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

### **INTRODUCTION**

1. Information on the Office of Internal Oversight Services and the general plan of work of the Office for the year 2007 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.
3. Reporting directly to the Director-General, the Office conducts internal audits, investigates alleged wrongdoing, and implements the policy on programme evaluation. In order to accomplish its work, the Office is authorized unfettered access to all records and personnel and has been empowered to review all systems, processes, operations and activities within the Organization.

### **THE OFFICE**

4. The Office conducts its work in accordance with the Professional Practices Framework promulgated by the Institute of Internal Auditors. These standards have been adopted for use throughout the United Nations system and provide independent, authoritative guidance designed to ensure an effective oversight function.
5. Under a special agreement established in January 2004, the Office provided oversight services for the Pan American Health Organization and managed a joint internal audit activity based in Washington, DC. In August 2006, the Regional Director changed the agreement, stating her intention to create a separate oversight function for PAHO. Irrespective of any PAHO oversight function, in future the Office will assure oversight of the WHO Regional Office for the Americas in the same manner as for the other five regional offices.
6. The Office completed a strategic direction and competency review in late 2005. It highlighted that the strategic direction of the Office was directly linked to that of the Organization and confirmed that the core functions and competencies of the staff were correctly aligned with the needs of the Office.
7. Events during 2006, however, created the need to review the structure of the Office. Implementation of the global management system will require significant audit review and its use will

substantially change the manner in which the Office conducts its work. Its investigation function has expanded in terms of both volume of work and technical complexity. The work of the Office in the area of programme performance has identified the need to add a financial and administrative component to audits of discrete units in order to provide a more holistic approach. All these factors confirmed that the structure of the Office required revision.

8. Accordingly, in October 2006, the structure of the Office was realigned so as to match current needs. In order to provide the needed flexibility, all audit and evaluation posts now report to a single manager, who will use these multidisciplinary resources to create ad hoc teams responsive to specific work projects. At the same time, a senior staff member has been designated to lead the work of the Office in the areas of systems and technology. Lastly, the Office continues its search for an individual with a legal background to manage the investigation function. The new structure is more horizontal and reduces administration.

## **OVERSIGHT OF WHO-RELATED OFFICES**

9. Several WHO-related bodies exist which are obligated to operate administratively within WHO's control structure and are subject to audit by the Office. These bodies include the secretariats of UNAIDS, the Global Fund to fight AIDS, Tuberculosis and Malaria, the International Computing Centre, the International Drug Purchase Facility (UNITAID), the African Programme on Onchocerciasis Control, and IARC.

10. The Memoranda of Understanding governing the relationship between WHO and these bodies normally provide for audit by the Office on a reimbursable basis. Audit work of a global nature may include the transactions of these entities (e.g. treasury, personnel) and is provided free of charge. However, audits specific to the entities are either performed by the Office and billed on a time-rate basis or outsourced and paid for by the recipient of the work. Reimbursements received by WHO for work performed by the Office do not accrue to the Office.

11. The number and complexity of these bodies has grown in recent years and the Office may not be able to meet the minimum needs for internal oversight coverage in future. Although WHO is compensated financially for work performed by the Office, the time spent on audit work for WHO-related entities reduces the human resources available for work within WHO. Outsourced work preserves the audit time available for WHO but the financing and timing must normally be agreed with the recipient for services that might impair the independence of the audit process. Ad hoc replacement of audit time devoted to WHO-related entities using short-term staff is not feasible.

12. The Office plans its work on the basis of risk. However, it may not always be possible to address adequately the risks of the WHO-related entities because of competing needs for available resources. The work devoted to those entities may, in some instances, be insufficient compared with the risk-based needs of the entity. Although the entities themselves face various operational risks, WHO is also inherently at risk because of its association with, and administrative responsibility connected to, the related entities.

13. The Office will continue to liaise with these entities in an attempt to provide risk-based audit coverage for them, with neither loss of independence nor reduction in audit resources available for WHO. However, until a solution is found, the Office will favour work responsive to risks related to WHO in the event of conflicting priorities or lack of resources. The Office will notify the executive heads of related bodies in cases of unavoidable gaps in audit coverage.

## NORMATIVE WORK

14. In addition to the conduct of core oversight work, the Office contributes to normative work, often in collaboration with other groups in the Secretariat. The Office issued guidelines to explain the evaluation function throughout the Organization and provide guidance on different aspects of its execution.<sup>1</sup> Similarly, the investigation process was described in a document which was communicated to all staff.<sup>2</sup> The Office actively participated with others in the Secretariat in a project to strengthen institutional integrity and for its part, created an investigation procedures manual and collaborated in the formulation of a policy to protect “whistleblowers”.<sup>3</sup> Lastly, the Office commissioned a consulting firm to examine WHO’s enterprise risk-management needs and provide detailed information on the methods that could be used to establish this function in the Secretariat.

## GENERAL PLAN OF WORK, 2007

15. The universe of the work of the Office comprises discrete units and includes the headquarters programmes, services and functions; the regional offices; the WHO Representative offices and liaison offices; and certain WHO-related bodies and entities.

16. Using this structure as a guide, a risk assessment is conducted annually to ensure that the priorities of the Office are consistent with the Organization’s risks. At the same time, the fraud risk profile is reviewed. The guidelines on evaluation specify the types of evaluations that are 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 presented to the Director-General.

17. The plan of work for 2007 is based on assumed full staffing for the year. The Office successfully completed several recruitments during 2006 which will provide additional human resources for the 2007 plan of work.

18. The risk profile of the Organization 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.

19. **Headquarters programmes, services and functions.** Emphasis will continue to be placed on performance audit of technical programmes. In general, the substance of the work focuses on progress towards 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 risk management and controls.

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<sup>1</sup> Document WHO/IOS//06.2.

<sup>2</sup> The investigation process. Director-General’s Office, July 2006.

<sup>3</sup> Guidelines: Conducting investigations and preparing investigation reports. Office of Internal Oversight Services, October 2006.

20. **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 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.

21. **Offices of WHO Representatives.** The Office continues to review country offices in the context of their significance in the collaboration between the Secretariat and Member States. The scope of these audits will focus on the relevancy, efficiency, effectiveness and adequacy of WHO's managerial process in the country. The work in this area entails a review of all aspects of the offices' activities, and includes issues related to the management functions of planning, programme delivery, and review and monitoring. In keeping with the holistic approach to the audit of discrete units, reviews of country offices will also include a financial and administrative component.

22. **Global Management System and information technology.** In 2007 the Office will start to increase substantively both its coverage of issues related to computer systems and information technology and its own use of information technology to improve the efficiency and effectiveness of its audit work. The Global Management System will receive particular attention, given its significant impact on many WHO processes.

23. **Investigation.** Resources will be provided 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.

24. **Evaluation.** The Office will formulate a list of topics for evaluation during the year. These topics will be selected using specific quantitative criteria together with judgemental factors. The Office will consult with relevant stakeholders before the final selection of the topic for evaluation. The evaluation work will include programmatic evaluations at global and regional levels, and evaluations of the work of country offices.

## EXTERNAL AUDITOR

25. 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 effort.

## ACTION BY THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE

26. The Committee is invited to note this report.

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