

## **56th DIRECTING COUNCIL**

### **70th SESSION OF THE REGIONAL COMMITTEE OF WHO FOR THE AMERICAS**

*Washington, D.C., USA, 23-27 September 2018*

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*Provisional Agenda Item 5.3*

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#### **AMENDMENTS TO THE FINANCIAL REGULATIONS AND FINANCIAL RULES OF PAHO**

1. The Executive Committee at its 162nd Session considered the document, Amendments to the Financial Regulations and Financial Rules of PAHO, in which one new financial rule was introduced in order to establish the basis under which internal audits are conducted in PAHO (Annex A), in the form of an Audit Charter for the Office of Internal Oversight and Evaluation Services (Annex B).
2. In accordance with Resolution CE162.R6, the Director is pleased to present to the 56th Directing Council for its information the revisions to the Financial Rules of the Pan American Health Organization, with the referred Audit Charter, as confirmed by the 162nd Session of the Executive Committee.

Annexes

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## ANNEX A

## PROPOSED AMENDMENTS TO THE FINANCIAL RULES OF PAHO

EXISTING TEXT	PROPOSED TEXT	COMMENTS <i>Deleted Language</i> <b>Inserted Language</b>
<p><b>Rule XII – Internal Control</b></p> <p>112.1 In order to ensure effective internal control within the Organization, in accordance with Financial Regulation XII, the Director shall establish measures, including (i) an internal oversight and evaluation mechanism, (ii) appropriate delegations of authority, (iii) segregation of duties and (iv) other measures that are consistent with industry best practice.</p>	No change.	
<p>112.2 The Director shall designate the officer responsible for establishing and maintaining an adequate internal control of the operations of the Organization as deemed necessary. The internal controls structure shall include:</p> <ul style="list-style-type: none"> <li>a) The accomplishment of the strategic objectives and goals in line with the mission of the Organization,</li> <li>b) The efficient and effective administration of resources,</li> <li>c) The compliance with regulations and rules, policies and procedures,</li> </ul>	No change.	

EXISTING TEXT	PROPOSED TEXT	COMMENTS <i>Deleted Language</i> <b>Inserted Language</b>
and decisions of the Governing Bodies,		
d) The identification and management of organizational risks, e) The appropriate designation of officers responsible and accountable for conducting the business of the Organization, f) The integrity and reliability of information.		
	<b>112.3 The internal audit function shall be determined by an Audit Charter as established by the Auditor General in consultation with the Audit Committee and be approved by the Director and the Executive Committee.</b>	Financial Rule 112.3 was added in order to establish the basis under which internal activities will be conducted.
<u>Payments</u> 112.3 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 duly certified by designated officials confirming that in accordance with the terms of the contract, the amount is correct and services have been rendered or delivery has been completed.	112.34 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 duly certified by designated officials confirming that in accordance with the terms of the contract, the amount is correct and services have been rendered or delivery has been completed.	Renumbered to keep the sequence.

EXISTING TEXT	PROPOSED TEXT	COMMENTS <i>Deleted Language</i> <b>Inserted Language</b>
112.4 Where operationally justified and only on an exceptional basis, contracts or purchase orders may be entered into which require partial payment in advance prior to the delivery of goods or performance of services. Such practice shall be fully documented.	112.4 <del>5</del> Where operationally justified and only on an exceptional basis, contracts or purchase orders may be entered into which require partial payment in advance prior to the delivery of goods or performance of services. Such practice shall be fully documented.	Renumbered to keep the sequence.
112.5 In order for any contract or purchase order to be entered into requiring full payment in advance, the officer requesting such terms shall provide full justification and demonstrate why such payments terms are necessary in the interest of the Organization. All such payment terms shall be subject to approval of the designated officer.	112.5 <del>6</del> In order for any contract or purchase order to be entered into requiring full payment in advance, the officer requesting such terms shall provide full justification and demonstrate why such payments terms are necessary in the interest of the Organization. All such payment terms shall be subject to approval of the designated officer.	Renumbered to keep the sequence.
112.6 Designated officials may authorize advances to staff members and other persons in connection with the execution of official duties for PAHO and staff entitlements.	112.6 <del>7</del> Designated officials may authorize advances to staff members and other persons in connection with the execution of official duties for PAHO and staff entitlements.	Renumbered to keep the sequence.
112.7 Designated officers are responsible and accountable for all resources under their control.	112.7 <del>8</del> Designated officers are responsible and accountable for all resources under their control.	Renumbered to keep the sequence.

EXISTING TEXT	PROPOSED TEXT	COMMENTS <i>Deleted Language</i> <b>Inserted Language</b>
112.8 Panels of signatories shall be designated by officials authorized by the Director. All payments from the Organization's bank accounts shall be signed by two officials of the appropriate panels. Where deemed necessary, in exceptional circumstances, the officials authorized to designate panels of signatories, may authorize the signature of payments by one official only, provided that there are adequate safeguards	112. <del>8</del> <sup>9</sup> Panels of signatories shall be designated by officials authorized by the Director. All payments from the Organization's bank accounts shall be signed by two officials of the appropriate panels. Where deemed necessary, in exceptional circumstances, the officials authorized to designate panels of signatories, may authorize the signature of payments by one official only, provided that there are adequate safeguards	Renumbered to keep the sequence.
112.9 Comprehensive policies and procedures for core functions must be properly documented, maintained and disseminated across the Organization.	112. <del>9</del> <sup>10</sup> Comprehensive policies and procedures for core functions must be properly documented, maintained and disseminated across the Organization.	Renumbered to keep the sequence.
112.10 Fixed asset records will be maintained by the designated officer, however acquired and from whatever source, in accordance with applicable policies, procedures and accounting	112. <del>10</del> <sup>11</sup> Fixed asset records will be maintained by the designated officer, however acquired and from whatever source, in accordance with applicable policies, procedures and accounting	Renumbered to keep the sequence.
112.11 An annual physical inventory shall be taken of all fixed assets.	112. <del>11</del> <sup>12</sup> An annual physical inventory shall be taken of all fixed assets.	Renumbered to keep the sequence.

EXISTING TEXT	PROPOSED TEXT	COMMENTS <i>Deleted Language</i> <b>Inserted Language</b>
112.12 The designated officer may declare a fixed asset to be surplus or obsolete if it has no further future economic benefit to the Organization. The disposal of a fixed asset should result in the best possible outcome to the Organization, including the sale, donation or scrapping.	112.42 <del>13</del> The designated officer may declare a fixed asset to be surplus or obsolete if it has no further future economic benefit to the Organization. The disposal of a fixed asset should result in the best possible outcome to the Organization, including the sale, donation or scrapping.	Renumbered to keep the sequence.
112.13 The gain or loss from the disposal of a fixed asset shall be recognized in Other Revenue.	112.43 <del>14</del> The gain or loss from the disposal of a fixed asset shall be recognized in Other Revenue.	Renumbered to keep the sequence.
112.14 Subject to the provisions of Financial Rule 104.1, goods and services may be provided to governments, specialized agencies, and other international organizations on a reimbursable or reciprocal basis on such terms and conditions as may be prescribed by the Director.	112.44 <del>15</del> Subject to the provisions of Financial Rule 104.1, goods and services may be provided to governments, specialized agencies, and other international organizations on a reimbursable or reciprocal basis on such terms and conditions as may be prescribed by the Director.	Renumbered to keep the sequence.
112.15 Policies and procedures shall be established, documented, and disseminated for procurement and contracting activities.	112.45 <del>16</del> Policies and procedures shall be established, documented, and disseminated for procurement and contracting activities.	Renumbered to keep the sequence.
112.16 Procurement and contracting activities shall be entered into for and on behalf of the Organization only by duly authorized officers.	112.46 <del>17</del> Procurement and contracting activities shall be entered into for and on behalf of the Organization only by duly authorized officers.	Renumbered to keep the sequence.
112.17 All purchases and other contracts shall be made on the basis of competitive bids, except when otherwise	112.47 <del>18</del> All purchases and other contracts shall be made on the basis of competitive bids, except when otherwise	Renumbered to keep the sequence.

<b>EXISTING TEXT</b>	<b>PROPOSED TEXT</b>	<b>COMMENTS</b> <i>Deleted Language</i> <b>Inserted Language</b>
authorized by the Chief of Administration.	authorized by the Chief of Administration.	
112.18 Contracts are normally awarded to the lowest bidder. However, where it is considered to be in the interests of the Organization, the acceptance of a bid other than the lowest, or the rejection of all bids may be authorized by the designated officer.	112.48 <del>18</del> <sup>19</sup> Contracts are normally awarded to the lowest bidder. However, where it is considered to be in the interests of the Organization, the acceptance of a bid other than the lowest, or the rejection of all bids may be authorized by the designated officer.	Renumbered to keep the sequence.

## ANNEX B

### I.6.2 Office of Internal Oversight and Evaluation Services, Audit Charter

10. **Purpose:** This policy sets forth the administrative and management framework of the internal audit function in PAHO.

20. **Mandate and Mission**

20.1. In accordance with Financial Regulation 12.1(d), which states that the Director of Pan American Sanitary Bureau (PASB) shall “maintain an internal oversight function reporting to the Director,” the Director has established the Office of Internal Oversight and Evaluation Services (IES) and has approved this policy as the Charter for IES.

20.2. The mission of IES is to provide internal auditing and evaluation services that add value to and support the Pan American Health Organization (PAHO) in achieving its mission by strengthening accountability, transparency, integrity and learning within the Organization.

20.3. PAHO adopts the Institute of Internal Auditors (IIA) definition of internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

20.4. IES internal auditors are subject to and must personally follow the IIA’s *International Professional Practices Framework*. The IIA’s core principles, *Standards*, *Code of Ethics* and *Definition of Internal Auditing* are mandatory for those who adhere to the IIA’s professional framework.

20.5. IES may conduct investigations, when requested by the Director of PASB, which shall be undertaken in accordance with PAHO’s *Investigation Protocol*, which is also a PAHO/WHO E-Manual policy.

30. **Responsibilities and scope of activities**

30.1. IES establishes and reports risk-based internal audit work plans, and conducts the assignments identified therein; manages its resource requirements; and coordinates its tasks with other internal and external providers of relevant assurance and consulting services. The Auditor General reports to the Director of PASB on IES' performance relative to its plan; significant risk exposures and control issues; organizational governance issues; and other matters needed or requested by the Director of PASB.

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- 30.2. IES provides assurance regarding risk management, control, and governance processes to the Director of PASB and to the Executive Committee. The scope of IES' activities includes ascertaining that the Organization's assets are safeguarded; that activities are conducted effectively, efficiently and economically in accordance with internal regulations, rules and policies; that significant program results, plans, and business objectives are achieved; that information is accurate, secure and reliable; and that adequate measures have been taken to minimize the risks of fraud, waste, abuse and mismanagement. IES is not relieved of its responsibilities in areas which are subject to review and assurance by others (such as external auditors), but it assesses the extent to which it can rely on the work of others, and it coordinates its planning with theirs.
- 30.3. All systems, processes, operations, functions and activities within the Organization are subject to IES's internal audits.
- 30.4. The Auditor General, in consultation with the Director of PASB, shall have the authority to allocate its internal resources, set the frequency of audits, select audit subjects, determine scopes of work, and apply the techniques required to accomplish internal audits and internal oversight assignments.
- 30.5. The Auditor General and IES staff shall have unrestricted access to all functions, records, property, premises, and personnel; all staff, consultants, contractors, interns and volunteers shall cooperate with IES assignments and provide access to all records, documents, and information requested by IES in connection with such assignments (except for medical records, which shall not be made available without the prior written consent of the individual concerned).
- 30.6. Advisory services are provided at the request of Department Directors, with whom the nature and the scope of the services are agreed upon. The purpose of advisory services is to add value and improve PAHO's governance, risk management and control processes, without the internal auditor assuming management responsibility.
- 30.7. The Auditor General shall discuss this policy with the Director of PASB, as necessary. The Auditor General shall disclose his or her opinion regarding any non-conformance with this policy that may impact the overall scope or operation of the internal audit activity to the Director of PASB, to senior management, and to others as deemed appropriate. These opinions shall include the mandatory elements of the IIA's *International Professional Practices Framework* (as referred to in paragraph 1.4 above).

**40. Status and Independence of IES**

- 40.1. The Auditor General reports administratively and functionally to the Director of PASB.
- 40.2. The Director of PASB approves the risk-based IES Work Plan, after giving consideration to recommendations on it from the Audit Committee, and receives communications from the Auditor General on the oversight function's performance relative to its plan and other matters.
- 40.3. The Auditor General may request private and confidential access to the Audit Committee through a request made to its Chair.
- 40.4. In implementing the work plan approved by the Director, IES shall exercise independence in determining the scope of internal audits, performing work, and communicating results, free from any managerial interference.
- 40.5. IES' internal auditors are expected to apply and uphold the principles of integrity, objectivity and confidentiality. IES personnel are also expected to be free of any real or perceived conflicts of interest, so as to guarantee their ability to perform their duties and responsibilities objectively. Internal auditors and evaluators must refrain from performing oversight assignments in areas for which they were responsible during the previous two years, but they may provide consulting advice in such cases.

**50. Operating Methods**

- 50.1. IES develops a flexible internal audit work plan using appropriate risk-based methodologies.
- 50.2. IES implements its work plan, taking into account any special tasks requested by the Director of PASB and recommendations from the Audit Committee, as appropriate.
- 50.3. The Auditor General shall submit a written report for each individual internal audit assignment to the Director of PASB, copied to concerned entity in the Organization.
- 50.4. The Auditor General shall submit an annual summary report to the Executive Committee, through the Director of PASB who may comment thereon prior to its submission to the Executive Committee. This report shall cover results of the previous year's internal audits, other internal oversight activities and those proposals by the Auditor General for inclusion in the IES Work Plan not approved by the Director that the Auditor General considers should be brought to the attention of the Executive Committee.

- 50.5. IES follows-up on the implementation status of internal audit recommendations made in its reports, at least three times annually, and communicates the results periodically to the Director of PASB.
- 50.6. IES maintains a team of professional internal auditors - with access to external specialists, as appropriate - with sufficient knowledge, skills and other competencies to meet the requirements of this policy.
- 50.7. IES provides *ad-hoc* advice to the Director of PASB on request.
- 50.8. IES representatives may attend, as observers, any internal committee or other internal meetings IES deems necessary for the proper conduct of the oversight process.

**60. Responsibility**

The Auditor General is the designated PAHO business owner of this policy. The PAHO/WHO E-Manual Standing Committee may amend this policy only after giving due consideration to the recommendations from the Auditor General and PAHO's Audit Committee regarding such amendments. The Auditor General shall include an explanation of any amendments of this policy in his/her annual summary report to the Executive Committee in accordance with paragraph 50.4 above.

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