



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



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### **REPORT OF THE AUDIT COMMITTEE OF THE PAN AMERICAN HEALTH ORGANIZATION**

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## **What is the Audit Committee?**

1. The 49th Directing Council of the Pan American Health Organization (PAHO) established the Audit Committee in 2009 by Resolution CD49.R2, “Establishment of the Audit Committee of PAHO.” The Audit Committee has three members, whose initial terms of office have been staggered to allow for rotation. Their terms can be renewed only once. The Chair rotates on an annual basis among the three members: Amalia Lo Faso chaired the Committee in 2010-2011, then Peter Maertens from 2011-2012, and Alain Gillette in 2012-2013.
2. The concept of an audit committee has gained prominence over the past two decades in administrations, corporations and the United Nations system. It contributes to strengthening the governance and accountability structure. To be effective, all committee members should be experts who are both impartial and independent of the given organizations and its operations. All three current members of PAHO’s Audit Committee are experts on governance, internal control, risk management, and internal and external audit; their only relationship to PAHO is through the Audit Committee.
3. The Audit Committee provides external, independent, senior-level advice regarding financial controls and reporting structures, risk management, internal and external audit, and other internal controls to the Director of the Pan American Sanitary Bureau (PASB) and to PAHO Member States through the Executive Committee. The Audit Committee comes together twice a year for two days, when it meets with PASB’s executive management, other staff members, and the External Auditor. In addition, the Committee reviews many documents and policies, receives briefings, and may visit PAHO/WHO Representative Offices (PWRs) —as it did in 2011, and again in March 2013 with the Brazil PWR and two Pan American Centers (the Latin American and Caribbean Center on Health Sciences Information, or BIREME, and the Pan American Foot-and-Mouth Disease Center, PANAFTOSA— to enhance their understanding of PAHO’s operations, internal controls, projects executed under voluntary funds, and audit follow-up mechanisms.
4. The Terms of Reference (Resolution CD49.R2) require the Audit Committee to:
  - (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 and External Auditor function), and the timely and effective implementation by management of audit recommendations;
  - (b) advise on issues related to the system of internal and external controls as well as their strategies, work plans, and performance;

- (c) report 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) comment on the work plans and the proposed budget of both the internal and external audit functions;
- (e) advise on the operational implications of the issues and trends apparent in the financial statements of the Organization and on significant issues related to financial reporting policy;
- (f) advise on the appropriateness and effectiveness of accounting policies and disclosure practices, and assess changes and risks in those policies; and
- (g) advise the Director in the selection process of the Auditor General of PAHO, and advise the Executive Committee in the selection of the External Auditor.

5. The Audit Committee does not perform either external or internal audits, nor is it responsible for internal control or risk management or any other areas covered. It provides advice to both the Director and Member States and gives its views on whether these areas are operating adequately.

### **Reporting Period and Scope**

6. This report covers audit and related operations from May 2012 until April 2013, including the 2012 Financial Statements, related work done by the External Auditor, and the annual Financial Report of the Director. The Audit Committee reviewed documents, received presentations, including during a brief visit to the PWR and the two Centers in Brazil, and studied the areas consistent with its Terms of Reference. When areas so reviewed have also been mentioned in external and/or the internal audit reports for the same period, the Audit Committee makes reference to such reports rather than providing the same information again.

## **I. THE ADEQUACY OF THE 2012 EXTERNAL AUDIT**

7. The 2012 External Audit was performed by the new External Auditor, the Court of Audit of Spain, elected by PAHO's Directing Council pursuant Resolution CD51.R3 (2011) to succeed the National Audit Office of the United Kingdom. The External Auditor is responsible for the annual accounts starting with 2012 through 2015. The Audit Committee held a November 2012 teleconference with the External Audit team, and invited it to attend the Audit Committee's two-day March 2013 session. The External Auditor has taken into account risk considerations as well as advice from the Audit Committee and has been in frequent contact with PASB's Office of Internal Oversight and Evaluation Services (IES). As suggested by the Audit Committee, the External Audit

team plans to meet with the United Nations Board of Auditors and to attend the sessions of the United Nations Panel of External Auditors, for benchmarking purposes and to conduct a performance audit of the PASB Management Information System (PMIS) “Planning and Organization” phase. The Audit Committee found that the External Auditor’s audit plan and staffing table for 2012-2013 were appropriate.

8. The Audit Committee reviewed the following External Auditor’s reports and discussed them with his team:

- Report to Management on the Audit Visit to the Costa Rica Country Office (November 2012);
- Interim Report (December 2012);
- Opinion and Long-Form Report on the 2012 Financial Statements Audit<sup>1</sup> (May 2013);
- Management Letter on the 2012 Financial Statements Audit (May 2013); and
- Report to Management on the Audit Visit to the Brazil Country Office (February 2013).

9. The Audit Committee is of the view that the External Audit was performed in accordance with the agreement between PAHO and the Court of Audit of Spain, as well as with the professional standards that guide the work of external auditors of the United Nations, its funds and programs, and its specialized agencies. In addition to those issues raised by the External Auditor regarding the 2012 Financial Statements, the Audit Committee did not identify any significant issue which it would need to bring to the attention of the Executive Committee or the Director, nor did the Committee find any issue from the audit thereof.

10. The Management Letter on the 2012 Financial Statements reviewed the extent to which the recommendations of the previous External Auditor are being implemented. The Audit Committee noted that a significant number of these recommendations have been only partially implemented, but the work done by PAHO nevertheless provides a solid basis on which most of the issues should be resolved within a reasonable timeframe. Some of them are however recurrent, as noted about IES recommendations in paragraph 19 below.

11. The External Auditor has appropriately followed-up on previous recommendations and identified areas for improvement in the Long-Form Report on the 2012 Financial Statement Audit.

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<sup>1</sup> Found in: Pan American Health Organization. Financial Report of the Director and Report of the External Auditor for 2012. Official Document 344. Washington (DC): PAHO; 2013. Available from: [http://www.paho.org/hq/index.php?option=com\\_docman&task=doc\\_download&gid=21232&Itemid=270&lang=en](http://www.paho.org/hq/index.php?option=com_docman&task=doc_download&gid=21232&Itemid=270&lang=en)

12. Regarding the International Public Sector Accounting Standards (IPSAS) requirements<sup>2</sup>, the Audit Committee remains concerned that many transactions continue to be finalized manually, through spreadsheets. This calls for added caution, supervision, and external audit care. This handicap will disappear only when PAHO's new management information system is operational (see section VII below).

13. ***Recommendation 1: The Audit Committee acknowledges the continuity in high standards of external audit and encourages PAHO to implement the External Auditor's recommendations.***

## **II. THE EFFECTIVENESS OF THE INTERNAL AUDIT**

14. The Audit Committee is satisfied with the internal audit activities provided through PASB's Office of Internal Oversight and Evaluation Services (IES). It has noted the impact of its reports in terms of strengthening controls within the Organization. The Audit Committee commends PAHO for its good IES practices, which include:

- (a) full independence and appropriate professionalism;
- (b) solid annual risk-based audit planning, and reliable delivery of the plan;
- (c) transparent IES Annual Report, including an opinion on internal controls;
- (d) the ability of the External Auditor to rely on IES work; and
- (e) quarterly follow-up and reporting on open IES recommendations.

15. The Audit Committee noted that, for the first time, all internal audit posts were appropriately filled in 2012. IES did not have to rely on external consultants to provide continuity in its work, but should call on outside specialists whenever necessary.

16. IES refined its new report format in 2012, at the advice of the Audit Committee.

17. The number of recommendations is inevitably growing due to the still recent creation of IES. The Audit Committee shares the IES view that the overall implementation rate of recommendations tends to be rather slow but similar to comparable rates in other international or national organizations. IES reports quarterly on open recommendations, highlighting long-outstanding and high-priority ones. This calls for extra effort on the part of management to ensure implementation. The electronic monitoring mechanism of all oversight recommendations, which is being considered, should result in a more sustained implementation.

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<sup>2</sup> PAHO adopted, like WHO and most international institutions, the International Public Sector Accounting Standards (IPSAS). These are a set of accounting standards issued by the IPSAS Board to improve the accountability and transparency of public sector entities around the world in the preparation of financial statements. They are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

18. IES mentions in its 2012 annual report that it “has also found at PWRs a long-running problem of outdated policies and procedures. In the subsequent procedural vacuum, PWR managers have—of necessity—started to develop their own practices. IES sees a risk of divergent practices solidifying at PWRs”<sup>3</sup>. The Audit Committee reached the same conclusion during its field visits in 2011 and 2013, and encourages PAHO to introduce appropriate and lasting remedies.

19. Noting in this respect the recurrence of issues targeted by previous recommendations already closed, as in the case of the Brazil PWR and Centers which it visited, the Audit Committee has recommended closing recommendations only after having ascertained that they have been not only fully but also lastingly implemented.

20. The audit of PWRs is based on a risk-assessment approach, in coordination with the External Auditor for more comprehensive coverage. The Audit Committee is of the view that a cyclical approach shared by both Internal and External Auditors could be combined with the risk factors, and with the input from FRM (CAS) visits. In this regard, the goal could be that all PWRs and Centers receive an audit visit, however short for the smaller offices, within a reasonable number of years. This is also an important message to be conveyed to all PAHO sites in terms of accountability.

21. Regarding audit follow-up, IES indicated that it would consider the Audit Committee’s suggestion to introduce a new category, such as “partially implemented”, as does the External Auditor Report’s annex B.

22. ***Recommendation 2: The Audit Committee commends IES for its constant progress in internal audit coverage, and the Director of PASB for ensuring IES’ appropriate independence and audit follow-up.***

### III. EVALUATION

23. The Audit Committee supports the plan to have IES as the focal point for evaluation standards, guidance, monitoring, and disseminating the lessons learned. The existing decentralization of the actual conduct of the evaluations requires a high degree of professionalism and independence. IES’s role of coordinating evaluations in PAHO is new, and IES should determine if the resources allocated enable it to satisfactorily carry out this value-adding function

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<sup>3</sup> Paragraph 30, Report of the Office of Internal Oversight and Evaluation Services. Document CE152/17, 28 March 2013. Available from:  
[http://www.paho.org/hq/index.php?option=com\\_docman&task=doc\\_download&gid=21509&Itemid=270&lang=en](http://www.paho.org/hq/index.php?option=com_docman&task=doc_download&gid=21509&Itemid=270&lang=en)

24. **Recommendation 3: The Audit Committee encourages PAHO to assign adequate staff to coordinating and monitoring its institution-wide evaluation function.**

25. After visiting the Brazil PWR, as mentioned below, the Audit Committee noted that in some cases little is known as to whether the management of large voluntary contributions achieves the expected results, is sustainable, and if there are lessons to be learned.

26. **Recommendation 4: The Audit Committee recommends that for large operations, such as the Brazil PWR, at least one independent project evaluation should be expected per year.**

#### IV. RISK MANAGEMENT

27. As noted in the Audit Committee's previous annual report<sup>4</sup> and on page 17 of the *Financial Report of the Director for 2012*, the basic elements for an Enterprise Risk Management (ERM) system are being put into place, including the risk registry. The monitoring and follow-up of mitigation plans designed to lessen risks will still require continuous efforts. Taking note of the IES Report 03/12<sup>5</sup>, the Audit Committee emphasizes the need to further streamline procedures, align concepts and practices, and guarantee the interface between related databases so as to prevent discrepancies or overlaps. The External Auditor likewise reviewed ERM<sup>6</sup> and made a number of recommendations to improve progress and ensure continuity in implementing and integrating it in the Organization's processes.

28. The Audit Committee will follow up on this issue, with a focus on country-level risks at its next session.

29. **Recommendation 5: The Audit Committee commends PAHO for progress achieved in risk-management procedures, and recommends developing internal audit coverage and independent evaluation assignments in line with specific country-level risks.**

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<sup>4</sup> Report of the Audit Committee of the Pan American Health Organization. Available from: [http://www.paho.org/hq/index.php?option=com\\_docman&task=doc\\_download&gid=17840&Itemid=&lang=en](http://www.paho.org/hq/index.php?option=com_docman&task=doc_download&gid=17840&Itemid=&lang=en)

<sup>5</sup> IES Report 03/12 of June 2012, entitled Results and Risks: a Review of Results Based Management and Enterprise Risk Management in the Secretariat, and of the Scope for Greater Coherence between the Two Activities.

<sup>6</sup> Section 4.2 of the Report of the External Auditor for 2012.



## V. THE 2012 FINANCIAL STATEMENTS

30. In accordance with its Terms of Reference, the Audit Committee reviewed documents, received presentations, and studied the areas reported by the External Auditor in the Long-Form Report on the 2012 Financial Statement Audit. The Audit Committee took particular note of the Accounting Policies and Basis of Preparation of the Financial Statements, including IPSAS implementation, as mentioned above.

31. The Audit Committee is satisfied with the 2012 Financial Statements and the audit thereof. It has not identified any issues in addition to those mentioned in the 2012 Financial Statements or in the *Financial Report of the Director and Report of the External Auditor for 2012*. The 2012 Financial Statements and the comparative figures for 2011 are IPSAS-compliant. This was achieved by a staff dedicated to working on the IPSAS project for several years.

32. The Audit Committee draws attention to the slight increase in assessed contributions still due at the end of 2012, after three years of continuous progress. This may require that PAHO further replenish its Working Capital Fund and increase its authorized limit of \$20 million, after the decrease in 2011; it could be achieved by a transfer from the IPSAS Surplus Fund.<sup>7</sup>

33. The Audit Committee plans to examine the reporting on in-kind contributions at its next session.

## VI. THE AUDIT COMMITTEE'S FIELD VISITS TO BRAZIL

34. The Audit Committee visited BIREME, PANAFTOSA and the PWR Brazil in March 2013. Significant Audit Committee observations arising from these visits are reflected below, and will again be discussed with PASB at the November 2013 Audit Committee session, in light of 2005-2009 reports and decisions by the Supreme Audit Institution of Brazil obtained after the visit. Some of the issues were also reported in recent internal and/or external audit reports.

### a) PWR BRAZIL

35. Regarding procurement, the above-mentioned 2012 Financial Report notes that the overall increase in PAHO revenue is primarily due to the increase in procurement services on behalf of Member States. The PWR Brazil manages a large part of them. The internal and external audit reports are to be commended for their analysis of the procurement conducted by the PWR Brazil at the request and expense of the Brazilian Administration.

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<sup>7</sup> *Financial Report of the Director for 2012*, page 4 and Item 14.1 (page 73).

36. In light of the PWR's use of letters of agreements, the Audit Committee concurs with the External Auditor's comments<sup>8</sup> on the lack of clarity in the E-Manual on the use of letters of agreement as a procurement mechanism. This lack of clarity translates into a risk that these instruments could be used for purposes other than those for which they were created, including paying for services rendered or expenditures incurred by employees of public sector institutions to the latter.

37. Regarding treasury procedures, the Financial Rules require that a PWR transmit any holdings of funds to Headquarters, where the funds are exchanged into and held in United States dollars until needed. The Brazil PWR is funded by a large amount of voluntary contributions paid in *reals*, a stable currency: their exchange into U.S. dollars and back into *reals* introduces unnecessary losses and risks, of three kinds. Firstly, bank transaction costs are incurred twice. Secondly, the funds become exposed to currency fluctuations: due to exchange rate downturns, there are a number of instances where the funds made available by the Brazil government in its own currency got reduced in terms of how much remained eventually available for the program. Thirdly, potentially significant interest earnings were lost. This issue was considered by PAHO's Investment Committee but not satisfactorily resolved. Such loss risks should never be taken without reporting the net costs to the host country and its approval.

38. The Audit Committee commends the External Auditor for drawing attention relating to the exchange rate risk in Brazil and for outlining options for PAHO's consideration to minimize it<sup>9</sup>.

39. ***Recommendation 6: The Audit Committee recommends that PAHO conduct a risk assessment on currency holdings and exchanges, and will revert to the above issues at its next session.***

*b) Joint comments on BIREME AND PANAFTOSA*

40. The purpose of the visit to BIREME and PANAFTOSA was to gain an understanding of these special centers, their operations, internal controls, and governance structures. The information collected during such visits is not independently verified as would be done for an audit or an evaluation.

41. The Audit Committee was impressed by the focus that both the BIREME and PANAFTOSA teams have on their respective missions, as well as by the dedication and expertise of their staff members.

42. Both Centers are confronted by the continual changes in the access to scientific and health-related publications and have gone through several stages since they were

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<sup>8</sup> Section 3.3 of the Long-Form Report on the 2012 Financial Statements Audit.

<sup>9</sup> Section 3.2, Ibid.

established almost 50 years ago. Until recently, both Centers relied on hard copy collections of publications; they are creating a virtual library with on-line access to other libraries.

43. The Audit Committee noted in both Centers a lack of external evaluation in recent years, and believes that if such evaluations were conducted, for instance at five-year intervals, they could provide input to the governing bodies and scientific committees when they set out the future role of the Centers in a changing world.

44. Item 11, “Performance of Centers Administered by PAHO,” of the *Financial Report of the Director for 2012* does not include BIREME and PANAFTOSA, while it could be relevant to report on them under that item.

**45. *Recommendation 7: The Audit Committee recommends that PAHO launch independent evaluations of BIREME and of PANAFTOSA at five-year intervals to provide input toward adjustments to their strategies and programs.***

*c) BIREME*

46. Two members of the Audit Committee conducted a two-day visit to the BIREME<sup>10</sup> premises that are owned by the Federal University of São Paulo (UNIFESP), spoke with the staff, received briefings, and studied documents. They also met with the Vice Rector and Librarian of UNIFESP and with the Secretary of Health of the State of São Paulo.

47. With the assistance of its Science Committee, BIREME has adjusted its operating model to meet the demands of a changing world. Challenges such as negotiating a new agreement with the host government and staffing some key positions were being addressed even though delays had occurred. The Center was responsive to the recommendations from a 2011 Internal Audit report. Only one recommendation was open and under discussion, on finalizing BIREME’s headquarters agreement with the Government of Brazil.

*d) PANAFTOSA*

48. One member of the Audit Committee visited PANAFTOSA<sup>11</sup> for one day, meeting with staff members throughout its compound.

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<sup>10</sup> The mission of BIREME is “to contribute to the development of the health in the countries of the Latin America and the Caribbean by means of the democratization of access, publication and use of the health information, knowledge and scientific evidence” with the primary foundation being “the access to scientific and technical health information...”. This requires BIREME staff to have librarian and information technology skills and a know-how of health issues as presented in scientific publications.

<sup>11</sup> The Pan American Foot-and-Mouth Disease Center (PANAFTOSA) is a scientific center that has done important work in the control and eradication of foot-and-mouth disease since it was founded in 1951. In

49. PANAFTOSA benefits from advisory mechanisms outside PAHO<sup>12</sup> and is under the aegis of PAHO's Governing Bodies. Being an integral part of PAHO, it has, however, no specific governing body, no scientific committee, and no formal, regular meeting of a senior management team. The PANAFTOSA governance could therefore be improved.

50. A milestone has been the approval by the PASB Director in October 2010 of a new human resources plan along with the restructuring of the laboratory into two separate units late 2011, with extensive changes in management as well as in institutional development in regard to external parties. The Center never stopped, however, to provide technical cooperation and products from its laboratory to countries and to diversify resources for its projects; while Brazil continues to support its maintenance.

51. During its 2011 PAHO site visits to other countries, the Audit Committee had noted a lack in synergy in sharing best practices, including through audit follow-up. This remains valid. Although there is a close collaboration between the PWR, BIREME and PANAFTOSA, internal and external audit lessons-learned exercises could have long ago improved their management and financial performance at little or no cost.

52. The Audit Committee commends PANAFTOSA for taking immediate action on some minor risk issues raised during the visit, and PAHO for agreeing with the Audit Committee's recommendation to attain an ISO 9000<sup>13</sup> certification for the laboratory.

53. ***Recommendation 8: The Audit Committee recommends that PANAFTOSA governance be strengthened, notably through considering with its Brazilian counterparts the creation of a Scientific Committee.***

## VII. PASB MANAGEMENT INFORMATION SYSTEM (PMIS)

54. Regarding PMIS, the significant steps taken early 2013 are in line with previous Audit Committee recommendations<sup>14</sup>. The caution and professional resources now

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1997, technical cooperation on zoonosis was included in its mandate and in 2007 food safety became another area of action. PANAFTOSA-PAHO/WHO provides technical cooperation to all PAHO member countries.

<sup>12</sup> Hemispheric Committee for the Eradication of Foot-and-Mouth Disease; Pan American Commission for Food Safety; South American Commission for the Control of Foot-and-Mouth Disease; Meeting of Directors of National Rabies Control Programs in Latin America; and Inter-American Meeting, at Ministerial Level, on Health and Agriculture.

<sup>13</sup> International standard that addresses quality management, as defined by the International Organization for Standardization.

<sup>14</sup> As summarized in: Report of the Audit Committee of the Pan American Health Organization, CE150/9, 7 May 2012, paragraph 31. The plan to introduce an integrated software package referred to as an enterprise resource planning (ERP) system started in 2008, and the modernization project was formally announced in 2011.

brought to the change management component are reassuring. The Audit Committee welcomes the recommendations of the internal and external audit reports on this issue.

55. The Audit Committee noted that, in view of the upcoming termination of the United Nations International Computing Center, the ensuing 2015 deadline may require an even higher mobilization of internal resources, with appropriate back-up staff to free key officers outside the core project team, to ensure a timely completion.

56. The Committee took note that PASB's executive management was evaluating the current processes of COBIT<sup>15</sup> to determine the best approach to take for its implementation.

57. The Committee, considering its mandate, requested that future progress summaries go beyond timeline reporting in order to also focus on obstacles and risks. The Committee also requested more frequent reporting rather than the twice yearly reporting in Audit Committee sessions.

58. **The Audit Committee commends the Director for the re-engineering of the PMIS project.**

## VIII. STATEMENT OF INTERNAL CONTROL

59. The Director included the usual Statement of Internal Control in the *Financial Report of the Director and Report of the External Auditor for 2012*, wherein she explains her responsibility for internal control and the significant elements that are part of it. As in previous years, the Director acknowledges a number of weaknesses in her Statement, as well as the actions PAHO has taken or planned to address these issues. A number of these are also touched upon in this report. Her points center on the following:

- (a) Corporate Administrative Systems, referring to the work being done to implement the PMIS and to the Financial Accountability Framework;
- (b) Project implementation, particularly in relation to Voluntary Contributions;
- (c) Succession planning for staff;
- (d) Emergency response, referring to the Emergency Operations Center;
- (e) Impact of the international economic environment on the budget; and
- (f) Funding of long-term employee liabilities.

60. Based on its examinations, and subject to its comments below, the Audit Committee shares the Director's confidence that "as a result of the actions taken to

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<sup>15</sup> The "Control objectives for information and related technology" framework defines a set of generic processes for the governance and management of information technology, with key inputs, outputs, activities, objectives, and performance measures.

address the significant issues noted above, the system of internal control will continue to be strengthened.” She notes that, in her opinion, “the Organization’s system of internal control was effective throughout the financial reporting period 1 January 2012 through 31 December 2012, and remains so on the date [she] signed the statement.”

61. The Audit Committee commends the Auditor General for properly advising management to make internal controls less manual in nature, to more clearly link internal controls to risks, and to more explicitly define and formalize internal controls.

62. The External Auditor did not have anything to report regarding the Director’s Statement on Internal Control<sup>16</sup>. This is also consistent with the observations made by the Audit Committee, which fully endorses the related external and internal audit recommendations and the Director’s commitment to further address identified weaknesses and ensure continuous improvement of the system of internal control.

63. In light of its PASB discussions and field visits, the Audit Committee welcomes PAHO’s progress and initiatives regarding IES findings on three outstanding internal control<sup>17</sup> issues: (i) the PMIS project should eventually permit transactions and information to flow throughout the Organization with more accuracy and efficiency, and improve the currently poor level of accounting analysis available to management; (ii) the connections between the Organization’s objectives, risks, and internal controls are too often unclear; and (iii) outdated and fragmented procedural guidance leads to still inconsistent practices.

**64. In the view of the Audit Committee, the Director’s Statement on Internal Control reflects best practices, relies on the various oversight functions, and is consistent with its own observations.**

## **IX. AFTER-SERVICE HEALTH INSURANCE LIABILITY**

65. The Committee recognizes the challenge to PAHO and other United Nations organizations of funding After-Service Health Insurance defined-benefit plans (ASHI). This calls for caution. As a result of PAHO’s adoption of IPSAS 25 in 2010, PAHO recognized it as a long term liability. In 2010, \$22.1 million of Termination and Repatriation Entitlements Plan (TAREP) funds were transferred to ASHI and \$10 million

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<sup>16</sup> As stated in the External Auditor’s Opinion and Report to the Directing Council found in the *Financial Report of the Director and Report of the External Auditor for 2012*, page 28.

<sup>17</sup> Internal controls can be defined as all the systems, procedures, reviews, checks, and balances — including the governance structures — that support the orderly and efficient achievement of PAHO’s mandate and objectives while safeguarding its resources, funds, and assets; deterring and detecting errors, fraud, and theft; ensuring the accuracy and completeness of its accounting data; producing reliable and timely financial and management information; and ensuring compliance with its policies and plans.

of the “IPSAS surplus” was transferred in 2012 to ASHI. The unfunded liability for After-Service Health Insurance however increased to \$266.2 million as of 31 December 2012, after an actuarial firm completed a valuation of the liability in February 2013.

66. The Committee inquired about factors determining the liability, including: the proportion of retired population to active staff, trends in medical costs, an aging population, and interest rates. This liability increased each of the last two years despite the allocations authorized by the Member States. This was in part due to the adoption of more conservative assumptions such as the discount rate for actuarial calculation. PAHO is of the view that the current assumptions are sufficiently conservative. The Audit Committee notes that, in view of the aging of the beneficiaries, the expected decrease to 5% for the annual medical costs increase after 2018<sup>18</sup> calls for caution, and will carefully review the comprehensive plan to be presented to the Governing Bodies in 2013<sup>19</sup>. The Committee noted that additional resources are under consideration.

67. The Committee has also recommended benchmarking with other organizations such as the United Nations Joint Staff Pension Fund in terms of investment strategies.

**68. The Audit Committee commends PAHO for progress made on ASHI funding and monitoring, and draws the attention of the Member States to the importance of a comprehensive plan to meet its funding requirements over time.**

## **X. CLASS ACTION SUIT**

69. The Audit Committee has been kept abreast of the status of the U.S. federal class action suit (*Garcia et al v. Sebelius et al*) against the Government of the United States of America and PAHO, and will continue to follow the matter.

## **XI. THE EXPANDED TEXTBOOK AND INSTRUCTIONAL MATERIALS PROGRAM (PALTEX)**

70. The Audit Committee has taken note of the transfer of PALTEX from PAHEF to PAHO, to be taken into account when comparing the implementation of the annual budgets preceding and following this transfer, and commends the External Auditor for his related recommendations.

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<sup>18</sup> Page 65. Item 12.3.1 of the *Financial Report of the Director for 2012*

<sup>19</sup> Page 20. Item 6, “Funding of Long-Term Employee Liabilities”, *ibid.*

## **XII. RELATIONSHIP BETWEEN PAHO AND THE PAN AMERICAN HEALTH AND EDUCATION FOUNDATION (PAHEF)**

71. **The Audit Committee welcomed the clarification and focusing of PAHEF's role**, the communication of the PAHEF Financial Statements and Report of its External Auditor.

72. While noting that PAHO has very professionally monitored the media coverage of its resources coming from the food and beverage industry, the Audit Committee has taken the view that the handling by PAHEF of private sector fundraising could help keep at bay any misperception in this field.

## **XIII. ETHICS AND FRAUD**

73. The Audit Committee has commended PAHO for issuing the Zero Tolerance for Fraud and Corruption leaflet, and has recommended developing a series of similar statements on such ethics issues as conflicts of interests, gifts, and hospitality. The Audit Committee is also of the view that such policy should not only apply to the staff but also to implementing partners and to suppliers, as applicable, in view of the inherent reputational risk to the Organization.

74. The Audit Committee noted that PASB's declaration of conflict of interest questionnaire, originally published in 2005 and modelled after WHO's questionnaire, would be re-issued and its processing would be automated. The Committee recommended that patent royalties, discounts, in-kind services, and equipment (e.g. vehicles) be included in the questionnaire. The Committee also recommended that section seven on disclosure of confidential information be reformulated because, in essence, it asked if a staff member intended to commit fraud.

## **XIV. SELF-ASSESSMENT**

75. In May 2013, the Audit Committee delivered its first self-assessment (see Annex), modeled after that of WHO and benchmarked its operations against the United Nations Joint Inspection Unit's report on "The Audit Function in the United Nations System". The self-assessment shows that the relationship between PAHO and its Audit Committee is in line with best practices. As a result of the self-assessment, the Committee recommends the following minor improvements.

76. **Recommendation 9: The Audit Committee recommends that its membership be published in the annual Financial Report of the Director.**



77. **Recommendation 10:** The Audit Committee recommends that the annual Financial Report of the Director contain a section on the roles and responsibilities of the Audit Committee and actions taken to discharge those responsibilities.

78. **Recommendation 11:** The Audit Committee recommends that the Director submit to it for review the draft Letter of Representation, following the example set in this regard by the WHO Independent Expert Oversight Advisory Committee (IEOAC) self-assessment checklist.<sup>20</sup>

## XV. CONCLUSION

79. As an overall conclusion, the Audit Committee appreciates the full cooperation of PAHO management and is satisfied that progress continues to be achieved. The Audit Committee will pursue its mandate and follow up on the issues raised in its reports—in particular, the efforts to introduce a PMIS—in order to help PAHO further improve accountability and performance.

### LIST OF THE AUDIT COMMITTEE'S RECOMMENDATIONS IN THIS REPORT

**Recommendation 1:** The Audit Committee acknowledges the continuity in high standards of external audit and encourages PAHO to implement the External Auditor's recommendations.

**Recommendation 2:** The Audit Committee commends IES for its constant progress in internal audit coverage, and the Director of PASB for ensuring IES' appropriate independence and audit follow-up.

**Recommendation 3:** The Audit Committee encourages PAHO to assign adequate staff to coordinating and monitoring its institution-wide evaluation function.

**Recommendation 4:** The Audit Committee recommends that for large operations, such as the Brazil PWR, at least one independent project evaluation should be expected per year.

**Recommendation 5:** The Audit Committee commends PAHO for progress achieved in risk-management procedures, and recommends developing internal audit coverage and independent evaluation assignments in line with specific country-level risks

**Recommendation 6:** The Audit Committee recommends that PAHO conduct a risk assessment on currency holdings and exchanges, and will revert to the above issues at its next session.

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<sup>20</sup> The latest WHO IEOAC self-assessment states however that this practice is not currently implemented at WHO.

**Recommendation 7:** The Audit Committee recommends that PAHO launch independent evaluations of BIREME and of PANAFTOSA at five-year intervals to provide input toward adjustments to their strategies and programs.

**Recommendation 8:** The Audit Committee recommends that PANAFTOSA governance be strengthened, notably through considering with its Brazilian counterparts the creation of a Scientific Committee.

**Recommendation 9:** The Audit Committee recommends that its membership be published in the annual Financial Report of the Director.

**Recommendation 10:** The Audit Committee recommends that the annual Financial Report of the Director contain a section on the roles and responsibilities of the Audit Committee and actions taken to discharge those responsibilities.

**Recommendation 11:** The Audit Committee recommends that the Director submit to it for review the draft Letter of Representation, following the example set in this regard by the WHO Independent Expert Oversight Advisory Committee (IEOAC) self-assessment checklist.<sup>20</sup>

**PAHO Audit Committee 2013 Self-Assessment \***

GOOD PRACTICE QUESTIONS	AC REPLIES AND ACTIONS REQUIRED
	<p><i>Completed by Alain Gillette, Amalia Lo Faso, and Peter Maertens 6 May 2013</i></p>
<b>1. Relationships and Communication</b>	
<b>With the Executive Committee</b>	
<p>Is the Audit Committee (AC) a committee of the Executive Committee (EC)?</p> <p>Does the Committee follow up recommendations agreed by the Executive Committee?</p> <p>Does the Chair have open lines of communication with the Executive Committee?</p> <p>Does the Committee periodically obtain assurance from the Executive Committee on the effectiveness of the Audit Committee?</p> <p>Does the Committee make a formal annual report on its own effectiveness to the Executive Committee?</p> <p>Do the Executive Committee agendas include a regular report from the Audit Committee?</p> <p>Does the Report from the Audit Committee communicate recommendations to the Executive Committee?</p> <p>Are outline agendas, without supporting papers, sent to other Executive Committee members to keep them up-to-date with the Audit Committee's work?</p>	<p><b>No, but set up by it.</b></p> <p><b>Yes.</b></p> <p><b>Yes, if needed.</b></p> <p><b>No, but the EC can comment on the presentation of the AC's annual report at its Spring Session. The AC would welcome a triennial review by the EC.</b></p> <p><b>Yes, since 2013.</b></p> <p><b>Yes, annually.</b></p> <p><b>Yes, when deemed very important or representative. Most recommendations are provided to the Director.</b></p> <p><b>No.</b></p>

\* The PAHO Audit Committee (AC) has adopted for this first, May 2013 edition the format of its WHO counterpart's Self-Assessment table, and has benchmarked its operations against the United Nations Joint Inspection Unit's report on "The Audit Function in the United Nations System".

Does the Executive Committee receive the Audit Committee minutes?	<b>No.</b>
Does the Chair of the Audit Committee meet with the Executive Head and Finance Director bilaterally at least once a year?	<b>Yes, with full AC or when needed.</b>
<b>With internal audit</b>	
Does the Chair have open lines of communication with the Head of Internal Audit?	<b>Yes.</b>
Does the Committee periodically seek the views of internal audit on the work and effectiveness of the Audit Committee?	<b>Yes.</b>
Does the Chair of the Committee meet separately with the Head of Internal Audit at least once a year?	<b>Yes.</b>
Does the Committee review the internal audit plan and audit reports?	<b>Yes.</b>
Does the Committee review the scope and remit of internal audit in the organisation?	<b>Yes.</b>
Does the Committee consider whether the scope of internal audit work addresses the significant risks?	<b>Yes.</b>
Does the Committee examine all individual terms of reference for internal audit's work?	<b>Yes.</b>
Does the Committee consider the experience and expertise of the audit team?	<b>Yes.</b>
Does the Committee monitor internal audit's progress in undergoing quality assurance or peer review procedures?	<b>Yes.</b>
Does the Committee monitor whether internal audit is working to professional standards relevant to the organisation?	<b>Yes.</b>
Does the Committee monitor whether internal audit have the resources and right people with relevant expertise to carry out its remit?	<b>Yes.</b>
Is the Committee Secretary role separate from internal audit?	<b>Yes.</b>
<b>Between internal and external audit</b>	
Does the Audit Committee monitor the effectiveness of relationships between internal and external auditors?	<b>Yes.</b>
Does the Committee consider whether internal and external audit have communicated and coordinated audit plans?	<b>Yes.</b>
Does the Committee consider whether external audit places reliance on the work of internal audit?	<b>Yes.</b>

<p>Does the Committee discuss whether there are areas where joint working would be beneficial?</p> <p>Does the Committee consider whether all audit services are joined up, including in-house operational audits?</p> <p>Does the Committee expect internal and external auditors to communicate effectively with each other about understanding key business risks, their assessments of risk areas and how their work will cover these key risk areas?</p> <p>Does the Committee communicate this expectation to internal and external audit?</p> <p>Does the Committee require an annual report from internal and external audit on the extent of planned and actual co-operation between them?</p>	<p><b>Yes, but not applicable so far.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>No, but at least one annual meeting jointly.</b></p>
<p><b>With external audit</b></p>	
<p>Does the Chair have open lines of communication with the external audit Director/Partner?</p> <p>Does the Committee periodically obtain the views of external audit on the work and effectiveness of the Audit Committee?</p> <p>Does the Chair of the Committee meet separately with the external audit Director/Partner at least once a year?</p> <p>Does the Committee's role include participation in the external audit appointment process?</p> <p>Does the Committee consider the experience and expertise of the audit team?</p> <p>Does the Committee consider whether the audit Director/Partner will spend sufficient time on the audit and whether time to be spent by other audit staff seems reasonable?</p> <p>Does the Committee monitor external audit's compliance with applicable ethics guidance relating to the rotation of audit Partners?</p> <p>Does the Committee agree the external audit plans and management letters?</p> <p>Does the Committee seek specific assurance regarding external audit's quality assurance procedures when considering their audit strategy?</p> <p>Do external audit inform the Committee of key developments and issues at key stages of the audit?</p>	<p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes, with whole Committee.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Not applicable.</b></p> <p><b>No, but these are reviewed and if needed commented upon.</b></p> <p><b>No, but this is discussed.</b></p> <p><b>Yes.</b></p>

<p>Does the Committee make suggestions to external audit regarding risk and problem areas the audit could address?</p> <p>Does the Committee consider whether external audit focuses on the fundamental issues?</p> <p>Does the Committee consider whether the external auditors have delivered fully against their plans?</p> <p>Does the Committee monitor the performance of external audit?</p> <p>Does the Committee review audit fees?</p>	<p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes, at the selection stage, and, starting in 2014, annually.</b></p>
<p><b>With evaluation</b></p>	
<p>Does the Chair have open lines of communication with the Head of Evaluation?</p> <p>Does the Committee periodically seek the views of evaluation on the work and effectiveness of the Audit Committee?</p> <p>Does the Chair of the Committee meet separately with the Head of Evaluation at least once a year?</p> <p>Does the Committee review the evaluation plan and evaluation reports?</p> <p>Does the Committee review the scope and remit of evaluation in the organisation?</p> <p>Does the Committee consider whether the scope of evaluation work addresses the significant risks?</p> <p>Does the Committee examine all individual terms of reference for evaluation's work?</p> <p>Does the Committee consider the experience and expertise of the evaluation team?</p> <p>Does the Committee monitor evaluation's progress in undergoing quality assurance or peer review procedures?</p> <p>Does the Committee monitor whether evaluation is working to professional standards relevant to the organisation?</p>	<p><b>Yes, Internal Audit being also planned to be the focal point for Evaluation.</b></p> <p><b>Yes, Internal Audit being also planned to be the focal point for Evaluation.</b></p> <p><b>Yes, Internal Audit being also planned to the focal point for Evaluation. Full AC.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Only upon delivery of the main Evaluation reports.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p>

Does the Committee monitor whether evaluation has the resources and right people with relevant expertise to carry out its remit?	<b>Yes.</b>
Is the Committee Secretary role separate from evaluation?	<b>Yes.</b>
<b>Communication with stakeholders</b>	
Does the Chair have open lines of communication with stakeholders?	<b>Yes, the whole AC does</b>
Is the Committee's membership published in the annual Financial Report of the Director?	<b>No, but the AC Annual Report for 2012 has recommended to do so.</b>
Per the Combined Code/Smith Report, does the annual Financial Report of the Director contain a section on the roles and responsibilities of the Audit Committee and actions taken to discharge those responsibilities?	<b>No, but the AC Annual Report for 2012 has recommended to do so.</b>
<b>2. Business Risk and Internal Control</b>	
<b>Assessing the scope and work of internal and external audit</b>	
Does the Committee satisfy itself that the organisation's main risk areas are being reviewed by internal and external audit?	<b>Yes.</b>
<b>Monitoring risk management arrangements</b>	
Does the Committee's role include monitoring the Executive Committee's processes for assessing business risks and the financial implications?	<b>Yes.</b>
Does the Committee ensure that internal and external audit report to them on what they perceive as the key risks now and in the short and long-term?	<b>Yes.</b>
Do senior executives report to the Committee on how key business risks and their financial implications are being dealt with?	<b>Yes.</b>
Do internal and external audit comment on the Executive Committee's reports on how key business risks are being dealt with?	<b>Yes.</b>
Is the Committee involved in reviewing the effectiveness of internal control?	<b>The AC is not involved in the review, but verifies that it is done.</b>
Does the Committee consider whether corporate governance is treated as a compliance exercise or is being used to provide benefit to the organisation?	<b>Not explicitly.</b>
Does the Committee consider whether the system of internal reporting gives early warning of control failures and emerging risks?	<b>This is considered through assurance on internal audit, discussion with both PASB</b>

<p>Does the Committee consider whether each of the significant risks is sufficiently owned by a member of the Executive Committee?</p> <p>Does the Committee consider the need to raise the awareness of junior staff to the importance of risk management?</p>	<p><b>and, during field visits, at country level.</b></p> <p><b>Not explicitly.</b></p> <p><b>Not directly. The AC plans to review at a forthcoming session the issues raised in this section.</b></p>
<p><b>Statement on Internal Control (SIC) and assurance from internal and external audit</b></p>	
<p>Does the Committee consider how meaningful the SIC is?</p> <p>Does the Committee review whether the SIC discloses adequately the processes for dealing with material internal control aspects of any significant problems disclosed in the annual report and accounts?</p> <p>Does the Committee approve the SIC?</p> <p>Does the Committee ensure that they receive from internal and external audit details on the operation of internal control, including any failures to implement recommendations accepted by the Executive Committee?</p> <p>Does the Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?</p>	<p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>No.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p>
<p><b>Fraud</b></p>	
<p>Does the Committee consider whether effective anti-fraud and corruption policies and procedures are in place and operating efficiently?</p> <p>Does the Committee consider whether arrangements have been established to deal with situations of suspected or actual fraud?</p> <p>Does the Committee consider whether there is a code of conduct and its distribution to employees?</p> <p>Does the Committee consider whether a whistle blowers' hotline is required?</p>	<p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p>



3. Roles and Remit	
Terms of Reference, roles and responsibilities	
<p>Are the Terms of Reference approved by the Executive Committee?</p> <p>Are the Terms of Reference reviewed at least annually?</p> <p>Do the Terms of Reference adequately define the Committee’s role and provide it with sufficient membership, authority, time and resources to perform its role effectively?</p> <p>Does the Committee consider the impact on their workload of changes to their role?</p> <p>Does the role of the Committee include review of business risk and internal control, independence and effectiveness of internal and external audit, maintenance of proper accounting records and quality of financial statements, policies against fraud, implementation of new systems, tax and litigation matters involving uncertainty, compliance with laws and regulations?</p> <p>Does the Committee’s role include obtaining assurances relating to the corporate governance requirements for the organisation?</p>	<p><b>Yes.</b></p> <p><b>They are now reviewed through this self-assessment.</b></p> <p><b>Yes.</b></p> <p><b>No changes have been required to date.</b></p> <p><b>Yes, the AC considers each of these issues.</b></p> <p><b>Not directly and not needed.</b></p>
4. Meetings	
Frequency	
<p>Does the Committee meet sufficiently often to monitor important issues?</p> <p>Do the Terms of Reference set out the frequency of meetings?</p> <p>Does the Committee calendar meet the organisation’s business needs, governance needs and the financial calendar?</p> <p>Are there at least 4 meetings a year (per Audit Committee Handbook) or 3 for smaller organisations?</p> <p>Can special meetings be organised to allow quick response to emergencies?</p>	<p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>The AC meets twice a year, with field visits every other year so far, and has constant channels of communication.</b></p> <p><b>Yes.</b></p>
Timing and length	
<p>Do the Terms of Reference set out the timing of meetings?</p> <p>Are the meetings set for a length of time which allows all business to be</p>	<p><b>No and this is not needed.</b></p> <p><b>Yes (two days, duration</b></p>

conducted, yet is not so long that the meeting becomes ineffective?	<b>proven to be effective).</b>
<b>Agenda management</b>	
Does the Chair encourage full and open discussion and invite questions?	<b>Yes.</b>
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	<b>This will be introduced in 2013.</b>
Does the agenda exclude executive business so that there is no overlap with the work of the Executive Committee whilst linking to the main elements of the organisation's business?	<b>Yes.</b>
Are inputs on Any Other Business formally requested well in advance from Committee members, Chief Executive, Finance Director, internal and external audit?	<b>Yes.</b>
Is the Executive Committee Secretary also the Audit Committee Secretary?	<b>Yes.</b>
<b>Attendance</b>	
Do the Terms of Reference include rules for a quorum?	<b>The AC comprises three members, which means a two-member quorum.</b>
Are attendance records maintained and reviewed annually by the Executive Committee?	<b>100% attendance so far.</b>
<b>Timing and content of Audit Committee papers</b>	
Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	<b>Yes for IES reports; all others are ad hoc but rare.</b>
Are agendas and their supporting papers, together with brief executive summaries of papers, issued to all Committee members, internal audit and external audit, giving them at least a week to consider the papers in advance?	<b>Yes. The one-week deadline remains a target.</b>
Are there oral reports to the committee, supported by succinct, easy to read documents?	<b>Yes.</b>
Does the Committee issue guidelines concerning the format and content of the papers to be presented to the Committee?	<b>No, and so far not required.</b>
Is there a pro forma for written reports to ensure there is a focus on salient matters, that there are clear recommendations, a timescale for completion and an individual responsible for implementation?	<b>No, and so far not required.</b>

Location	
Are the Committee meetings rotated between locations to give the members the opportunity to see various operating sites?	<b>Not desirable due to the related costs and time implications, but AC field visits are made.</b>
Actions arising	
Are minutes prepared and circulated to the appropriate people promptly?	<b>There remains some room for improvement.</b>
Is a report on matters arising made and included in the minutes provided at the Committee's next meeting?	<b>Yes.</b>
Do action points indicate who is to perform what and by when?	<b>Yes, for recommendations.</b>
Are actions allocated to a single person, rather than joint responsibility?	<b>No, but style of recommendations fits the organization.</b>
5. Financial Information and Regulatory Matters	
Understanding financial matters	
Does the Committee consider how best to keep the Committee Chair abreast of public sector accounting requirements?	<b>Yes, all AC members are professional accountants and or auditors with mandatory training requirements.</b>
Does the Committee provide support to the finance function in explaining the effects of financial and reporting requirements to the rest of the Executive Committee?	<b>No. The AC considers that this is not needed.</b>
Does the Audit Committee satisfy itself that: <ul style="list-style-type: none"> <li>• the organisation keeps proper accounting records?</li> <li>• the annual financial statements represent fairly the financial position of the organisation?</li> </ul>	<b>Yes.</b> <b>Yes.</b>
Does the Committee gain an understanding of management's procedures for developing the organisation's financial report and the historical reliability of the organisation's financial reporting?	<b>Yes.</b>
Does the Committee review the annual report and financial statements before signature by the Executive Director?	<b>No, and the AC Annual Report for 2012 recommends to do so.</b>

<p>Do they consider specifically:</p> <ul style="list-style-type: none"> <li>• Suitability of accounting policies and treatments</li> <li>• Major judgements made</li> <li>• Large write-offs</li> <li>• Unusual credits</li> <li>• Last minute transactions</li> <li>• Changes in accounting treatment</li> <li>• Unusual financial trends</li> <li>• Unusual financial statement relationships</li> <li>• Accounting treatments varying from the sector norm</li> <li>• The impact on going concern of fundamental issues in the business</li> <li>• The reasonableness of accounting estimates</li> <li>• The reasonableness of other accounting entries requiring judgement</li> <li>• Reporting on the wider financial aspects of the business, e.g. the Operating and Financial Review</li> <li>• The narrative aspects of the reporting?</li> </ul> <p>Does the Committee consider whether there is a risk of the accounts being qualified by the external auditors?</p> <p>Does the Committee review the Letter of Representation before signature by management and give particular attention to non-standard issues of representation?</p>	<p><b>The following items are so far reviewed after the signature of the Financial Report.</b></p> <p>Yes. Yes. Yes. Yes. No. Yes. Yes. Yes. Yes. Yes. Yes. No. No. Yes.</p> <p>Yes.</p> <p><b>No, and the AC Annual Report for 2012 recommends to do so.</b></p>
<p><b>SAS 610 and external audit</b></p>	
<p>Does the Committee liaise fully with the external auditors on matters concerning the financial statements?</p> <p>Is there discussion of the unadjusted misstatements in the draft financial statements?</p> <p>Do the Committee consider why unadjusted errors in the draft financial statements detected by the external auditors are not corrected?</p>	<p>Yes.</p> <p><b>Not at the draft stage.</b></p> <p>Yes.</p>
<p><b>Compliance with regulations</b></p>	
<p>Does the Audit Committee review whether the organisation complies with regulatory matters affecting the business?</p> <p>Does the Committee monitor whether the organisation's procedures for identifying and managing business risk have regard for the relevant legislation and regulation?</p>	<p><b>Only on specific issues coming to the AC's attention. This will be further considered.</b></p> <p><b>Only on specific issues coming to the AC's attention. This will be further considered.</b></p>

Does the Committee enquire into whether there are procedures for making all employees aware of whistle blowing procedures?	<b>Yes.</b>
<b>6. Membership, Induction and Training</b>	
<b>Size</b>	
Is the membership in the range of 3 to 5?	<b>Yes.</b>
Are the number of PAHO staff attending the meetings sufficient to deal adequately with the agenda, but not too many to blur issues?	<b>Yes.</b>
Does the Committee ensure that the right people attend, especially those who will have meaningful input on agenda items?	<b>Yes.</b>
<b>Membership</b>	
The Chairmanship of the Committee and the Executive Committee should not be combined. Is this the case?	<b>They are not combined.</b>
Do the Chairs of the Committee and the Executive Committee and the other non-executive members consult widely before making recommendations on membership of the Committee?	<b>Not applicable so far, since the AC original members are still in place.</b>
Is the Head of Internal Audit invited to attend rather than being a member?	<b>Yes.</b>
Where there is executive membership, is this rotated on an appropriate cycle (e.g. 3 years)?	<b>Not applicable.</b>
Is the Committee membership mostly composed of non-executive or independent members?	<b>Yes, fully.</b>
If there are sufficient non-executives to do so on the Executive Committee, is there rotation onto the Audit Committee?	<b>Not applicable.</b>
Where the creation of an Audit Committee separate from the Executive Committee is not practicable, is consideration given to actions that enhance objectivity e.g. appointment of a non-executive chair?	<b>Not applicable.</b>
Is the appointment of independent external members for an appropriate period of time (e.g. 3 years)?	<b>Yes, three years renewable once.</b>
<b>Independence, skills, experience</b>	
Does the Executive Committee ensure that the membership of the Audit Committee demonstrates independence and the required mix of skills and experience?	<b>Yes.</b>

<p>Do the Committee's corporate competencies include accountancy skills/recent and relevant financial experience/risk management/ audit/technical skills relevant to the organisation/understanding of international and UN environment?</p> <p>Does the Committee set down requirements for areas of collective understanding?</p> <p>Is there a formalised process for the Executive Committee to consider what the non-executives bring to the Committee?</p> <p>Do the assessment criteria include knowledge, experience, personal qualities, and time available?</p> <p>Are there formal assessment criteria for the appointment of the Chair, including attitudes to non-executives, strength of personality; experience of chairing and time commitment?</p> <p>How do candidates declare interests before appointment?</p> <p>Are members required to declare interests in a register of interests and declare conflicts of interest on agenda items?</p> <p>Are Committee members subject to regular appraisal by the Executive Committee?</p>	<p><b>Yes.</b></p> <p><b>No, and not needed.</b></p> <p><b>Not applicable.</b></p> <p><b>Yes.</b></p> <p><b>Yearly automatic rotation.</b></p> <p><b>Yes.</b></p> <p><b>Conflicts of interest are to be declared yearly and so far there have been none.</b></p> <p><b>No, except indirectly upon reappointment.</b></p>
<p><b>Dynamism and performance of Audit Committee</b></p>	
<p>Does the Executive Committee ensure that the membership of the Audit Committee retains its dynamism?</p> <p>Have recent developments created a need for a review of the work of the audit committee?</p> <p>Does the Audit Committee assess its effectiveness annually?</p> <p>Does the Committee make a formal annual report on its own effectiveness to the Executive Committee?</p> <p>How does the Committee benchmark itself against others?</p> <p>As part of self-assessment, does the Committee discuss the quality of the information it receives and make recommendations to the Executive Committee on its training needs?</p>	<p><b>No to the knowledge of the AC.</b></p> <p><b>No.</b></p> <p><b>This is the first time.</b></p> <p><b>Since 2013.</b></p> <p><b>AC members do, through individual experience and available documentation. This self-assessment results from that.</b></p> <p><b>Yes. No training needs so far.</b></p>

Induction of new members ( <i>This section relates to the initial AC membership; there has been no new member so far.</i> )	
<p>Do new members receive a copy of the Terms of Reference, a formal letter of appointment setting out responsibilities, term and remuneration?</p> <p>Do new non-executive members receive recent financial statements and other public reports, executive summaries of internal audit reports, commentaries on how recommendations have been followed up, external audit management letters, codes of conduct, etc.?</p> <p>Is there an induction for new non-executive members?</p> <p>Is there an induction checklist for new non-executives (Audit Committee members and others) including, for example:</p> <ul style="list-style-type: none"> <li>• Site visits</li> <li>• Attendance at Executive Committees</li> <li>• Meeting with Risk Manager</li> <li>• Meeting with Corporate Quality Manager</li> <li>• Meeting with Head of Internal Audit</li> <li>• Meeting with External Audit</li> <li>• Link-up with the other audit committees</li> </ul> <p>Do the new members visit important business locations?</p>	<p><b>Yes. No remuneration.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>Annual report presentation.</b></p> <p><b>Yes.</b></p> <p><b>Position does not exist.</b></p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p><b>No.</b></p> <p><b>Periodic field visits.</b></p>
Access to advice	
<p>Does the Chair contact the Chair of the Executive Committee for approval for access to legal or other professional advice?</p> <p>Does the Chair of the Executive Committee ensure adequate budget to keep the members of the Committee updated on their role and provide access to legal and professional advice where necessary?</p>	<p><b>No need so far, but would be done if necessary.</b></p> <p><b>De facto, Yes, without specific budget.</b></p>