup>1</sup> and Member States' guidance on this matter as part of the overall WHO reform process.

## INVESTIGATIONS

19. The Office carries out investigations of suspected wrongdoings and other irregular activities, as and when they occur. This activity sometimes requires scheduled audit work to be interrupted or deferred. The staffing of the investigation function has been strengthened but, as reported in previous years, investigations of allegations of harassment have placed additional demands on the financial and human resources of the Office.

20. As required, following an internal screening process investigations are carried out, sometimes with the assistance of external expertise, and the results are reported to the Director-General or, as appropriate relevant, to the relevant Regional Director for decision on the course of action to be taken.

## IMPLEMENTATION

21. The Office monitors the implementation of all its recommendations in order to ensure either that action has been taken effectively by management or that senior management has accepted the risk of not taking action. Its tracking database provides periodic reporting to senior management of all open recommendations, which facilitates a closer monitoring of each individual audit recommendation and its effective implementation. In response to specific comments from Member States, the Office will continue to strive to reduce the time taken to close "high priority" recommendations, and implement an "action-plan" oriented reporting of individual recommendations as part of a more precise follow-up on open recommendations from 2014.

## COORDINATION

22. The Office will continue to maintain a close working relationship with the External Auditor, especially to facilitate the audit plans for 2014. Periodic meetings are planned to coordinate audit work and avoid duplication of efforts. The Office will also continue to maintain close contact with the Auditor General of the Internal Oversight and Evaluation Services of the Pan American Sanitary Bureau, as relevant, as the Office relies on the work performed by that Bureau for coverage of the risks in the Region of the Americas. The Office also interacts with other United Nations agencies and other bodies in the United Nations system and international organizations through the meetings of

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<sup>1</sup> See document EB134/38 for details of planned evaluations proposed for consideration of Member States, in accordance with the WHO evaluation policy.

Representatives of Internal Audit Services, the United Nations Evaluation Group, and the Conference of International Investigators.

23. The Office will continue offering its full cooperation to the Independent Expert Oversight Advisory Committee, providing details of the Office's annual work plan and copies of requested audit and evaluation reports. The Committee advises the Programme, Budget and Administration Committee of the Executive Board and, upon request, the Director-General, on oversight matters. The Independent Expert Oversight Advisory Committee has full access to WHO files and records.

### **CONTINUOUS OPERATIONAL IMPROVEMENT**

24. The Office will continue with its efforts to improve its operational performance through internal projects focusing on staff development, and related policies and guidelines, as well as improved methodologies and procedures. Audit work is coordinated periodically through internal planning meetings, and improvement projects take place on an ongoing basis to optimize efforts and use of resources.

25. The continued planned strengthening of Internal Oversight Services during 2014 reflects the objectives of the WHO reform process, and should provide a sound basis for the longer-term objective of providing increased overall assurance on the adequacy of the risk and control environment at the country level.

26. The Office has implemented a commercially available audit software programme, which is also used by many United Nations and private sector internal audit functions, in order to enhance the management, planning and execution of the individual missions performed. This environment should serve to enhance the quality of the audit, investigation and evaluation documentation as well as the effectiveness of the recording of the work performed.

27. To assess its general compliance with the International Professional Practices promulgated by the Institute of Internal Auditors, the Office conducted a self-assessment-based quality assurance review in September–October 2013, which will be followed by an external validation in late 2013, as the Institute's standards require.

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

28. The Programme, Budget and Administration Committee is invited to note this report.

## ANNEX

### **RISK ASSESSMENT MODEL: PARAMETERS**

The following oversight-related risk factors have been selected and weighted by the Office of Internal Oversight Services as being the most relevant parameters for the assessment of the impact of an individual auditable entity (budget centre level) on the risk to the Organization in the achievement of its objectives:

#### **Headquarters and regional office budget centres**

- Award budget for 2012–2013<sup>1</sup>
- Award budget implementation rates for 2012–2013 (to date)
- Previous reviews by internal and external audit
- Support for health-related Millennium Development Goals
- Number of staff in relation to the programme budget
- Number of workplan top tasks in relation to the programme budget, as available
- Variation in award budget over past two bienniums
- Corruption Perceptions Index 2012 (*Transparency International*)
- Fragile states (*Harmonized List of Fragile situations – World Bank*)
- Previous audit findings and conclusions on residual risk
- Previous oversight reports (investigations)
- Management feedback/specific area of concern.

#### **Additional parameters applied to country offices include:**

- Length of time in position of key staff (Heads of WHO country offices)
- Number of sub-offices
- Participation in multi-donor trust funds and/or sub-recipient of the Global Fund to Fight AIDS, Tuberculosis and Malaria.

#### **Parameters applied to “cross-cutting” functional areas:**

- Corporate Risk Register – Risk Assessment – Impact
- Corporate Risk Register – Risk Assessment – Probability
- Previous audit findings and conclusions on residual risk
- Special audit risk (investigations)
- Expenditure/level of investment
- Level of automation (subjective)
- Inherent risk (subjective)
- Special audit risk (investigations)
- Management feedback/specific area of concern.

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<sup>1</sup> Planned budget is not yet available from the Global Management System for the 2014–2015 biennium.