



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



146th SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 21-25 June 2010

Provisional Agenda Item 5.3

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ORIGINAL: ENGLISH

PROCESS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR OF PAHO FOR 2012-2013 AND 2014-2015

1. The term of the current External Auditor of the Pan American Health Organization (PAHO) will expire upon completion of the 2011 financial period audit. Therefore, the Director of the Pan American Sanitary Bureau (PASB) submits for the consideration of the Executive Committee the procedure that will be followed for appointing the External Auditor of the Pan American Health Organization for the financial periods 2012 through 2015. The procedure, as outlined in paragraph 2, conforms to the Financial Regulations and Rules of the Organization and reflects PAHO's prior practice in the appointment of the External Auditor for the 2008-2009 and 2010-2011 biennia.

2. Annex A contains the Note Verbale that will be sent to Member States, Participating States, and Associate Members. The Note Verbale details the process to be followed to nominate an auditor of international repute. Included with the Note Verbale are excerpts from the Organization's Financial Regulations and detailed information and references concerning the scope of the Organization's financial operations.

Process for the Appointment of the External Auditor

3. Regulation 14.1 of the Financial Regulations of the Pan American Health Organization stipulates that the Pan American Sanitary Conference or the Directing Council shall appoint an External Auditor(s) of international repute to audit the Organization's accounts. In accordance with resolution CSP27.R16 (2007), the 27th Pan American Sanitary Conference reappointed the Organization's current External Auditor for the 2008-2009 and 2010-2011 biennia.

4. The PASB process, which reflects prior practice, will be as follows:
 - The process will be initiated by a Note Verbale (Annex A) to be sent to Member States, Participating States, and Associate Members in October 2010, requesting that nominations be submitted to the Secretariat by 30 April 2011.
 - The PASB will prepare a document including all valid nominations for submission to the 51st Directing Council in September 2011.
 - The 51st Directing Council will appoint the External Auditor for the financial periods encompassed within the 2012-2013 and 2014-2015 biennia pursuant to its Rules of Procedure.

5. The successful nominee will be notified by letter from the Director of the PASB in October 2011. If necessary, the current External Auditor will be notified that its appointment will end upon completing the audit of the 2011 financial period in April/May 2012, with the expectation of cooperation in the transition to the new External Auditor. The newly appointed External Auditor will meet with senior management to discuss the audit plan for the 2012 financial period as soon as possible in the new financial period.

Action by the Executive Committee

6. The Executive Committee is requested to analyze this report related to the appointment of the External Auditor and provide guidance and recommendations regarding the process.

Annexes

**Note Verbale to Member States regarding the
Appointment of the External Auditor of the Pan American Health Organization
For the biennia 2012–2013 and 2014–2015**

The Pan American Sanitary Bureau (PASB) presents its compliments to the Member States, Participating States, and Associate Members of the Pan American Health Organization (PAHO) and has the honor to recall that, in September 2005 the 27th Pan American Sanitary Conference, by resolution CSP27.R16, appointed the holder of the Office of Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland to be the External Auditor of PAHO for the 2008-2009 and 2010-2011 biennia. Accordingly, and with reference to Regulation 14.1 of PAHO's Financial Regulations, it will be necessary for the 51st Directing Council, in September 2011, to appoint an External Auditor of international repute for the 2012-2013 and 2014-2015 biennia. The purpose of this Note Verbale is to prepare for the appointment of the External Auditor by inviting nominations from Member States, Participating States, and Associate Members.

The PASB has the honor, therefore, to invite PAHO's members to nominate a candidate fulfilling the conditions of Regulation 14.1 of PAHO's Financial Regulations, whom they may wish the Directing Council to consider for appointment as the External Auditor of PAHO for the 2012-2013 and 2014-2015 biennia. The full text of Regulation XIV of the Financial Regulations and the Additional Terms of Reference governing the External Audit of PAHO are enclosed herewith as Annex A-1. Annex A-2 provides background information, including information on the scope of PAHO's financial operations.

Should a Member State, Participating State, or Associate Member wish to propose a candidate, the name of the candidate, along with the candidate's supporting proposal should reach the PASB no later than 30 April 2011, to allow time for preparing the submission to the 51st Directing Council in September 2011. The nominee's proposal should include:

- (a) A curriculum vitae and details of the national and international activities of the nominee, noting the range of audit specialties that can be of benefit to the Organization.
- (b) A description of the audit approach, procedures, and standards that the nominee would apply, having regard to the Organization's accounting principles and practices, its Financial Regulations and Financial Rules, and the International Public Sector Accounting Standards.
- (c) Estimates of the overall number of auditor-work-months which would be devoted to carrying out the audit for each of the four financial periods comprised in the two biennia, 2012-2013 and 2014-2015.
- (d) For each financial period (2012, 2013, 2014, and 2015), a proposed audit fee expressed in United States dollars. This fee should cover the international audit of PAHO regular program activities, as well as extrabudgetary and other activities,

- and should be summarized on a single page. In estimating the cost of the audit, all secretarial and other ancillary costs, including all travel costs and living expenses of the External Audit staff, should be included in the audit fee proposed. Travel costs should include travel from the country of residence to Washington, D.C., and to the other offices of the Organization, as required by the External Auditor for the purposes of the audit.
- (e) An indication of the nature, extent, and timing of requests for information, including access to audit working papers of the outgoing auditor, in accordance with recognized auditing standards, and an assurance of the nominees cooperation, on completion of appointment, in responding to similar requests for information by an incoming auditor.
 - (f) any other information which may assist the Directing Council in finalizing the appointment, such as: letters of reference, evidence of membership with professional audit or accounting associations such as the International Organization of Supreme Audit Institutions (INTOSAI), accreditation from the World Bank or other international or governmental agency, publications, among others .

The nominations to be submitted to the Directing Council must be prepared in one of PAHO's four working languages (English, French, Portuguese, or Spanish). The Organization will undertake to translate the tenders. The nomination should not exceed 6,000 words and should be presented in a format and printout suitable for reproduction. Two sharp black-and-white originals (laser printer quality, not photocopies) should be provided on pages no larger than 8.5" x 11" with margins no less than 1" on each side and top and bottom. Photographs and some graphic presentations that use shading do not reproduce well and should be avoided.

The PASB takes this opportunity to express its appreciation for the support of the Member States, Participating States, and Associate Members in this very important endeavor and renews the assurances of its highest consideration.

WASHINGTON, October 2010

**EXTRACT FROM THE FINANCIAL REGULATIONS
OF THE PAN AMERICAN HEALTH ORGANIZATION**

Regulation XIV – External Audit

- 14.1 The Conference or the Directing Council shall appoint an External Auditor of international repute to audit the accounts of the Organization. The Auditor appointed may be removed only by the Conference or the Directing Council.
- 14.2 Subject to any special direction of the Conference or the Directing Council, each audit which the External Auditor performs shall be conducted in conformity with generally accepted common auditing standards and in accordance with the Additional Terms of Reference set forth in the Appendix to these Regulations.
- 14.3 The External Auditor, in addition to rendering an opinion on the financial statements, may make such observations as deemed necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of the Organization.
- 14.4 The External Auditor shall be completely independent and solely responsible for the conduct of the audit.
- 14.5 The Conference or the Directing Council may request the External Auditor to perform certain specific examinations and issue separate reports on the results.
- 14.6 The Director shall provide the External Auditor with the facilities required for the performance of the audit.
- 14.7 For the purpose of making a local or special examination or for effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm that, in the opinion of the External Auditor is technically qualified.
- 14.8 The External Auditor shall issue a report including its opinion, on the audit of the financial statements prepared by the Director pursuant to Regulation XIII. The report shall include such information as deemed necessary in regard to Regulation 14.3 and the Additional Terms of Reference.

- 14.9 The report(s) of the External Auditor shall be completed and provided to the Director together with the audited financial statements no later than 15 April following the end of the financial reporting period to which they relate. The Director will provide the report to the Executive Committee which shall examine the financial statements and the audit report(s) and shall forward them to the Conference or the Directing Council with such comments as deemed necessary.

**EXTRACT FROM THE FINANCIAL REGULATIONS
OF THE PAN AMERICAN HEALTH ORGANIZATION**

Appendix

**ADDITIONAL TERMS OF REFERENCE
GOVERNING THE EXTERNAL AUDIT OF
THE PAN AMERICAN HEALTH ORGANIZATION**

1. The External Auditor shall perform such audit of the accounts of the Pan American Health Organization, including all Trust Funds, Special Funds, and Special Accounts, as deemed necessary to support the opinion:
 - (a) that the financial statements are in accord with the books and records of the Organization;
 - (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives of the Organization;
 - (c) that the financial resources have been verified by the certificates received direct from the Organization's depositaries or by actual count;
 - (d) that the internal controls, including the internal audit, are adequate in view of the extent of reliance placed thereon;
 - (e) that the procedures applied to the recording of all assets, liabilities, surpluses and deficits conform with industry best practices.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by members of the staff of the Organization and may proceed to such detailed examination and verification as needed.
3. The External Auditor shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor necessary for the performance of the audit. Information classified as privileged and which the Director agrees is required by the External Auditor for the purposes of the audit, and information classified as confidential, shall be made available upon request. The External Auditor shall respect the privileged and confidential nature of any information so classified which has been made available and shall

not make use of it except in direct connection with the performance of the audit. The External Auditor may bring to the attention of the Conference or the Directing Council any denial of information classified as privileged which, in their opinion, was required for the purpose of the audit.

4. The External Auditor shall have no power to disallow items in the accounts but shall bring to the attention of the Director for appropriate action any transaction that creates doubt as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be immediately communicated to the Director.
5. The External Auditor shall express an opinion on the financial statements of the Organization. The opinion shall include the following basic elements:
 - (a) identification of the financial statements audited;
 - (b) a reference to the responsibility of the entity's management and responsibility of the External Auditor;
 - (c) a reference to the audit standards followed;
 - (d) a description of the work performed;
 - (e) an expression of opinion on the financial statements as to whether:
 - (i) the financial statements present fairly the financial position as at the end of the financial reporting period and the results of the operations for such period;
 - (ii) the financial statements were prepared in accordance with the stated accounting policies;
 - (iii) the accounting policies were applied on a basis consistent with that of the preceding financial reporting period unless disclosed in the financial statements.
 - (f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
 - (g) the date of the opinion and the signature of the External Auditor;
 - (h) the External Auditor's name and position;

- (i) the place where the report has been signed;
 - (j) a reference to the report of the External Auditor on the financial statements, should one be provided.
6. The report of the External Auditor to the Conference or Directing Council on the financial operations of the financial reporting period should mention:
- (a) the type and scope of examination;
 - (b) matters affecting the completeness or accuracy of the accounts, including, where appropriate:
 - (i) information necessary to the correct interpretation of the accounts;
 - (ii) any amounts that ought to have been received but which have not been brought to account;
 - (iii) any amounts for which a legal or contingent liability exists and which have not been recorded or reflected in the financial statements;
 - (iv) expenses not properly substantiated;
 - (v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of a material nature from a consistent application of generally accepted accounting principles, these should be disclosed.
 - (c) other matters that should be brought to the notice of the Conference or the Directing Council such as:
 - (i) cases of fraud or presumptive fraud;
 - (ii) wasteful or improper expense of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) expense likely to commit the Organization to further outlay on a large scale;
 - (iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements, or of supplies and equipment;

- (v) expense not in accordance with the intention of the Conference or the Directing Council, after making allowance for duly authorized transfers within the Program Budget;
 - (vi) expense in excess of Regular Budget appropriations as amended by duly authorized transfers within the Program Budget;
 - (vii) expense not in conformity with the authority that governs it.
- (d) the accuracy of the inventory and fixed assets as determined by a physical count and examination of the records;
- (e) transactions accounted for in a previous financial reporting period, about which further information has been obtained, or transactions in a later financial reporting period about which the Conference or the Directing Council should have early knowledge.
7. The External Auditor may make such observations with respect to findings resulting from the audit and such comments on the financial report as deemed appropriate to the Conference or the Directing Council, or to the Director.
8. Whenever the External Auditor's scope of audit is restricted, or insufficient evidence is available, the External Auditor's opinion shall refer to this matter, making clear in the report the reasons for the comments and the effect on the financial position and the financial transactions as recorded.
9. In no case shall the External Auditor include criticism in any report without first affording the Director an adequate opportunity of explanation on the matter under observation.
10. The External Auditor is not required to discuss or report any matter which is considered immaterial.

PAN AMERICAN HEALTH ORGANIZATION

Background Information

1. General Requirements and Objectives

The Pan American Health Organization (PAHO) seeks to obtain an effective audit carried out to a high technical standard. The audit should be directed at important questions of financial policy and practice, with appropriate importance being given to efficiency (value-for-money) audits.

The External Auditor must be experienced in the provision of professional auditing services under the *International Public Sector Accounting Standards*, which were officially adopted by the 27th Pan American Sanitary Conference on 5 October 2007 in resolution CSP27.R18 and were officially implemented on 1 January 2010.

The External Auditor must be experienced working in a multicultural and a multilingual environment. The External Auditor, therefore, must be able to provide audit staff that can function effectively in such an environment, specifically with both Spanish and English language capabilities. However, the External Auditor must be able to deliver all reports in English.

The External Auditor may be contracted from time to time to perform separate project audits in accordance with project agreements concluded with donors. Such contracts will be negotiated separately from the main biennial financial audit of the Organization.

2. Nature of Audit Assignment

2.1 An appreciation of the magnitude and diversity of the financial operations of the Pan American Health Organization, and thus of the nature of the audit, may be obtained from the detailed financial report titled *Financial Report of the Director and Report of the External Auditor 1 January 2006-31 December 2007*, which is available on the Pan American Health Organization's website at:

<http://www.paho.org/english/gov/ce/ce142-od331-e.htm>

2.2 The main center of financial activity is the Pan American Health Organization headquarters in Washington, D.C., United States of America. The Pan American Health Organization also has a presence in 28 countries through country offices and technical centers. Additional information regarding the Pan American Health Organization is available on its website at:

http://www.paho.org/English/PAHO/about_paho.htm

3. **The Caribbean Epidemiology Centre (CAREC)**

The Caribbean Epidemiology Center (CAREC), located in Port-of-Spain, Trinidad, is a decentralized center administered by the Pan American Health Organization. CAREC adheres to the Financial Regulations and Rules of PAHO, and its financial statements are included in the *Financial Report of the Director and Report of the External Auditor*. CAREC does not require a separate audit opinion of its financial statements, but its activities form part of the consolidated financial statements of PAHO. Therefore, the External Auditor of PAHO should be prepared to include CAREC in its audit plan. Additional information regarding CAREC is available on its website at:

<http://www.carec.org/>

4. **The Caribbean Food and Nutrition Institute (CFNI)**

The Caribbean Food and Nutrition Institute (CFNI), located in Kingston, Jamaica, is a decentralized center administered by the Pan American Health Organization. CFNI adheres to the Financial Regulations and Rules of PAHO and its financial statements are included in the *Financial Report of the Director and Report of the External Auditor*. CFNI does not require a separate audit opinion of its financial statements, but its activities form part of the consolidated financial statements of PAHO. Therefore, the External Auditor of PAHO should be prepared to include CFNI in its audit plan. Additional information regarding CFNI is available on its website at:

<http://www.paho.org/english/cfni/home.htm>

5. **The World Health Organization (WHO)**

PAHO also serves as the Regional Office of the World Health Organization in the Americas (AMRO). The AMRO activities funded by WHO form part of the consolidated financial statements of PAHO. The World Health Organization, whose headquarters is located in Geneva, Switzerland, appoints its own External Auditor who might not be the same person as PAHO's appointed External Auditor, in which case close collaboration is required between the two. Additional information regarding WHO is available on its website at:

<http://www.who.int/en/>

6. **Office of Internal Oversight and Evaluation Services (IES)**

The Pan American Health Organization maintains an office of internal audit and oversight. The main responsibility of this office, as stated in Regulation 12.1 of the PAHO Financial Regulations, is to provide an effective review, evaluation, and monitoring of the adequacy and effectiveness of the Organization's overall systems for internal control. Various other types of reviews are carried out. The internal and external auditors are expected to coordinate their work to avoid duplication and promote efficiency in audit.

7. **External Audit Fee**

The external audit fee for 2008-2009, including all travel and other costs associated with the audit of the entities as noted above, was GBP 212,000 or approximately US\$ 370,000. Audit fees should be expressed in U.S. dollars.



PAN AMERICAN HEALTH ORGANIZATION
Pan American Sanitary Bureau, Regional Office of the
WORLD HEALTH ORGANIZATION

CE146/25 (Eng.)
Annex C

ANALYTICAL FORM TO LINK AGENDA ITEM WITH ORGANIZATIONAL MANDATES

1. Agenda item: 5.3. Process for the Appointment of the External Auditor of PAHO for 2012-2013 and 2014-2015

2. Responsible unit: Financial Resource Management/Financial Services and Systems (FRM/FS)

3. Preparing officer: Linda S. Kintzios

4. List of collaborating centers and national institutions linked to this Agenda item:
Member States

5. Link between Agenda item and Health Agenda for the Americas 2008-2017:

- Strategic Objective 16. To develop and sustain PAHO/WHO as a flexible, learning organization, enabling it to carry out its mandate more efficiently and effectively.
- Strategic Objective 16 supports all eight Areas of Action of the Health Agenda for the Americas 2008-2017:
 - (a) Strengthening the National Health Authority;
 - (b) Tackling Health Determinants;
 - (c) Increasing Social Protection and Access to Quality Health Services;
 - (d) Diminishing Health Inequalities among Countries, and Inequities within Them;
 - (e) Reducing the Risk and Burden of Disease;
 - (f) Strengthening the Management and Development of Health Workers;
 - (g) Harnessing Knowledge, Science, and Technology;
 - (h) Strengthening Health Security.

6. Link between Agenda item and Strategic Plan 2008-2012:

- RER 16.2 Monitoring and mobilization of financial resources strengthened to ensure implementation of the Program and Budget, including enhancement of sound financial practices and efficient management of financial resources.
- RER Indicator 16.2.5 Sound financial practices as evidenced by an unqualified audit opinion.

7. Best practices in this area and examples from countries within the Region of the Americas:

Ensure independence of external auditors through standard, periodic review of appointment.

8. Financial implications of this Agenda item:

The estimated fee for the 2012–2013 and 2014–2015 financial periods is US\$ 980,000; US\$ 245,000 per year.