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REPORT OF THE OFFICE OF INTERNAL AUDIT FOR 2020

Introduction

1. The Office of Internal Audit (OIA)—formerly the Office of Internal Oversight and Evaluation Services—provides this annual summary report for calendar year 2020.¹ The report gives an overview of OIA's work in 2020 and presents the office's perspective on internal controls, risk management, and related matters in the Pan American Health Organization (PAHO).
2. The mission of OIA is to assist management in protecting and enhancing the operations of the Pan American Sanitary Bureau (PASB or the Bureau) as it works to achieve the Organization's objectives. OIA provides an independent view on whether risk management processes and related internal controls are designed adequately and functioning effectively. The work of the office covers all operational and institutional functions in PASB, including information technology systems and processes.
3. OIA undertakes internal audit assignments and consulting projects and provides ad hoc advice on emerging risks to the Director of PASB and to management. In addition, OIA participates as an observer in PASB internal committees and working groups. These include: *a)* the Asset Protection and Loss Prevention Committee; *b)* the Enterprise Risk Management and Compliance Standing Committee; *c)* the Integrity and Conflict Management Standing Committee; *d)* the Property Survey Board; and *e)* the Network of Administrators. Through these activities, OIA seeks to provide forward-looking advice to PASB and to encourage knowledge sharing and timely identification of emerging risks.
4. An important change in the scope of the work of the Office of Internal Audit took effect in 2020, with the transfer of the evaluation function to the Department of Planning, Budget and Evaluation (PBE), as noted in paragraph 45 below.

¹ Effective 16 July 2020, the Office of Internal Oversight and Evaluation Services was renamed the Office of Internal Audit (OIA) following the transfer of the evaluation function from OIA to the Department of Planning and Budget, subsequently renamed the Department of Planning, Budget and Evaluation (PBE).

Independence, Resources, and the “Lines” of Assurance

5. To guide the internal audit activity and to assist in maintaining its independent character, OIA follows the International Professional Practices Framework of the Institute of Internal Auditors (IIA). The IIA identifies three “lines” of assurance² with respect to risk management and risk-mitigating internal controls. The first and second lines are the responsibility of management: the first line relates to the operation of day-to-day internal controls, and the second line consists of managerial monitoring and compliance. The third line is the independent assurance provided by internal audit. In other words, the first line refers to managerial functions that own risks; the second to managerial functions that oversee risks; and the third to the independent internal audit office that reviews and advises on risks.

6. The three lines model clearly separates managerial responsibilities from internal auditing. PASB designs, maintains, and monitors systems of risk management and internal control, while OIA provides opinions on the effectiveness and efficiency of these systems. OIA’s internal audit work is therefore purely advisory in nature, and the office necessarily refrains from decision making in order to safeguard its independence from the activities it reviews. Independence is essential for OIA to avoid conflicts of interest with its advisory role. OIA’s internal audits and advisory services do not replace the responsibilities of PASB in the discharge of its operational and management functions.

7. Two important institutional arrangements, OIA’s direct reporting line to the Director of PASB and the sharing of its findings with the Executive Committee, protect OIA from managerial interference in planning, performing, and reporting on its work. To ensure the operational independence of OIA, the Auditor General has responsibility for the office’s human and financial resources, which are administered in accordance with the rules and regulations of PAHO.

8. In the performance of its duties in 2020, OIA did not encounter any interference with its independence or any obstacles affecting the scope of its work and its access to records and information. In addition, OIA’s personnel and other resources were sufficient to implement its 2020 work plan: no aspects of its planned work were curtailed or deferred because of resource constraints. At the end of 2020, the personnel resources of OIA consisted of three professional posts and one general service post. This marked a reduction from the previous year of one professional post (owing to the transfer of the evaluation function to PBE) and one general service post (implemented as part of Organization-wide cost-cutting measures).

9. OIA adapted its working practices in 2020 to respond to the challenges of the COVID-19 pandemic. With the moratorium on travel and the introduction of extensive teleworking, OIA conducted remote desk audits of PAHO/WHO Representative (PWR) Offices and the Pan American Centers. The implementation of the PASB Management

² These lines were originally designated as “lines of defense,” but in July 2020 the IIA dropped reference to “defense” on the grounds that it implied an excessively risk-averse mindset (as opposed to an opportunity-seeking mindset).

Information System (PMIS) has facilitated remote auditing, as the Organization's Workday system permits adequate access to accounting and operational transactions. Similarly, the remote discussions necessary for internal auditing have been facilitated by software for face-to-face video teleconferencing.

Development and Implementation of the Internal Audit Work Plan

10. In consultation with the Director of PASB, the Auditor General establishes a risk-based, annual internal audit work plan. To ensure the periodic audit coverage of all PWR Offices, the planning approach includes cyclical visits to small offices that typically might not be selected solely on the basis of the risk assessment. The work plan is intentionally flexible so that it can respond to emerging risks. The Director of PASB approves the initial internal audit work plan and all amendments to it.

11. OIA establishes precise objectives for individual internal audit assignments through an assessment of the relevant risks. For each assignment, OIA prepares a report that is addressed to the Director of PASB and copied to appropriate personnel. The reports contain findings on risk and internal control issues, along with PASB's action plans to address the findings.

12. In 2020, OIA carried out eight assignments, including one consulting assignment, that covered diverse operations and activities. Four assignments had a thematic focus, and four were focused on country-level operations. The Annex to this report lists the assignments undertaken in 2020, with their ratings. For the third consecutive year, no individual internal audit was rated "unsatisfactory." For PWR Office audits, 2020 was the fourth consecutive year without an unsatisfactory rating. The main findings from the individual assignments are discussed in paragraphs 17 to 38 below.

OIA Coordination with Other Sources of Assurance

13. OIA has continued to cooperate with other sources of assurance. In 2020, OIA coordinated its planning activities with the PAHO external auditor (the National Audit Office of the United Kingdom of Great Britain and Northern Ireland). This coordination maximized the efficiency and effectiveness of audit in PASB by helping to avoid duplications and gaps in audit coverage, thereby contributing to protection of the Single Audit Principle of the United Nations system. OIA also provided copies of all its internal audit reports to the Geneva-based Office of Internal Oversight Services (OIOS) of the World Health Organization (WHO). In 2020, WHO/OIOS continued to rely on the work of OIA and did not perform internal audit assignments in the Region of the Americas.

14. OIA also cooperates with PASB's second line of assurance against risk (see paragraphs 5 and 6 above) by reviewing internal control monitoring dashboards and by following up on findings of the PASB Enterprise Risk Management process. Each internal audit finding and related management action plan is linked to the Enterprise Risk Management register. This facilitates the matching of risks with the achievement of PAHO objectives and related risk-mitigating internal controls.

15. OIA continued in 2020 to receive advice from the PAHO Audit Committee. It also participated in the network of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions in order to assimilate best practices from other international organizations.

Principal Internal Audit Findings in 2020

16. Paragraphs 17 to 38 below summarize the main findings from internal audit assignments undertaken by OIA in 2020. General observations on the internal control environment are provided in paragraphs 46 to 49.

Thematic Assignments

17. OIA rated the overall findings of the “**Internal Audit of Travel Expenditure for External Participants at PASB-Organized Events**” (OIA report 07/20) as partially satisfactory, with some improvement needed. The Annex includes a guide to audit ratings. The assignment was a thematic extension of a 2019 internal audit on duty travel expenditure for PAHO personnel (internal audit report 03/19). It covered the period from January 2016 to December 2020, with transactional testing focused on the years before 2020 given the limited travel during the pandemic conditions of 2020. OIA raised three findings for management’s priority attention.

18. The first finding related to delays in the purchase of flight tickets. OIA had found a similar issue in relation to duty travel flight tickets in the 2019 audit. For travel by external participants, 77% of non-duty travel flight tickets in OIA’s sample test had been purchased within 15 days of the departure date. Although the booking of flights sometimes depends on notifications from counterparts outside PASB and is therefore out of the Bureau’s hands, the pattern of widespread late bookings suggested scope for improving the timeliness of event planning. The main risk arising from the late booking of flights was the extra expenditure incurred.

19. The second finding related to the documentation of per diem travel allowances paid to non-personnel participants. OIA found various documentation formats in use throughout PASB, including easily amended (and therefore potentially unstable) worksheet records. The risks arising from this finding were the unsystematic treatment of per diem disbursements and the possible instability of information. Additional issues related to per diem payments included the payment of per diems to non-travelling participants for some virtual meetings. OIA suggested policy clarifications to avoid instances of unnecessary payments.

20. The third finding related to the recording of participants’ attendance at events. OIA found a rather patchy pattern of attendance documentation, and some events lacked any record of the participants. Rigorous, standardized records of participants at events are essential to ensure that payments related to an event are *bona fide* and accurate.

21. OIA noted that, under the unprecedented circumstances of the COVID-19 pandemic, which curtailed travel significantly from March 2020 onward, PASB was successful in exploiting technology for virtual meetings. As a consequence, expenditure on the travel of external participants fell by 80% between 2019 and 2020. OIA understands that in the future, when more regular travel conditions are expected to resume, PASB plans to continue taking advantage of the logistical and cost benefits of virtual delivery methods for meetings.

22. OIA began the **“Internal Audit of the Use of Consulting Contracts in PASB” (OIA report 01/20)** in the final quarter of 2019, but owing to the required scale of the testing, the office rolled over the assignment to the first quarter of 2020. The scope of the audit covered the period from 2014 to 2019. OIA rated the overall findings as partially satisfactory, with major improvement needed. In December 2019, PASB had 479 consultant contracts, an increase of 81% over the 265 consultant contracts in December 2014. In contrast, the number of fixed-term staff positions remained stable over the same period. These changes reflected a shift in PASB’s human resources structure toward a greater ratio of contingent workers (including consultants) to fixed-term staff members. OIA presented findings on two issues for priority attention by PASB: *a*) non-compliance with the definition of consultants in the E-Manual policy, and *b*) the degree of competition in the award of consultant contracts.

23. The Organization’s policy at the time of the audit defined a consultant as “an individual who is a recognized authority or specialist in a specific field engaged under a temporary contract to work in a technical advisory or consultative capacity. A consultant must have skills or knowledge not normally possessed by the staff of the Organization and performs functions for which there is no continuing need in PAHO” (PAHO/WHO E-Manual, Section III.16.2). OIA found widespread non-adherence to this policy definition, as many consultants were hired to perform functions for which there was an open-ended time frame and/or non-specialized activities such as routine administrative tasks. OIA found that 34% of the consultant contracts in its test sample were issued initially for less than 12 months but were later extended for periods exceeding 12 months. Some consultants provided their services for periods of several years, working standard office hours in dedicated office spaces in a manner similar to the working patterns of staff members. The risk arises that consultants working under such conditions may be perceived as *de facto* staff members, leading to liabilities for the Organization. There were mitigating circumstances, including limitations on the hiring of staff members in 2020, which increased the Organization’s reliance on contingent workers over extended periods of time. OIA advised management either to enforce policy compliance for consultant contracts (which implies an increasing use of alternatives such as the Short-Term Professional contract), or to redefine the purposes of the consulting contract.

24. The competitive selection of consultants is a fundamental internal control that encourages the hiring of the best available talent. However, OIA found weaknesses in the competitive processes. Current policy requires that hiring managers publicly advertise consultancies for two weeks when the expected duration of the contract exceeds 12 months.

For shorter consultancies, the hiring manager is required to identify and compare three possible candidates. In both cases, hiring managers must submit a consultant selection report that documents and justifies the selection of a candidate. In its sample testing, OIA found issues in the evidence of competition for 40% of the consultant contracts it reviewed. The selection process was undocumented for 16% of the contracts; 14% of the contracts were awarded to retired staff members with insufficient evidence of competition (in some cases for multi-year periods through the accumulation of several short-term contracts); and 10% of the contracts were awarded to PAHO interns, without sufficient evidence either of competition or of the candidates possessing the level of experience required by PAHO policy. OIA concluded that the selection process for consultants relied too frequently on undocumented decisions and that there seemed to be a degree of favoritism toward PAHO retirees and interns.

25. OIA rated the findings of the **“Assessment of the Approval Process for Projects Funded by Voluntary Contributions” (OIA report 05/20)** as partially satisfactory, with major improvement needed. The Director of PASB commissioned this assignment in light of the request by Member States presented in PAHO Governance Reform (Document CE166/6) that PASB assess “its current approval and controls, oversight, and risk management systems and processes related to projects funded by voluntary contributions ... including relevant financial, legal, and technical reviews.” OIA’s main findings related to *a)* divergences between policy and practice for the administration of projects; *b)* the often-restricted breadth of the internal pre-approval process; *c)* non-application of the PASB Enterprise Risk Management process to projects; and *d)* absence of a centralized repository and automated monitoring system for project-related information. These matters are discussed in the following paragraphs.

26. Regarding the divergence between policy and practice, OIA found that the Project Management Framework and related Standard Operating Procedures used by PASB were stand-alone documents, not embedded in the Organization’s policy framework and job aids. The two documents required a more formal institutionalization to underpin the administration of projects. Regarding the clearance of projects, the Project Management Framework required an “internal peer review and approval” of projects through an “Organization-wide review process.” In accordance with the Standard Operating Procedures, this review should focus on the four objectives of “policy alignment, technical strategy and project design, managerial soundness, [and] financial self-reliance.” The Organization-wide peer review process was the responsibility of the External Relations, Partnerships and Resource Mobilization Department (ERP), which had discretion in drawing on various sources of in-house expertise. OIA found evidence that the involvement of several Headquarters departments in project clearance processes had been rather limited. OIA therefore advised PASB that the clearance process would be strengthened by ensuring the consultation of specific offices at Headquarters for all proposals over defined financial and risk thresholds, and not simply on a discretionary basis. This would mitigate the risk of gaps in internal information and expertise in the developmental and approval phase of projects.

27. OIA found that the risk assessment of projects in PASB had occurred mainly when external funding partners required it, and that the methodologies deployed by the external partners were not harmonized with those of PASB's Enterprise Risk Management process. For the 15 largest non-emergency projects approved between 2017 and 2020 (totaling US \$119 million), OIA found only one documented example of a comprehensive project risk assessment involving the Enterprise Risk Management function at the developmental stage. The dangers arising from the approach of unsystematic risk assessment are the non-identification of risks and the inappropriate weighting of identified risks. A systematic project risk assessment process would ensure a level playing field and a sound basis for the comparison of potential projects.

28. OIA found that PASB lacked a comprehensive, fully automated system to administer and monitor the implementation of projects, and that project-related information was scattered across PASB information systems and databases. The main sources of information on projects were the Workday system; worksheets held at both Headquarters and at the country level; email and correspondence files; and, for legal agreements, the Office of the Legal Counsel and individual project coordinators. The fragmentation of the storage of project-related information frustrated administrative control because of the time required to obtain an overall picture of individual projects.

29. The **“Review of Administrative Efficiency and Agility in the Key Countries” (OIA report 04/20)** was a consulting assignment requested of OIA by PASB, and not an internal audit. The objective of the review was to assess the efficiency and flexibility of the administrative arrangements of PWR Offices in the key countries. The Organization's policies are applicable throughout PASB and are not customized for any specific offices. This is as it should be, to ensure Organizational consistency and to safeguard the integrity of internal controls on a systematic and comparable basis across PASB. Nonetheless, within the policy framework, PASB has discretion in the delivery of administrative support. OIA's review covered, among other topics, the appropriateness of current delegations of authority, the responsiveness of Headquarters to key country office requests for assistance, and the extent to which offices in the key countries were taking advantage of administrative efficiencies already available in current policies.

30. At the time of the assignment, there were eight key countries: Belize, Bolivia, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, and Suriname. The Strategic Plan of the Pan American Health Organization 2020-2025 states that key countries are prioritized in terms of: *a)* the development of a Country Cooperation Strategy and national health plans and policies; *b)* the allocation of budget space and financial resources to ensure full operational capacity to support these countries; *c)* the delivery of technical cooperation from the regional and subregional levels, including for emergency response; and *d)* actions to ensure that all key country offices are secure and operational at all times.

31. OIA found evidence of the prioritization of administrative actions to assist the PWR Offices in the key countries. For example, the Service Request System (SRS) records requests for administrative support, including information technology helpdesk assistance.

OIA found that in 2019 and 2020, PASB took an average of 63 days to resolve SRS queries from key country offices, compared to 96 days for the remaining country offices. OIA conducted a survey of key country office administrators and representatives, of whom 83% indicated that PASB had prioritized actions to ensure their offices' security and operational continuity.

32. OIA found scope for improving the administrative efficiency of key country operations through the use of shared services. Starting in November 2019, PASB has implemented a pilot project in the Brazil PWR Office to centralize aspects of country-level administrative tasks. At the time of the OIA review, the PWR Offices in Argentina and Suriname had joined the shared services project, with the Chile office lined up as the next participant. The inclusion of more key countries in the project (i.e., in addition to Suriname) should encourage greater efficiency in the PWR Offices of the key countries.

Internal Audits of PAHO/WHO Representative Offices and Pan American Centers

33. In 2020, OIA undertook three audits of PWR Offices, in Haiti, Jamaica, and Nicaragua, and an internal audit of the Latin American Center for Perinatology / Women's Health and Reproductive Health (*Centro Latinoamericano de Perinatología, Salud de la Mujer, y Reproductiva*, CLAP), based in Uruguay. The principal objective of the audits was to review the effectiveness and efficiency of the internal controls used to mitigate administrative and financial risks. OIA rated the findings on the Nicaragua office as satisfactory, on CLAP and the Jamaica office as partially satisfactory with some improvement needed, and on Haiti as partially satisfactory with major improvement needed. Additional information is provided in the Annex to this document. For the fourth consecutive year, OIA did not rate the findings of any PWR Office audit as unsatisfactory. OIA interprets this trend as an indication of steadily improving internal controls across the PWR Offices.

34. Recurring issues at PWR Offices included weaknesses in the timely monitoring of Letters of Agreement, policy non-compliance in the competitive hiring of consultants and other temporary personnel, and gaps in the recording of participants at technical cooperation events. Some of these topics were reflected in the findings of OIA's thematic audits in 2020, as discussed above. In Jamaica, because of the nature of that country's hospitality industry, OIA found a frequent practice of making advance payments to hotels for the full costs of events to support technical cooperation activities. In addition, separately from the matter of advance payments, local hotel invoices often lacked sufficient details of the services rendered (including evidence of the attendance of external participants). The practice of advancing payments and the acceptance of incomplete vendor invoices did not comply with the Organization's Financial Rule XII/112.3, which states that "Payments shall not be made in advance except as where otherwise specified in these Rules. Payments shall only be made on the basis of satisfactory supporting documents."

35. In the internal audit of CLAP, OIA found that the second line of assurance (monitoring by Headquarters) was weak, especially in relation to information systems. OIA also found no evidence of follow-up of a comprehensive evaluation of CLAP undertaken in 2016. The evaluation had recommended a strengthening of the Center's strategy and structure to ensure its sustainability. Pending matters included the extent of the Center's programmatic integration with the Family, Health Promotion and Life Course Department (FPL) at Headquarters, as well as an assessment of the relative advantages of the current co-location of the Center with the Uruguay PWR Office versus a potential relocation to Headquarters.

36. OIA found weaknesses in the institutionalization of the Program for Essential Medicines (*Programme de Médicaments Essentiels*, PROMESS) in Haiti. These weaknesses included informal personnel responsibilities not captured in official post descriptions, and the use of agency personnel, rather than staff members, for significant roles in the administration of the warehouse. In addition, OIA found a low level of visibility at Headquarters for the program: PROMESS had not been allocated a space within the periodic Performance Monitoring and Assessment exercises, thereby escaping the level of scrutiny its significance seemed to warrant. OIA also found weaknesses in the administration of the warehouse's inventory of medicines, including its cold storage arrangements. In OIA's view, the professionalism of warehouse operations would benefit from the implementation of a quality management system, such as the ISO 9000 family of quality management systems.

37. Among the other findings at the Haiti PWR Office, OIA found scope for extending Enterprise Risk Management analysis. It also found weaknesses in the administration of Letters of Agreement and in the monitoring of voluntary contribution grants.

38. PASB has taken steps to address the findings arising from OIA's 2020 audits. At the time of writing this report, many of the findings had already been satisfactorily addressed.

Follow-up on Internal Audit Findings and Related Action Plans

39. Three times per year, OIA follows up with PASB on the implementation status of management action plans related to internal audit findings. The objective of the follow-up exercises is to support management in improving risk-mitigating internal controls by addressing gaps or concerns identified in the internal audit findings. In 2020, OIA changed the emphasis of its reporting in this area. In the past, OIA not only identified risk issues but also provided recommendations to PASB on ways to resolve the issues. From 2020 onward, OIA's approach has been to communicate the risks of its findings and to elicit action plans from PASB to address the risks. In this way, PASB actively proposes corrective actions rather than simply receiving OIA's recommendations. OIA therefore no longer uses the term "recommendations," preferring instead to refer to "internal audit findings" and the related management "action plans." Following this shift of emphasis, OIA has experienced an enhanced partnership with PASB in the identification and implementation of corrective actions in response to internal audit findings.

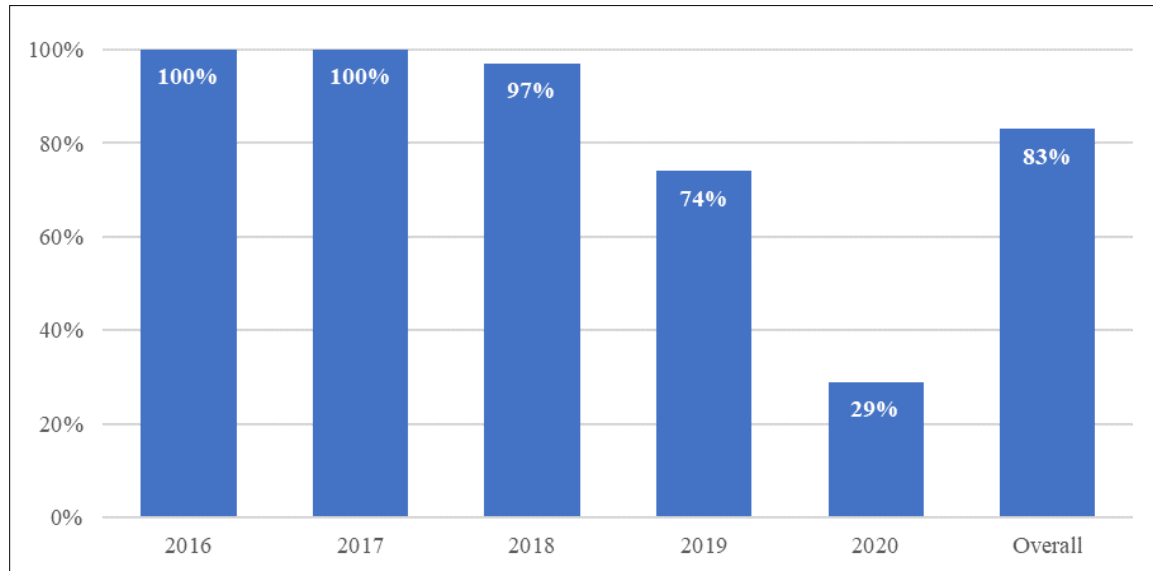
40. OIA classifies the significance of its findings in three tiers: priority, standard, and low. The categories are summarized as follows:

- a) **Priority:** Prompt action is required to ensure that PAHO is not exposed to high risks. A failure to take action could result in major consequences for the Organization.
- b) **Standard:** Action is required to ensure that PAHO is not exposed to risks that are considered moderate. A failure to take action could contribute to negative consequences for the Organization.
- c) **Low:** Action is desirable and might result in enhanced internal controls or better value for money. Low-priority findings are usually communicated verbally between OIA and PASB and are not included in internal audit reports.

41. Priority and standard findings have been included in the formal follow-up process only after the Director of PASB has accepted the individual internal audit reports that contain the findings. The acceptance of a report by the Director of PASB usually takes place two months following issuance of the report.

42. In 2020, the Director of PASB continued her practice of chairing an annual meeting to discuss with Executive Management, departmental directors, and PWR Office representatives the status of pending internal audit findings in their areas of work. These meetings have accelerated the implementation of many corrective actions. They have set the “tone at the top” by conveying the seriousness with which the highest levels of PASB regard internal audit findings and management’s corrective action plans.

43. Figure 1 shows the implementation rates of corrective actions for the five-year period ending 31 December 2020. The relatively low implementation rate for the 2020 findings reflected the usual time lag between the issuance of internal audit reports, their acceptance two months later by the Director of PASB, and the subsequent follow-up process. OIA found that the statistics in the figure are comparable to those in international organizations of similar size and complexity.

Figure 1: Corrective Action Status of OIA Findings as of 31 December 2020

44. In the follow-up process, OIA pays special attention to the longest-pending management action plans. As of December 2020, there was only one finding whose corrective actions had been pending for more than two years. It was classified as a priority issue and related to information technology security. Although PASB has made excellent progress in this area, clarifications and updates to the related policy and procedural framework remained pending, especially with respect to PASB’s monitoring of risks and security in “shadow” applications and databases outside of the PASB Management Information System. Examples of stand-alone information technology systems outside PMIS included Sage software for the administration of the PROMESS warehouse inventories in Haiti; CLAP’s Perinatal Information System (SIP), a hospital-based data-gathering tool to improve the quality of care provided to mothers and newborns; and databases in the Health Information Platform for the Americas (*Plataforma de Información en Salud para las Américas*, PLISA), which aims to promote improvements in the generation, capture, processing, and dissemination of health information. OIA therefore draws attention to the importance of the comprehensiveness of information technology security, especially for systems that fall outside of the existing PMIS security arrangements.

Other Areas of Internal Oversight

45. Financial Regulation 12.1(d) states that the Director of PASB shall “maintain an internal oversight function reporting to the Director.” OIA performs the internal audit and advisory elements of the internal oversight function. The other oversight activities—investigations and evaluations—are performed by other offices in PASB. In February 2020, the Director of PASB authorized the transfer of the evaluation function from OIA to the Department of Planning and Budget (subsequently renamed the Department of Planning, Budget and Evaluation, PBE), so as to integrate evaluative work more closely with the planning cycle. OIA has assisted its colleagues in PBE by handing over information and

institutional knowledge of evaluations. OIA did not undertake any investigations in 2020; investigative activities were performed by the Investigations Office.

Opinion on the Overall Internal Control Environment in PASB

46. Internal controls are procedures, activities, and arrangements that mitigate, transfer, or eliminate risks and thereby promote the achievement of the Organization's objectives. Examples of internal controls include measures to safeguard physical assets by preventing loss or theft; the pre-approval of disbursements in line with delegations of authority, to ensure the bona fide purpose of payments; and the transfer or sharing of risks through external insurance schemes. The overall framework situates internal controls within the Organization's operating policies and procedures.

47. OIA observed continuing improvements in the internal control environment of PASB in 2020. The improvements were reflected in the absence of "unsatisfactory" ratings for any of the internal audit assignments in 2020, as summarized in the Annex. This is the third consecutive year with no unsatisfactory ratings overall, and the fourth year with no unsatisfactory ratings for PWR Offices. The improvements appear to derive in part from better information technology systems, most notably those arising from the PMIS project, and in part from an increased awareness among personnel of the importance of internal controls. The Organization responded rapidly and with agility to the COVID-19 pandemic in 2020, embracing new information technology tools to ensure the continuity of administrative and operational activities. Similarly, the Organization responded to cash flow challenges in 2020 by imposing strict budgetary control over general expenses and the costs of human resources.

48. Based on the internal audit activity undertaken in 2020 and on its participation in the day-to-day work of PASB (for example, as observers in internal committees and working groups), OIA did not identify any significant weaknesses in internal controls that would seriously compromise the achievement of the Organization's strategic and operational objectives. The overall opinion of OIA with respect to the PASB internal control environment in 2020 is that it continued to provide reasonable assurance of the accuracy and timely recording of transactions, assets, and liabilities, and of the safeguarding of assets.

49. As discussed above in paragraphs 5 and 6, the concept of three lines of assurance sets out institutional responsibilities for risk-mitigating internal controls. The first and second lines are provided by management: the first line consisting of day-to-day, risk-mitigating internal controls, and the second consisting of managerial monitoring. The third line, which operates behind management's activities, is the assurance provided by internal auditors. As in previous years, OIA continues to draw attention to the scope for further development of the second line of assurance, that is, management monitoring and compliance activities. In 2020 PASB took the first steps in a project of assurance mapping, an important initiative that, alongside the evolving Enterprise Risk Management process, should contribute to articulating more clearly the interconnections between the Organization's objectives, risks, and risk-mitigating internal controls.

Action by the Executive Committee

50. The Executive Committee is invited to take note of this report and provide any comments it deems pertinent.

Annex

Annex

INTERNAL AUDIT ASSIGNMENTS, 2020

Thematic Assignments	Reference no.	Overall Rating**
Internal Audit of Travel Expenditure for External Participants at PASB-Organized Events	07/20	Partially satisfactory, with some improvement needed
Internal Audit of the Use of Consulting Contracts in PASB	01/20	Partially satisfactory, with major improvement needed
Assessment of the Approval Process for Projects Funded by Voluntary Contributions	05/20	Partially satisfactory, with major improvement needed
Review of Administrative Efficiency and Agility in the Key Countries*	04/20	Not applicable*
Country-Specific Assignments	Reference no.	Overall Rating**
Internal Audit of the PROMESS Program, Office of the PWR Haiti	08/20	Partially satisfactory, with major improvement needed
Internal Audit of the Office of the PWR Jamaica	06/20	Partially satisfactory, with some improvement needed
Internal Audit of the Office of the PWR Nicaragua	03/20	Satisfactory
Internal Audit of the Latin American Center for Perinatology / Women's Health and Reproductive Health (CLAP/WR), Uruguay	02/20	Partially satisfactory, with some improvement needed

* Consulting assignment.

** Rating scale:

Satisfactory: Risk management practices and internal controls were adequately established and functioning well. Issues identified by the audit, if any, were unlikely to affect the achievement of the objectives of the audited entity/area.

Partially satisfactory, with some improvement needed: Risk management practices and internal controls were generally established and functioning, but needed some improvement. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area.

Partially satisfactory, with major improvement needed: Risk management practices and internal controls were established and functioning, but needed major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

Unsatisfactory: Risk management practices and internal controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area, or of the Organization.