



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



## **THIRD SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE**

*Washington, D.C., USA, 11-13 March 2009*

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### **PASB INTERNAL OVERSIGHT AND EVALUATION SERVICES**

#### **Introduction**

1. This report presents the Subcommittee on Program, Budget and Administration (SPBA) of the Pan American Health Organization (PAHO) with an overview of the Office of Internal Oversight and Evaluation Services (PAHO/IES), the audit and evaluation activities it carried out during 2008, its audit and evaluation plan for 2009 and proposes the establishment in PAHO of an Audit Committee to support the Organization in an advisory capacity.

2. PAHO's Financial Regulation XII establishes the mandate of the Director of the Pan American Sanitary Bureau (PASB) to maintain an internal audit function responsible for reviewing, evaluating, and monitoring the adequacy and effectiveness of the Organization's overall internal control systems. To this end, all the Organization's systems, processes, operations, functions, and activities will be subjected to such review, evaluation, and monitoring.

#### **Background**

3. In the past, PAHO's internal oversight services were provided as a joint audit activity under the general authority of the Director-General of the World Health Organization (WHO) and the Director of PASB. However, in order to enhance oversight, review, evaluation and monitoring of the overall systems of internal control over the PAHO funded portion of the Organization's budget and extra-budgetary recourses, the Director of WHO and the Director of the PASB agreed, in 2006, that PAHO would assume the internal oversight of the PAHO-funded projects, through compliance audits and program implementation evaluations, while the Director of the WHO Office of Internal Oversight Services (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.

4. In 2008, the overall work plan of PAHO/IES was reviewed in order to incorporate the evaluation functions under the responsibility of an Evaluation Officer that was appointed in January 2008.

5. Throughout 2008, PASB faced difficulties in filling the post of Senior Internal Auditor, which led to the upgrading of the post. In December 2008, the position was advertised again as a D1-level Auditor General post as a way to attract more experienced candidates. In the meantime, the vacancy has been temporarily filled with a very experienced retired senior auditor from another international organization. In August 2008, PAHO also hired a P4-level Auditor for an 11-month period to support PAHO/IES in completing its existing audit schedule.

6. The PAHO/IES staff to date includes one professional auditor, one evaluation officer, one temporary professional auditor, and one assistant. Two vacant posts remain open, that of the Auditor General and of one professional auditor. The two vacant posts are expected to be filled by the middle of 2009.

7. It is important to note that PAHO/IES audit activities are complemented by the audit work conducted by WHO/IOS in the Region of the Americas and by PAHO's External Auditors, currently the National Audit Office of the United Kingdom of Great Britain and Northern Ireland (NAO).

### **Audit Program for 2008**

8. The PAHO/IES audit work plan for 2008 covered two areas: (a) financial and operational audits at Headquarters, country offices (PWR) and Centers; and (b) evaluation work (see Annex 1):

(a) PAHO/IES conducted the following financial and operational audits in 2008:

<b>PWR Office/Center</b>	<b>No. of Audit Recommendations</b>	<b>No. Audit Recommendations Closed</b>
PWR Panama	7	7
PWR Uruguay	21	21
PWR Suriname	15	15
PWR Trinidad and Tobago	8	8
PWR Bahamas	10	9
BIREME	13	13
PANAFTOSA	14	14
Latin American Center for Perinatology (CLAP)	6	6

<b>Headquarters</b>	<b>No. of Audit Recommendations</b>	<b>No. of Audit Recommendations Closed</b>
Parking Fund	2	2
Purchasing card system	4	4
Regional Revolving Fund for Strategic Public Health Supplies	26	2

- (b) PAHO/IES conducted evaluation work for the first time in 2008. Evaluations included:

<b>Headquarters</b>	<b>No. of Recommendations</b>
Convex3 (drill exercise) in Mexico	7
Chagas Program	21

9. In addition to the above, the PAHO/IES 2008 work program was complemented by 2 performance and 1 financial and administrative audits concluded by WHO/IOS. It should be noted that the complementary audit work performed by PAHO's External Auditors is usually conducted during the second year of the biennium, so as to ensure that the auditors have the most recent information in hand.

10. During the 2008 report period the most common findings in the PAHO field offices visited related with the controls pertaining to the submission of technical and financial reports from recipients of funds through Letters of Agreement. Although progress has been made to ensure that proper control mechanisms for Letters of Agreement are in place, detailed rules and procedures should be developed to effectively manage the transfer of funds to outside institutions. Similar findings resulted from field office reviews of the conduct of Courses and Seminars, which is a mechanism through which the Organization transfers funds to governmental institutions. While there was improvement noted in the timeliness for submitting supporting documentation for transfer of funds made, some delays persist. PAHO/IES also noted that although a monitoring system for Courses and Seminars was available at field offices, it was not being properly used due to lack of adequate training of staff. In addition, recommendations were made regarding the need to designate a business owner for the operations related to Courses and Seminars, and the need to develop standard documentation in all field offices to substantiate the transfer of funds to government institutions. Less frequent findings throughout the 2008 period related to the maintenance of inventories, insurance, and back-up systems.

### **Audit Program for 2009**

11. The 2009 PAHO/IES work plan was developed in line with current best practices, taking into consideration the Organization's goals and objectives, along with the priorities and risk analysis of PAHO's relevant activities and management process. The PAHO/IES plan also addresses urgent and compelling requirements for the strengthening of the PASB oversight function through the allocation of adequate resources.

12. The 2009 audit program calls for the following 20 reports to be completed:

- 7 internal audits (PWRs and Centers)
- 4 reviews and audits at Headquarters
- 2 management audits
- 4 evaluations
- 3 other activities

13. As was the case with the audit and evaluation activities carried out in 2008, PAHO/IES's 2009 audit program will be complemented by the audit work of the NAO and WHO/IOS. As of this date, NAO has conducted external audits of PWR-El Salvador, PWR-Argentina, PWR-Colombia, and BIREME.

### **Audit Committee**

14. Following the recommendations of the Organization's External Auditors and as a way to bolster PAHO's ongoing efforts to establish a governance framework that reflects international best practices (which include the adoption of PAHO's Code of Ethical Principles and Conduct, the establishment of an independent Ethics Office, the creation of the internal Integrity and Conflict Management System, and the appointment of an Information Security Officer, among others), the Director of the PASB is proposing that an Audit Committee be established in PAHO.

15. The proposed Audit Committee is to serve in an independent expert advisory capacity to assist the Director of the PASB and PAHO's Governing Bodies by providing independent assessment and recommendations on the adequacy of the Organization's systems of internal and external controls, including PAHO/IES and the External Auditors.

16. PASB has prepared proposed Terms of Reference for the Audit Committee for consideration by the SPBA and the Executive Committee and subsequent approval by the Directing Council of PAHO (see Annex 2).

17. In the event that Directing Council of PAHO determines to establish the proposed Audit Committee, the Terms of Reference of this SPBA should be reviewed and adjusted as appropriate.

**Action by the Subcommittee on Program, Budget, and Administration**

18. The SPBA is invited to take note of this Report and present comments on its content and on the Terms of Reference of the proposed Audit Committee for the consideration of the 144th Session of the Executive Committee in June 2009.

Annexes

<b>AUDITS PERFORMED IN 2008</b>						
<b>FINANCIAL/ADMINISTRATIVE AUDITS</b>						
<b>Report Title</b>	<b>Biennium</b>	<b>Audit Visit Date</b>	<b>Report Date</b>	<b>Auditor</b>	<b>Closure Date</b>	<b>Status</b>
Office of the PAHO/WHO Representative, Trinidad and Tobago	2008-2009	18-Feb-08	10-Mar-08	PAHO IES	29-May-08	Closed
Office of the PAHO/WHO Representative, Suriname	2008-2009	25-Feb-08	17-Mar-08	PAHO IES	11-Jun-08	Closed
Latin American Center for Perinatology (CLAP)	2008-2009	31-Mar-08	22-Apr-08	PAHO IES	14-Jul-08	Closed
Office of the PAHO/WHO Representative, Uruguay	2008-2009	7-Apr-08	28-Apr-08	PAHO IES	1-Aug-08	Closed

<b>AUDITS PERFORMED IN 2008</b>						
<b>FINANCIAL/ADMINISTRATIVE AUDITS</b>						
<b>Report Title</b>	<b>Biennium</b>	<b>Audit Visit Date</b>	<b>Report Date</b>	<b>Auditor</b>	<b>Closure Date</b>	<b>Status</b>
Office of the PAHO/WHO Representative, Panama	2008-2009	19-May-08	2-Jun-08	PAHO IES	1-Aug-08	Closed
Pan American Foot-and-mouth Disease Center (PANAFTOSA)	2008-2009	15-Sep-08	9-Oct-08	PAHO IES	8-Dec-08	Closed
Latin American and Caribbean Center on Health Sciences Information (BIREME)	2008-2009	22-Sep-08	17-Oct-08	PAHO IES	22-Jan-09	Closed
Office of the PAHO/WHO Representative, Bahamas	2008-2009	15-Dec-08	5-Jan-09	PAHO IES	13-Feb-09	Closed

<b>AUDITS PERFORMED IN 2008</b>						
<b>REVIEWS</b>						
<b>Report Title</b>	<b>Biennium</b>	<b>Audit Visit Date</b>	<b>Report Date</b>	<b>Auditor</b>	<b>Closure Date</b>	<b>Status</b>
Staff Parking Fund (PZ Fund)	2008-2009	1-Feb-08	20-Feb-08	PAHO IES	17-Apr-08	Closed
Purchasing Card Program	2008-2009	June-08	5-Aug-08	PAHO IES	11-Nov-08	Closed
Regional Revolving Fund for Strategic Public Health Supplies	2008-2009	August-08	26-Nov-08	PAHO IES		Response to the Final Report sent on 5-Feb-09

<b>AUDITS PERFORMED IN 2007</b>						
<b>PERFORMANCE AUDITS</b>						
<b>Report Title</b>	<b>Biennium</b>	<b>Audit Visit Date</b>	<b>Report Date</b>	<b>Auditor</b>	<b>Closure Date</b>	<b>Status</b>
Communicable Diseases Unit at AMRO/PAHO	2006-2007	19-Mar-07	16-Jul-07	WHO IOS	23-Jan-09	Closed
<b>INTEGRATED AUDITS</b>						
Office of the PAHO/WHO Representative, Mexico	2006-2007	27-Aug-07	4-Oct-07	WHO IOS	22-Dec-08	Closed
<b>AUDITS PERFORMED IN 2007</b>						
<b>FINANCIAL/ADMINISTRATIVE AUDITS</b>						
<b>Report Title</b>	<b>Biennium</b>	<b>Audit Visit Date</b>	<b>Report Date</b>	<b>Auditor</b>	<b>Closure Date</b>	<b>Status</b>
Area of Financial Management and Reporting at AMRO/PAHO	2006-2007	10-Sep-07	12-Nov-07	WHO IOS	6-Feb-09	Closed

# **Pan American Health Organization Audit Committee**

## **Terms of Reference**

### **Guiding Principle**

1. An Audit Committee shall be established by the Directing Council of the Pan American Health Organization (PAHO) to exercise an independent consultative function, providing the Director of the Pan American Sanitary Bureau (PASB) and the PAHO Member States through the Executive Committee with advise on the operation of the Organization's financial controls and reporting structures, risk management processes and other audit-related controls. The Committee shall perform this function through independent reviews of the work carried out by PAHO's system of internal and external controls, including PAHO's Office of Internal Oversight and Evaluation Services, the External Auditor and the administration and management of the Organization. The work of the Audit Committee shall be conducted in accordance with internationally accepted standards and best practices and in compliance with PAHO's policies, rules and regulations. The Audit Committee does not substitute the function of the Executive Committee of PAHO or of its Subcommittee on Program, Budget, and Administration (SPBA).

### **Role of the Committee**

2. The PAHO Audit Committee shall:
- (a) Review and monitor the adequacy, efficiency and effectiveness of the Organization's risk assessment and management processes, the system of internal and external controls, including PAHO's internal oversight function, the External Auditor function, and the timely and effective implementation by management of audit recommendations;
  - (b) Advise the Director of the PASB on issues related to the system of internal and external controls and their performance;
  - (c) Report to the Executive Committee of PAHO on any matter of PAHO policy and procedure requiring corrective action and on improvements recommended in the area of controls, including evaluation, audit and risk management;

- (d) Advise the Director of the PASB in the selection process of the Auditor General of the PASB, and advise the Executive Committee in the selection of the External Auditor.

## **Membership of the Committee**

3. The PAHO Audit Committee shall be composed of three members who shall be senior audit professionals of high standing in the international audit community, fully independent from PAHO, with no direct affiliation with national governments of the PAHO Member States. The Audit Committee shall be appointed by the Executive Committee of PAHO. The Director of the PASB shall recommend a list of qualified candidates. Members shall serve in their personal capacity and cannot be represented by alternate attendees. Each Member shall serve as Chairperson of the Committee for one year on a rotational basis.

## **Terms of Appointment**

4. The Members shall serve for terms of three years, renewable for one or more years. After the initial three years, the terms should be staggered so as to ensure continuity.

## **Responsibility of Members**

5. In performing their functions, Members of the Audit Committee shall neither seek nor receive instructions from any national government authority. They shall act in an advisory, non-executive, capacity and be fully independent from any government or PAHO body, structure or entity. Members shall be guided solely by their expertise and professional judgment, taking into account the collective decisions of PAHO's governing bodies. As such Members shall not be held personally liable by decisions taken by the Audit Committee acting as a whole.

6. Members of the Audit Committee shall be required to sign a confidentiality statement at the beginning of their tenure, as well a PAHO Declaration of Interest Form. Where an actual or potential conflict of interest arises, the Member shall declare such interest and will be excused from the Committee's discussion on the corresponding issue.

## **Meetings and Rules of Procedure**

7. The PAHO Audit Committee shall meet in regular sessions two times a year. Additional meetings may be scheduled on an *ad hoc* basis as necessary. The Chairperson of the Committee shall determine the timing of meetings and the need for any additional

meetings in the course of the year. He/she shall also set the agenda of the meetings, taking into account relevant requests from the Director of the PASB and/or the Executive Committee of PAHO. The meetings shall be convened by the Secretariat of the Committee on behalf of the Chairperson. Members of the Audit Committee shall normally be given at least 4 weeks notice of meetings.

8. The Director of the PASB, the External Auditor, the Auditor General of PASB, the Director of Administration of PASB and the Financial Resources Manager of PAHO shall attend meetings of the Audit Committee at the invitation of the Chairperson of the Committee.

9. The Audit Committee may decide to meet in closed session from time to time as determined by the Committee.

10. The Audit Committee's shall work on the basis of consensus.

11. The administrative and secretariat support function of the Audit Committee, including the preparation and maintenance of minutes of the meetings, shall be carried out by independent staff recruited on the need- to- basis for that purpose, and will report directly to the Chairperson on matters relating to the work of the Audit Committee.

12. The deliberations of the Audit Committee and the minutes of its meetings are confidential, unless otherwise decided by the Committee. The documents and information material circulated in the Audit Committee shall be used solely for that purpose and also treated as confidential.

## **Access**

13. The Audit Committee shall have access to all records and documents of the Organization, including, but not limited to audit reports and work documents of the Office of Internal Oversight and Evaluation Services, and reports issued by the External Auditors.

14. The Audit Committee shall be able to call upon any PASB staff member or employee, including senior management of the Organization and request meetings with any parties, as it deems necessary to obtain information relevant to its work.

15. PASB's External Auditors and Auditor General shall also have unrestricted and confidential access to the Chairperson of the Committee.

16. The Audit Committee may obtain legal or other independent professional advice if it is considered necessary.

## **Reporting**

17. The Chairperson of the Audit Committee shall interact regularly with and report to the Director of the PASB on the results of the Committee's deliberations as well as forthcoming issues relevant to its business.

18. The Audit Committee shall prepare an Annual Report of its work for the Executive Committee of PAHO. The Audit Committee may also prepare ad-hoc Reports as requested by the Executive Committee. The Director of the PASB shall be given the opportunity to comment on all Reports prior to their submission to the Executive Committee.

## **Resources**

19. The Audit Committee shall be provided with such resources as necessary to undertake its duties. Funds shall be included in the Biennial Budget of the Organization to provide for administrative support, travel and accommodation costs in relation to Committee Members' duties. Such travel shall be conducted in accordance with PAHO rules and regulations. The Members shall serve without remuneration from PAHO.

## **Review of the Terms of Reference**

20. The Executive Committee will continuously review the output of the Audit Committee, assess its effectiveness and make appropriate recommendations, in consultation with the Director of the PASB, regarding its membership and Terms of Reference. The Terms of Reference of the Audit Committee may be modified by the Directing Council as necessary.