



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



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**PROGRESS REPORT ON THE IMPLEMENTATION  
OF THE RECOMMENDATIONS OF THE  
EXTERNAL AUDITOR'S SPECIAL REPORT, SEPTEMBER 2004**

**2004-2005 EXTERNAL AUDIT REPORT TO THE DIRECTING COUNCIL**

The Director has the honor to transmit to the Directing Council the National Audit Office (NAO) Progress Report into the Strengthening of Good Governance and Management Procedures in PAHO.

**EXTERNAL AUDIT REPORT  
TO THE DIRECTING  
COUNCIL**

The National Audit Office (NAO) provides an external audit service to the Pan American Health Organization. The External Auditor, Sir John Bourn, has been appointed by the member states in accordance with Article 8 of the Financial Regulations. In addition to providing an opinion on the financial statements of the PAHO, he has authority under the mandate to report to the Directing Council on the economy, efficiency and effectiveness with which the PAHO has used its resources.

The NAO provides external audit services to international organisations, working entirely independently of its role as the UK's Supreme Audit Institution. The NAO has a dedicated team of professionally qualified staff with wide experience of the audit of international organisations.

The aim of the audit is to provide independent assurance to the member states, to add value to the Organization's financial management and governance; and to support the objectives of the Organization's work

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**Aim of this report:**

**To provide the Directing Council and member states with a progress report on action taken by management to strengthen governance and internal procedures in the light of recommendations made in the External Auditor's Special Report of 2004.**

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# PAN AMERICAN HEALTH ORGANIZATION

## NAO PROGRESS REPORT INTO THE STRENGTHENING OF GOOD GOVERNANCE AND MANAGEMENT PROCEDURES IN PAHO

### EXECUTIVE SUMMARY

1. In my September 2004 report to the Directing Council on the National Audit Office's Special Examination into certain allegations, I made a number of recommendations aimed at strengthening PAHO's governance and management procedures.
2. This progress report now sets out the Secretariat's progress to the end of August 2005 in addressing the 16 external audit recommendations from my 2004 Report, and two further recommendations made by PAHO's Executive Committee in September 2004. This progress report is not designed to revisit the original allegations for further evidence but to provide the Directing Council with a position statement on progress as I see it in my capacity as independent External Auditor.
3. In taking measures to strengthen the system of governance, management contracted with the external Ethics Research Center (ERC) for guidance on ethical codes. With help from the ERC, PAHO's Legal Counsel, the human resources department and the IT department, the Secretariat are involved in a number of projects as part of a "Roadmap for Institutional Change". This work should eventually address all the external audit and Executive Committee recommendations, as well as other matters.
4. The management response to external audit recommendations was initially led by Mr Eric Boswell, then Director of Administration; and is now being led by Ms Heidi Jimenez, PAHO's

Legal Counsel. Ms Jimenez has acted as the main point of contact for my staff and I am grateful for her assistance and cooperation.

5. Following the presentation of my Special Report in September 2004, management have been working to address the various audit recommendations and introduce the frameworks and elements necessary for good governance. As part of my 2004-2005 biennial audit, my staff visited PAHO Headquarters in March 2005 and took the opportunity to review progress. At that time some initial steps had been taken and my staff have continued to monitor progress. At the time of finalising this report at the end of August 2005, most of management's improvements represent works in progress and are not due to be implemented and fully operational until 2006.
6. In my view, significant cultural changes and changes in management practice of the sort indicated by the findings of my 2004 Report require a high degree of visible commitment by senior management; and developments and changes which begin at the top.
7. While I would have hoped that more progress would have been possible by August 2005, management has adopted a slow but careful approach. As such, the framework for change will not be in place until early 2006 and I recognise that it will take longer than this (possibly until September 2006) before training and dissemination of guidance throughout the Organization enables the new arrangements to be fully implemented and complied with.
8. Because much of the work in implementing my recommendations is incomplete at the end of August 2005, I am not in a position to provide a concluding view at this stage. However, I acknowledge that PAHO has accepted the need for change and has taken steps towards the implementation of the audit recommendations. When achieved, the introduction of a comprehensive Code of Ethics, a confidential disclosure hotline and an Ethics Officer with direct access to the governing body's executive committee may be unique within the United Nations system.

### Summary of August 2005 recommendations

9. In reviewing progress to the end of August 2005, I have made a number of further

recommendations and these are summarised below:

- I believe there is merit in requiring all staff to confirm on an annual basis that they have complied with the Organization's (new) Code of Conduct, and **I recommend** that this be implemented.
- Regarding the new position of Ethics Officer, **I recommend** that there should be full and open competition for the post; and that the PAHO Staff Association and Legal Counsel should be involved in the recruitment process.
- **I recommend** that in recruiting personnel for short-term assignments of less than three months (where there is no full and open competition under PAHO's proposed "streamlined" approach), some transparency should be achieved by evidencing on the record why single candidates are considered. (That is to say that justification for sole-sourcing should be evidenced.)
- In consideration of the importance of the audit function, **I recommend** that PAHO should further consider the adequacy of internal audit coverage being achieved and the resources available.
- **I recommend** that the list of staff required to complete the new PAHO Declaration of Interests should cover all senior managers including all Administrators of country offices and Centers, given the sensitive nature of their positions.

10. My staff will continue to monitor progress and I will report on this in my end-of-biennium Report to the Directing Council in September 2006.

## **BACKGROUND: THE EXTERNAL AUDITOR'S REPORT TO THE DIRECTING COUNCIL IN SEPTEMBER 2004**

11. At the request of PAHO's Director, in June to September 2004 my staff carried out an independent examination into anonymous allegations about the misuse of the Organization's technical, political and financial resources.

12. My report found that there were areas for improvement in PAHO's governance and management procedures. The impact of the existing arrangements was that the actions of senior management were sometimes seen to be less than transparent; and this lack of transparency was fostering a climate of mistrust in some parts of the Organization.

13. In the absence of adequate mechanisms to deal with alleged impropriety and misconduct, I reported that there was a risk of some staff losing confidence in their organisation, potentially detracting from its inability to achieve its objectives effectively.

14. My report highlighted several areas where governance procedures fell below best practice, and made a total of 16 recommendations. In addition to the audit recommendations, the Executive Committee highlighted two further areas where improvements were needed, namely in the resourcing of Internal Audit and the selection of an Ombudsman.

15. These 18 recommendations arose in relation to:

- I. Ethical standards and Code of Conduct;
- II. Recruitment of employees and consultants;
- III. Complaints procedures, investigation and reporting;
- IV. Management of external relationships and conflicts of interests;
- V. IT security;
- VI. Internal Audit; and
- VII. Ombudsman.

### **I. Ethical standards and Code of Conduct**

16. I recommended that PAHO should develop a framework of ethical principles for the conduct of the Organization's business and the guidance of staff, to be supported by a comprehensive Code of Conduct applicable to all staff. All staff should be required to confirm at least annually that they have complied with the Code.

17. There should be a requirement on all staff in sensitive posts (such as senior management positions, procurement and human resources) to complete comprehensive declarations of interests on a regular basis.

18. There should be clear and transparent procedures for investigating alleged breaches of the Code or failure to declare conflicts of interest.

### **II. Recruitment of employees and consultants**

19. I recommended that PAHO should maintain an up to date list of accredited STCs/STPs, based on a clear policy for assessing their expertise, competence and suitability for employment.

20. All STCs/STPs should be recruited on the basis of open competition in all but the most exceptional circumstances. Candidates for short term positions should be expected to abide by the Organization's ethical standards.

21. PAHO should apply the same standards and considerations to internal appointments as apply in external recruitment and placement.

### **III. Complaints procedures, investigation and reporting**

22. I recommended that PAHO should develop clear procedures for dealing with complaints and allegations and should communicate this to all staff. This should include:

- a clear timescale for investigating the complaint; and
- an agreed procedure for communicating the outcome of the investigation.

23. In the event that staff concerns cannot be resolved through their managers or supervisor, they should have access to a confidential hotline to raise their concerns. The investigation of

matters raised via the hotline should be subject to supervision by an independent third party able to report to the Directing Council.

24. PAHO should have a clear policy for determining the circumstances in which complaints should be investigated and who should be involved.
25. There should be clear protocols covering the methodology used for the investigation and for reporting the outcome.
26. The Legal Department should be involved at all key stages.

#### **IV. Management of external relationships and conflicts of interests**

27. I recommended that PAHO should expect its partners to conform to the ethical standards it sets for itself.
28. PAHO should exert greater control over the use of its name and logo.
29. PAHO should establish appropriate policies and guidelines to cover the management of relationships with third party organisations, supported by Memoranda of Understanding in individual cases to define the relationship, roles and responsibilities of the parties.

#### **V. IT security**

30. I recommended that PAHO carry out a review of the current IT security arrangements, including those relating to e-mail facilities.
31. And that PAHO should
  - adopt a detailed policy on IT security and
  - take steps to ensure that it is enforced.

#### **VI. Internal Audit**

32. The Executive Committee called for a report to be made to the Sub-committee for Planning and Programming (SPP) on the issue of under-resourcing of PAHO's internal audit function.

#### **VII. Independence of Ombudsman**

33. The Executive Committee called for a report to be made on the progress of selection of an Ombudsman.

## **PROGRESS: ACTION TAKEN FOLLOWING THE EXTERNAL AUDITOR'S SPECIAL EXAMINATION REPORT OF 2004**

34. My Report on the Special Examination was presented to the 45th Directing Council in September 2004. The Directing Council assigned responsibility to the Executive Committee for monitoring and implementing the 16 recommendations in the Report.

35. Immediately after the meeting of the Directing Council in September 2004, the Executive Committee requested that the Secretariat should report to the Subcommittee on Planning and Programming (SPP) in March 2005 on two further areas - internal audit and the matter of an ombudsman.

36. The Executive Committee have been kept informed of progress on these areas by the Secretariat, through a report to the SPP in March 2005; a report to the Committee in Buenos Aires in June 2005, and other meetings with the Chairman of the Executive Committee.

### **In general**

37. PAHO's Administration department carried out a preliminary review in order to determine how best the 18 recommendations could be taken forward. This involved reviewing existing procedures; and determining what needed to be improved and the resources which would be needed to achieve this. In some cases, this is a matter of having to revise current policies and/or practices; and in other instances, it is a matter of enforcing existing policies.

38. The audit recommendations are being addressed under the banner of a Standards of Accountability and Transparency project, one of the projects within PAHO's Roadmap for Institutional Change. This work should eventually address all the external audit and Executive Committee recommendations, as well as other matters.

39. Because no additional resources were made available to address the areas needing attention, management has looked at the re-allocation of existing resources.

40. In taking the recommendations forward, an internal working group was set up and it was decided that PAHO should seek help from outside experts in this area: the Ethics Resource Centre (ERC), a long-established not-for-profit organisation specialising in governance work.

41. The ERC were contracted to address (with PAHO input) the issues of ethical standards and code of conduct; recruitment of employees; complaints procedures; and the management of external relationships.

42. The remaining recommendations covering IT security, internal audit and the ombudsman are being addressed by the Director of Administration; the Legal Counsel; and the human resource management and information technology departments, assisted by other parties including PAHO's Staff Association.

43. As part of my 2004-05 biennial audit, my staff visited PAHO Headquarters in Washington in March 2005 and took the opportunity to review progress on action taken to implement the audit recommendations. They also provided the Secretariat with examples of the code of conduct in use in the National Audit Office; and with related policy and internal practice manual provisions related to ethics and conduct requirements. PAHO had taken some preliminary steps by that time and my staff have continued to monitor progress. At the time of finalising this progress report at the end of August 2005, most of the intended improvements remain works in progress and are not due to be implemented and fully operational until 2006.

44. I would have hoped that the majority of my recommendations would have been fully or substantially addressed by the end of August 2005. However, management informed my staff that they wished to take a careful and co-ordinated approach in developing the various frameworks necessary for improved governance, and that the Ethics Resource Centre only provided their final report in June 2005.

45. From my staff's review of progress, I anticipate that adequate new arrangements will not be in place until early 2006; and that it will take longer than this - possibly until September 2006 - before new arrangements will be fully implemented and complied with throughout the Organization.

46. My staff will continue to monitor progress in addressing and implementing these recommendations; and I will report again in my end-of-biennium report, to be presented to the Directing Council in September 2006.

### In relation to specific recommendations

47. I comment on each of the seven categories of recommendations in more detail below. Because much of the work in implementing my recommendations is incomplete at the end of August 2005, I am not in a position to provide any definitive conclusions at this stage. However, in reviewing progress to August 2005, I have made a number of further recommendations and these are set out below.

### I. Ethical standards and Code of Conduct

48. In collaboration with the Ethics Resource Centre, the Secretariat has been addressing the development of a framework of ethical standards and a code of conduct based on ethical principles. My staff have been informed that declarations will be required by all staff to confirm their understanding of and adherence to a code of conduct. Additionally, all staff in senior and/or sensitive positions will be required to make an annual declaration of interests. It is envisaged that this will cover about 100 PAHO staff.

49. Management have advised my staff that the new code will be complemented by the establishment of a comprehensive Integrity and Conflict Management System (see further below) and an Ethics Officer who will report to the Executive Committee.

50. At the time of preparing this report, my staff had not been provided with the proposed code, nor had any code been approved by the Director for adoption, but it was hoped that this would occur prior to the September 2005 meeting of the Directing Council.

51. I believe that there is clear merit in requiring all staff to confirm at least annually that they have complied with a formal Code of Conduct and I **recommend** that this be taken forward as a matter of priority.

52. Regarding the new position of Ethics Officer, I **recommend** that this should be filled through a full and open competition, and that various parties (for example the PAHO Staff Association and the

Legal Counsel) might be involved in the recruitment process to ensure the appointment of an independent and objective candidate.

### II. Recruitment of employees and consultants

53. Management have acknowledged that a more open and competitive selection process should be in place for the recruitment of temporary staff and consultants.

54. The human resources management department, HRM, has been looking into the recruitment of STCs and STPs and how best to maintain an up-to-date list of accredited candidates. My staff have been informed that by 1 January 2006 an automated roster will be in place and accessible to candidates interested in temporary assignments.

55. Additionally, the HRM department has undertaken a detailed review of the various contracting mechanisms for the engagement of temporary personnel; and has elaborated explicit principles regarding the use, conditions of service and selection processes for these types of contract. Management has informed my staff that guidelines for the recruitment of temporary personnel are being finalized and a new policy should be in place for implementation by 1 January 2006, consistent with the introduction of the roster, above.

56. Although no formal policy has yet been adopted, I understand that a number of STP assignments have already been advertised and that selections for those assignments have been on a competitive basis.

57. My staff have been informed that the recruitment of staff for short-term assignments of less than three months is to be subject to a more streamlined approach. While I appreciate the need for this, I **recommend** that, in recruiting personnel for short-term assignments where there is no full and open competition, the process should be made a transparent one, with the file and decision record making clear on what basis only a single candidate was considered (that is to say, recording the justification for sole-sourcing).

### III. Complaints procedures and complaints investigation and reporting

58. Management have informed my staff that PAHO's new Code of Conduct will embrace the



establishment of a comprehensive Integrity and Conflict Management System (ICMS), which will establish clear and articulated procedures for dealing with complaints and allegations; and for investigating and reporting. I understand that this system will include the establishment of a dedicated confidential hotline and the appointment of an Ethics Officer.

59. My staff have been informed that the ICMS will set out the options and arrangements available to staff, including details of responsibilities, timetables, specific procedures, investigative guidelines and outcome reporting.

60. Management intend that the ICMS will represent an efficient and coordinated use of resources to help ensure comprehensive and integrated conflict management where systematic issues are recognized and addressed; and that staff will have multiple options available to them to suit their particular circumstances.

61. At the time of preparing this progress report, the proposed Integrity and Conflict Management System was only in a formative state; and the position of Ethics Officer was still under development. I understand that the ICMS should be in place once the Ethics Officer position is established and filled (perhaps by early 2006).

62. I have recommended, and management have confirmed, that these arrangements, when implemented, will include reference to the legal department in all cases, and the availability of an appropriate sustainable capacity in resource terms.

#### **IV. Management of external relationships**

63. Management have agreed that there is need for a general improvement in this area.

64. Building on initial work carried out by the legal department, the Secretariat has developed guidelines to help evaluate the suitability of potential collaboration with partners. My staff have been provided with a copy of the draft guidelines which set out general principles and specific procedures that should be followed by PAHO staff. These guidelines should help to evaluate the suitability of potential collaboration with third parties, including private companies, universities and NGOs, with particular attention being given to avoiding potential conflicts of interest.

65. I understand that draft guidelines have been shared with the Executive Committee; and that amended guidelines will be distributed to Member States at the 46<sup>th</sup> Session of the Directing Council in September 2005.

66. In addition to these draft guidelines, management has developed policies and procedures for reviewing all technical cooperation initiatives with third party organizations and donor countries. These require Memoranda of Understanding or Agreements defining the relationships and responsibilities of all parties to set up immediately that there are to be financial transactions between PAHO and another body.

67. The existing PAHO/WHO Manual sets out PAHO's position on the inappropriate use of the Organization's name and logo by third parties. However, in the past not all incidences of inappropriate use have been reported to the legal department and new directives will be used to remind all staff to be vigilant and to report unauthorised use.

68. I understand that management intend to review the Organization's corporate branding and the use of its name, as part of PAHO's Roadmap for Institutional Transformation initiative.

#### **V. IT security**

69. Management have recognised the need for improvements in this area and the Director has approved the creation of the post of Information Security Officer, whose first assignment will be to conduct an assessment of IT security risks and develop a plan of action to address those risks.

70. Management have advised my staff that the Information Security Officer post was advertised with a closing date of June 2005 and interviews were conducted in August. I understand that a selection committee is scheduled for early September 2005. The Information Security program at PAHO will begin in late 2005, allowing IT security issues to be addressed in 2006.

#### **VI. Internal Audit**

71. Although PAHO had established its own internal audit unit in 2002, when the current Director of PHAO assumed office in 2003 she restored WHO's oversight of PAHO's internal audit function. Subsequently, in 2004, PAHO and the World Health Organization agreed that WHO's

Office of Internal Oversight Services (IOS) would provide internal audit services for PAHO/AMRO. Under this agreement the chief of PAHO's Internal Oversight Services office now reports to WHO's Coordinator of Internal Audits as first-level supervisor; and jointly to WHO's Director of Internal Oversight Services and the Director of PAHO as second-level supervisors

72. With the hiring of a chief, PAHO's department of Internal Oversight Services (previously called Internal Audit) was regarded as back to full strength. While I accept that PAHO's IOS department is staffed to complement in that there are now two staff in post, there has been a significant reduction in resources for the period that the second position was vacant, from July 2002 to September 2004. WHO IOS department from Geneva has recently conducted several evaluations of PAHO programmes, augmenting their oversight functions in the AMRO region.

73. Because there is now a new auditor and a proposed risk-based audit approach, time will need to be invested in establishing improved coverage, resulting in fewer reports in the biennium than has been usual in the past. (16 reviews/reports are planned compared to a typical 35).

74. PAHO's IOS department may now be fully staffed but there has been an overall understaffing for 2004-2005 as a whole which will not be recovered. The internal audit programme is very forward-looking and there are no plans for any catch-up to compensate for areas that, because of under-resourcing, have not been audited for some time.

75. Internal oversight is an important tool in management's discharging of their responsibility of controlling the organization. A reduction in the level of oversight reduces management's knowledge of and control over the organization's activities; and reduces the level of assurance available in relation to the Organization's internal control systems. My staff have discussed this matter with IOS staff from PAHO and WHO, and with PAHO's Director of Administration.

76. **I recommend** that, in consideration of the importance of the internal oversight function, PAHO should further consider the adequacy of internal audit coverage being achieved and the resources available.

## VII. Ombudsman

77. I understand that in attempting to fill the position of Ombudsman, created by the Director in 2003, the Secretariat conducted extensive searches in 2003 and 2004, but found no candidates eminently qualified for the position.

78. My staff have been informed that, in an effort to attract the highest quality candidates, the post was re-advertised in March 2005 at a higher grade and with a five-year term of appointment. The closing date for applications was April 2005 and, following a preliminary screening of applications, five qualified candidates were interviewed. The selection process should have been completed by the end of August 2005, and the post occupied by the end of 2005.

79. Given the length of time that the post had been vacant, and the time required to recruit and fill the five-year post, an individual with appropriate experience was hired on a temporary basis in May 2005, in consultation with the PAHO Staff Association. This individual is bilingual and has relevant work experience as an ombudsperson and in dispute resolution.

## PROGRESS MATRIX

80. The matrix on the following pages sets out management's responses to the 18 recommendations made to strengthen PAHO's governance and management procedures, together with my comments and conclusions on those responses.

**Sir John Bourn  
Comptroller and Auditor General,  
United Kingdom,  
External Auditor**

## I. Ethical standards and Code of Conduct

	Audit recommendation (September 2004)	Management response	External Auditor's Comments	External Auditor's Conclusion
1	<p>PAHO should develop a framework of ethical principles for the conduct of the Organization's business and the guidance of staff.</p>	<p><b>Recommendation accepted:</b> Yes. The NAO recommendation called for a framework founded on a principles-based approach but PAHO wants a more prescriptive, rules-based framework specific to the needs of PAHO.</p> <p><b>Action:</b> ERC delivered a draft Code of Ethical Principles and Conduct for PAHO review in April 2005. PAHO have re-worked this draft to make it a more reader-friendly, rules-based version. There will be a final draft before the Directing Council meeting in September 2005.</p> <p>The new Code establishes PAHO's core values and the ethical principles and is followed by a detailed, PAHO-specific rules-based framework, establishing the boundaries of acceptable conduct. The Code also envisions the establishment of a comprehensive Integrity and Conflict Management System within PAHO which will set forth clear and articulated procedures dealing with complaints allegations, reporting and investigations. This System will include the establishment of a dedicated Hotline and of an Ethics Officer who will report to the Executive Committee.</p> <p><b>When:</b> Management hope that the Director will approve the Code for PAHO's adoption prior to the Directing Council meeting in September 2005.</p>	<p>At the end of August 2005 my staff have not yet seen a draft of the Code of Ethical Principles and Conduct, although they are aware of the nature of the contents.</p> <p>In addition to the new Code of Ethical Principles and Conduct, I understand that PAHO's Secretariat adopted important modifications to the Staff Rules and Regulations effective 1 July 2005 (approved by the Executive Committee), in order to ensure that the Rules incorporate the ethical notions and standards of conduct enunciated in the new Code. The modifications cover Rules on Standards of Conduct; Conflict of Interest and Disclosure; Misconduct; Conduct; and Disciplinary Measures.</p> <p>The Code of Ethical Principles and Conduct will require implementation of a training and communications strategy to ensure organisation-wide acceptance and assimilation.</p>	<p>Too early to reach a firm conclusion.</p> <p>ERC have reviewed PAHO's governance systems and provided guidance and recommendations on Policies and Procedures. Adopting a reader-friendly, principles- and rules-based version should allow for clarity.</p> <p>The modification of staff rules and regulations shows that PAHO are moving towards a clear and unified policy.</p> <p>As identified from the outset, training and communication is essential to successful implementation of and adherence to the Code.</p>

	<p>This should be supported by a comprehensive Code of Conduct applicable to all staff. All staff should be required to confirm at least annually that they have complied with the Code.</p>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> Upon adoption of the Code of Ethical Principles and Conduct all staff will be required to confirm (via an Acknowledgement Statement) that they have received, read, understood and are complying with the Code (and with other PAHO documents regulating staff conduct, including the <i>International Civil Service Commission Standards of Conduct for the International Civil Service</i> and the PAHO Staff Rules &amp; Regulations). There will be training programme to achieve this.</p> <p><b>When:</b> None of the declarations have been signed yet. A sample Acknowledgement Statement will be distributed at 46<sup>th</sup> Directing Council in September.</p>	<p>While it is clear that the new Acknowledgement Statements will need to be monitored to ensure that all staff sign them, it is unclear at the moment who will be tasked with this.</p> <p>A possible candidate would be the Ethics Officer, but it will depend on whether or not this position has been filled at that time.</p> <p>In September 2004, I recommended that all staff should be required to confirm at least annually that they comply with the Code. However, management are not planning to adopt an annual declaration on the Code of Ethics. (PAHO will, however, have an annual certification in relation to Declaration of Interests).</p>	<p><b>I recommend</b> that all staff should be required to confirm at least annually that they comply with the Code.</p>
<p>2</p>	<p>There should be a requirement on all staff in sensitive posts (such as senior management positions, procurement and human resources) to complete comprehensive declarations of interests on a regular basis.</p>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> This is part of the ethical framework reviewed by ERC (see 1) and is designed to manage and detect ethical problems; lack of objectivity; conflicts of interest; nepotism etc. PAHO has adopted WHO's Declaration of Interest Disclosure Program by requiring all staff in sensitive positions to report annually as to whether they or their immediate family members (as defined in the newly modified Staff Rule 110.7) have any interest in or association with an entity with which such staff is required to have official dealings on behalf of the Organization. The Director has decided that the following categories of staff must file Declaration of Interest Forms. This represents approximately 100 individuals as follows:</p>	<p>My staff have seen the PAHO version of the WHO declaration of interests form and a memorandum showing the names of the PAHO staff who will be required to complete this.</p> <p>I am pleased to note the broader coverage of the PAHO version, such as the wider definition of immediate family members, which includes siblings.</p> <p>My staff have been advised that PAHO will review and assess the current Declaration of Interests programme at the end of 2005 and determine whether it wishes to establish a PAHO-specific programme rather than retain the</p>	<p><b>Again, it is too early to reach a firm conclusion</b>, but positive developments have been pursued.</p> <p>The adoption of a two-tier system (with declaration on a Code of Ethics by all staff but the Declaration of Interests only by staff in sensitive positions) is pragmatic.</p> <p><b>I recommend</b> that the list of staff who are required to complete declarations of interest be expanded to include all senior managers and the Administrators of country</p>

		<ul style="list-style-type: none"> <li>• Executive Directors;</li> <li>• Area Managers;</li> <li>• Unit Chiefs;</li> <li>• PAHO/WHO Representatives, Center Directors and Field Office Representatives, including staff on acting appointments;</li> <li>• All other staff members at grade P6/D1 and above (inclusive) - referring to the grade of the staff member, not the grade of the post that he or she occupies; and</li> <li>• All professional staff in Procurement and Human Resources Management, including staff on acting appointments.</li> </ul> <p><b>When:</b> A sample Declaration of Interest disclosure form will be distributed to the 46<sup>th</sup> Directing Council in September 2005. Currently the Director has signed her declaration and this has been submitted to Geneva. The current Declaration of Interests Program will be reviewed and assessed at the end of 2005.</p>	<p>WHO programme.</p> <p>It is appropriate that the Declaration of Interests form is signed annually, to allow for changed circumstances.</p>	<p>offices and Centers, due to the sensitive nature of their positions.</p>
3	<p>There should be clear and transparent procedures for investigating alleged breaches of the Code or failure to declare conflicts of interest.</p>	<p><b>Recommendation accepted:</b> Yes. Appropriate investigative procedures and well defined functions related to reported complaints and allegations are an important aspect of PAHO's Code of Ethical Principles and Conduct. Investigations that are conducted in a professional, independent, impartial, thorough and timely manner enhance the staff's view of the overall Organization and encourage compliance with the applicable ethics and rules standards.</p>	<p><b>See 1</b></p> <p>My staff have been advised that PAHO's new Code of Ethical Principles and Conduct includes a section outlining the internal Integrity and Conflict Management system, with an independent Ethics Officer who will receive and investigate alleged breaches of the Code, amongst other duties.</p>	<p>Again, it is too early to reach a firm conclusion, as the Ethics Officer has not yet been appointed. However, some progress is in hand.</p> <p>The Ethics Officer will report to the Executive Committee annually but it has not yet been decided who will appoint the</p>

		<p><b>Action:</b> ERC helped provide appropriate guidelines as part of its general work (see <b>1</b> and <b>2</b>). After much consideration, and given financial constraints confronting PAHO, in August 2005 the Director decided to reprogram existing PAHO resources to establish a new position of Ethics Officer with the following functions:</p> <ul style="list-style-type: none"> <li>• Advise, counsel and guidance on ethical matters</li> <li>• Education, communications and training</li> <li>• Enforcement and investigation</li> </ul> <p><b>When:</b> New position of Ethics Officer was only approved by the Director in mid-August 2005. To fund this position the Director decided to reprogram existing PAHO resources. It will take time to define, advertise, interview for and fill this position, and it is unlikely that there would be someone in post before early 2006.</p>	<p>As at the end of August 2005, no job description for the Ethics Officer has been drafted. However, my staff have been informed that the Ethics Officer will act independently of any official, department or area, office or unit or of any other organizational entity. He/she shall have an administrative reporting relationship with the Director of PAHO and report to PAHO's Executive Committee annually. <b>(See 8 and 9 below.)</b></p>	<p>Ethics Officer. It is most likely that this post will be appointed by the Director.</p> <p><b>I recommend</b> that there should be full and open competition for this position and that various parties (for example the PAHO Staff Association and legal counsel) should be involved in the recruitment process.</p>
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## II. Recruitment of employees and consultants

	Audit recommendation (September 2004)	Management response	External Auditor's Comments	External Auditor's Conclusion
4	<p>PAHO should maintain an up to date list of accredited STCs/STPs.</p> <p>This list should be based on a clear policy for assessing their expertise, competence and suitability for employment.</p>	<p><b>Recommendation accepted:</b> Yes. Management agrees that more transparency is needed in this area, and is keen to move the process forward.</p> <p><b>Action:</b> The Area of Human Resources Management (HRM) undertook a detailed review of the various contracting mechanisms for the engagement of temporary personnel. In order to serve any useful purpose, the list of STPs and STCs must be fully automated and candidates need to be able to submit their names to a computerized roster/database. The Area of HRM investigated different options, including the possibility of using its current automated e-recruitment system, and is in the process of finalizing its review of the various contracting mechanisms for the engagement of temporary personnel.</p> <p>The process for identifying STPs and STCs for temporary assignments will be based on the roster and units interested in personnel for temporary assignments will generally need to obtain the names of eligible candidates from the roster.</p> <p><b>When:</b> An automated roster will be in place and accessible to candidates interested in temporary assignments by 1 January 2006.</p>	<p>PAHO are in agreement that change is needed and progress is intended.</p>	<p>It is too early to reach a firm conclusion, as the up to date list of accredited STCs/STPs has not yet been established.</p>

<p>5</p>	<p>All STCs/STPs should be recruited on the basis of open competition in all but the most exceptional circumstances.</p> <p>Candidates for short-term positions should be expected to abide by the Organization's ethical standards.</p>	<p><b>Recommendation accepted:</b> Yes. PAHO are aiming for a selection process that is more transparent and competitive, but also that affords some flexibility.</p> <p><b>Action:</b> The Human Resources Department is finalizing guidelines for the recruitment of temporary personnel. These guidelines balance the need to introduce more competition in the hiring process of STPs and STCs with the need to respond quickly to emergency situations and to hire staff in a timely manner, particularly for very short assignments. While still subject to further discussion with the Staff Association, the proposed guidelines contemplate a competitive selection process for assignments of three months or longer and a more streamlined approach for assignments of less than three months. Although a formal policy has not yet been adopted, a number of STP assignments have already been advertised and selections for those assignments have been on a competitive basis.</p> <p><b>When:</b> A new policy should be in place for implementation by 1 January 2006, consistent with the introduction of the roster (see 4).</p> <p>The Organization's new Code of Ethical Principles and Conduct applies equally to all personnel engaged by PAHO, including temporary personnel</p>	<p>Except for short assignments and emergency situations, STPs and STCs will be hired on a competitive basis.</p> <p>Regarding the more streamlined approach for assignments of less than three months, we acknowledge that it may be impractical for these short-term posts to be filled using the same competitive process as for other staff. However, there should always be transparency in all non-competitive cases.</p> <p>I am are pleased to be informed that all personnel engaged in PAHO will be required to abide by the Code in that it expressly applies to any person working for PAHO, regardless of the type of contract or duration of appointment.</p>	<p>It is too early to reach a firm conclusion, as the new policy will not be implemented until 2006. However, there has been some progress in this area and we note that recruitment for a number of STP assignments has already been made on a competitive basis.</p> <p><b>I recommend</b> that in recruiting personnel for short-term assignments, where there is no full/open competition there should be transparency by recording the basis on which only one candidate was considered (justification for sole-sourcing).</p>
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<p>6</p>	<p>PAHO should apply the same standards and considerations to internal appointments as apply in external recruitment and placement</p>	<p><b>Recommendation accepted:</b> Management accept that the same standards and considerations should apply and that PAHO's current process for external recruitment is acceptable.</p> <p>As with any organisation, internal promotions would tend to be favoured over external placements (assuming that the external and internal candidates are of similar ability and qualification)</p> <p>PAHO applies the same standards to internal appointments as are applied to external recruitment and placement. PAHO must publicly advertise any vacant post that would represent a promotional opportunity for a serving staff member.</p> <p>Hence, applicants from both within and outside the Organization may apply and all must compete for vacant posts. While preference is given to qualified serving staff, there is otherwise no distinction between internal and external candidates, and there is not restriction from hiring an external candidate.</p>	<p>I understand that PAHO Staff Regulation 4.4 establishes that, without prejudice to the inflow of fresh talent at various levels, vacancies shall be filled by promotion of internal staff.</p> <p>Nonetheless, Rule 410.4 requires that posts below the P-6 level becoming vacant should be advertised if they represent a promotional opportunity for any staff; and that selection of such posts must be on a competitive basis.</p>	<p>The audit recommendation was made to ensure that selection procedures for both internal and external candidates are clear and transparent.</p> <p>Provided that the same current standards apply to both internal and external candidates, no changes are needed.</p> <p>PAHO have advised me that any future change to the selection and recruitment procedures for the engagement of fixed-term staff will apply equally to internal and external candidates.</p>
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### III. Complaints procedures, investigation and reporting

	Audit recommendation (September 2004)	Management response	External Auditor's Comments	External Auditor's Conclusion
7	<p>PAHO should develop clear procedures for dealing with complaints and allegations and should communicate this to all staff.</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• a clear timescale for investigating the complaint, and</li> <li>• an agreed procedure for communicating the outcome of the investigation.</li> </ul>	<p><b>Recommendation accepted:</b> Yes. Management sees this as an extremely important point, and wants to respond positively.</p> <p><b>Action:</b> This was part of the work that ERC were contracted to carry out, and involved making recommendations to address complaints of allegations or misconduct. The system outlined in the Code of Ethical Principles and Conduct envisions the establishment of clear and articulated procedures dealing with complaints allegations and investigation, which will be part of an Integrity and Conflict Management System (ICMS), so that:</p> <ul style="list-style-type: none"> <li>• Comprehensive and integrated conflict management is handled beyond case by case efforts</li> <li>• Systematic issues are recognized and addressed</li> <li>• Multiple options for staff are available depending on issue and level of comfort</li> <li>• Coordinated response is provided regardless of chosen forum</li> <li>• More efficient use of resources</li> <li>• Improved work environment</li> </ul> <p>The ICMS will include a clear map and description of the multiple options available to staff, including the responsibilities, timetables, the specific procedures to be followed, investigative guidelines and outcome reporting.</p> <p>When: The ICMS is currently under construction and should be in place once the Ethics Officer position is established and filled (perhaps by early 2006).</p>	<p>At the time of finalising my report at the end of August 2005, the proposed Integrity and Conflict Management System was still only a concept (although a concept that, according to PAHO management, was well-entrenched and accepted by all) and there were no new procedures available for audit examination.</p> <p>We are informed that, once in place, the ICMS will include formal as well as informal resources, covering:</p> <ul style="list-style-type: none"> <li>• Managers and supervisors</li> <li>• Ethics Officer</li> <li>• Hotline</li> <li>• Ombudsperson</li> <li>• Human Resources Area</li> <li>• Legal Department</li> <li>• Internal Audit</li> <li>• Staff Association</li> <li>• Grievance Panel</li> <li>• Board of Appeals</li> <li>• Administrative Tribunal of the International Labour Organization</li> </ul>	<p>It is too early to reach a firm conclusion, as the new Integrity and Conflict Management System (ICMS) will not be implemented until 2006.</p>

<p><b>8</b></p>	<p>In the event that staff concerns cannot be resolved through their managers or supervisor, they should have access to a confidential hotline to raise their concerns.</p> <p>The investigation of matters raised via the hotline should be subject to supervision by an independent third party able to report to the Directing Council.</p>	<p><b>Recommendation accepted:</b> Yes. Management believe that a hotline is a good idea.</p> <p><b>Action:</b> PAHO intends to establish a confidential hotline that will be subject to supervision by the Ethics Officer. The new Code of Ethical Principles and Conduct envisions the establishment of a PAHO confidential Hotline</p> <p>In addition, the Integrity and Conflict Management System (See 7, above) will provide multiple entry points and options for staff depending on the type of issue presented and the staff's level of comfort. Impartial and independent investigation of matters raised via hotline will be conducted by the Ethics Officer who will report annually to PAHO's Executive Committee.</p> <p>The logistics of such a system are being thought through. Factors being considered include the multi-lingual and multi-regional nature of PAHO and the cost-effectiveness of such a system (hotlines can be a very expensive option).</p> <p><b>When:</b> Logistics of the new hotline are still being considered, and exact nature of the system has yet to be decided upon. Additionally, the system is likely to be overseen by the Ethics Officer, who is not yet in post. As such, PAHO cannot give a date for implementation.</p>	<p>We are pleased to note that PAHO has accepted this recommendation. The new Code of Ethical Principles and Conduct will guarantee confidential treatment of staff information.</p> <p>The proposed hotline and the independence of the Ethics Officer should further protect confidentiality and guard against any potential retaliation</p>	<p>It is too early to reach a firm conclusion, as the new confidential hotline has yet to be established.</p>
<p><b>9</b></p>	<p>PAHO should have a clear policy for determining the circumstances in which complaints should be investigated and who should be involved.</p>	<p><b>Recommendation accepted:</b> Yes. Recommendations <b>9</b>, <b>10</b> and <b>11</b> are all being responded to in the same way as recommendation <b>7</b> (i.e. Management agrees that developing clear procedures for dealing with complaints and allegations, and communicating this to all staff, is extremely important).</p>		<p>It is too early to reach a firm conclusion, as specific investigative protocols and procedures will not be developed until the end of 2005, and the new Integrity and Conflict Management System (ICMS) will not be implemented until 2006.</p>

		<p><b>Action:</b> As mentioned in 7, above, this was part of the work that ERC were contracted to perform, and PAHO have taken this forward – establishing investigative protocols and procedures for the proposed Integrity and Conflict Management System (ICMS).</p> <p>Clear procedures for dealing with and investigating complaints and allegations, and communicating these to all staff, is one of the most important elements of any conflict management system. The investigative functions attributed to the Ethics Officer will include three stages, involving differing degrees of factual inquiry and analysis:</p> <ul style="list-style-type: none"> <li>• Intake and Evaluation;</li> <li>• Preliminary Inquiry; and</li> <li>• Detailed Investigation</li> </ul> <p>In order to ensure independence and impartiality in the investigative process and to avoid any conflict of interest within the internal organizational structure, the Ethics Officer will conduct investigations and report case findings to PAHO's Administration for decisions relating to disciplinary actions in accordance with PAHO's Rules and Regulations and in consultation with the Legal Department.</p> <p><b>When:</b> Specific investigative protocols and procedures should be developed by the end of 2005, although the new ICMS will not be implemented until 2006.</p>		
10	There should be clear protocols covering the methodology used for the investigation and for the reporting the outcome.	<p><b>Recommendation accepted:</b> Yes</p> <p><b>See answer to 9 above.</b></p>	See 9 above.	See 9 above.

<p>11</p>	<p>The Legal Department should be involved at all key stages.</p>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> PAHO acknowledges that an essential condition for an effective and comprehensive conflict management system is the involvement of the Legal Department in all stages of the process, including the consultative phase, complaints procedures, investigative and reporting actions, as well as in the defence of the Organization.</p> <p>Management has ensured that the Legal Department has been involved in the implementation of these recommendations, with the PAHO Legal Counsel playing a key role.</p> <p><b>When:</b> Legal Department is already involved, and will continue to have a key role.</p>	<p>The Legal Department will be an integral component of the Integrity and Conflict Management System.</p>	<p>I am pleased to note that the Legal Department will be involved in developments; and that, in addition to already being involved in the implementation of these recommendations, the Legal Department will be an integral component of the Integrity and Conflict Management System (ICMS).</p> <p>Because of the key role the Legal Department is playing, the adequacy of the Department's current resources may require review. We understand the PAHO Director has decided to authorize the reprogramming of existing PAHO resources to establish a new position within the Legal Department to enable it to fulfil its new responsibilities.</p>
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## IV. Management of external relationships and conflicts of interests

	Audit recommendation (September 2004)	Management response	External Auditor's Comments	External Auditor's Conclusion
12	PAHO should expect its partners to conform to the ethical standards it sets for itself.	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> Building on initial work carried out by the legal department, PAHO has developed its own guidelines to help evaluate the suitability of potential collaboration with partners. The guidelines set out general principles and specific procedures that should be followed. These will help evaluate the suitability of the Organization's potential collaboration with third parties, including private companies and NGOs, with particular attention to avoiding potential conflicts of interest.</p> <p><b>When:</b> Draft guidelines have been reviewed by the Executive Committee, and amended guidelines will be distributed to the Member States at the 46<sup>th</sup> Session of the Directing Council in September 2005</p>		<p>My staff have noted the draft guidelines and I welcome the steps that PAHO has taken in developing these.</p> <p>It is anticipated that these should be in operation before the end of the year.</p>
13	PAHO should exert greater control over the use of its name and logo.	<p><b>Recommendation accepted:</b> Yes. While PAHO has acted to control the use of the logo in the past, it will act to strengthen this.</p> <p><b>Action:</b> In accordance with the PAHO/WHO Manual, permission for outside bodies to use PAHO's logo in ways other than on publications must be sent with full justification to PAHO's legal department. Where the legal department is aware of inappropriate use, it moves swiftly and harshly to rectify the matter. However, in the past, not all incidences have been reported to them and so new directives will remind all staff to be vigilant and to report any incidences of inappropriate use to the legal department. Directives regarding the use and control of PAHO's</p>	<p>I understand that the PAHO/WHO Manual is available to all staff members on the PAHO intranet.</p> <p>The matter of PAHO's logo has been complicated in that PAHO has recently adopted a "corporate identity system" (a new design) distinct from its official logo.</p> <p>My staff have been advised that this arrangement cannot be protected to the same extent. A</p>	I note the additional efforts that PAHO is making to maintain control over its name and logo.

		<p>name and logo will be issued to all staff and will be included in the orientation seminars for new staff members. Additionally, the use of PAHO's name and logo as well as the "corporate identity system" will be reviewed as part of the initiatives in PAHO's Roadmap for Institutional Transformation.</p> <p><b>When:</b> It is hoped that by the end of 2005 directives will have been issued and orientation seminars will advise new staff members of their role in maintaining vigilance.</p>	<p>change in logo needs to be approved by the Directing Council, and the flag and seal would need to be changed.</p>	
<p>14</p>	<p>PAHO should establish appropriate policies and guidelines to cover the management of relationships with third party organisations.</p> <p>These should be supported by Memoranda of Understanding in individual cases to define the relationship, roles and responsibilities of the parties.</p>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> See 12, above, for new guidelines established by PAHO in 2005. Additionally, in 2004 PAHO developed policies and procedures for reviewing all technical cooperation initiatives with third party organizations and donor countries. These procedures ensure that extra budgetary initiatives are coherent with the Organization's priorities and areas of work, that the proposed projects are technically sound and well designed, that projects management is consistent with the Organization's rules and procedures and that projects are financially self-reliant. In accordance with the above referenced procedures, extra budgetary initiatives must be supported by Memoranda of Understanding (MoUs) or Agreements defining the relationships and responsibilities of all parties. A MoU is set up immediately that there is to be financial transactions between PAHO and another body.</p> <p><b>When:</b> Draft guidelines have been shared with the Executive Committee, and amended guidelines will be distributed to the Member States at the 46<sup>th</sup> Session of the Directing Council in September 2005.</p>	<p>External audit findings in 2004 were that PAHO lacked effective formal or standardised policies for managing its relationships with third parties (including NGOs and private companies); and that individual units and staff of the Organization had considerable freedom to set the tone of the relationship (hence the need for Memoranda of Understanding to define roles).</p> <p>PAHO's new guidelines (see 12 above) relate to private organisations, universities and NGOs.</p> <p>The Legal Department reviews all Memoranda of Understanding and other Agreements prior to signature by the Director.</p>	<p>I welcome the steps that PAHO has taken in developing guidelines.</p> <p>See 12, above.</p>

## V. IT security

	Audit recommendation (September 2004)	Management response	External Auditor's Comments	External Auditor's Conclusion
15	PAHO should carry out a review of the current IT security arrangements, including those relating to e-mail facilities.	<p><b>Recommendation accepted:</b> Yes. As a result of the NAO's recommendations, PAHO recognises that more work is needed in this area.</p> <p><b>Action:</b> The Director has approved the creation of the post of "Information Security Officer". The post will be located in the office of D Admin and will be reporting directly to D Admin. The first assignment for the Information Security Officer, currently under recruitment, will be to conduct an assessment of IT security risks and develop a plan of action to address those risks.</p> <p><b>When:</b> PAHO are currently recruiting for this position. The Information Security Officer post was advertised with a closing date of June 2005. The initial screening process was completed and interviews were conducted in August for the final candidates. A selection committee is scheduled for early September 2005. The Information Security program at PAHO will begin in late 2005, allowing IT security issues to be addressed in 2006.</p>	The advertising of the post was not been as prompt as I had hoped.	<p>It is too early for me to draw any audit conclusions, as the critical post of Information Security Officer has not yet been filled.</p> <p>A selection committee is scheduled for early September 2005 and IT security issues will only be addressed in 2006.</p>
16	PAHO should <ul style="list-style-type: none"> <li>• adopt a detailed policy on IT security and</li> <li>• take steps to ensure that it is enforced.</li> </ul>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> The new Information Security Officer will focus on educating all staff on their responsibility for security and ensure enforcement.</p> <p><b>When:</b> See 15, above</p>	Post yet to be filled.  <b>See 15, above</b>	Too early to draw any conclusions.  <b>See 15, above</b>



## VI. Internal Audit

	Exec. Committee request (September 2004)	Management response	External Auditor's Comments	External Auditor's Conclusion
<p>Recommendations 17 and 18 were not part of the NAO special report. They are part of the Executive Committee's response to the external audit report of 2004.</p>				
<p>17</p>	<p>The Executive Committee called for a report to be made on internal audit to the SPP.</p> <p>(A standard appraisal of the work of internal audit will be carried out as part of NAO's regular audit work.)</p>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> The second post in PAHO's Internal Audit department (vacant for 26 months) was filled in September 2004, and the Director of Administration reported to the SPP in March 2005 that PAHO's Internal Oversight Services were now fully staffed.</p> <p>Although PAHO had established its own internal audit unit in 2002, when the current Director of PHAO assumed office in 2003 she restored WHO's oversight of PAHO's internal audit function. Subsequently, in 2004 PAHO and WHO agreed that WHO's Office of Internal Oversight Services (IOS) would provide internal audit services for PAHO/AMRO.</p> <p>Under this agreement the chief of PAHO's Internal Oversight Services office now reports to WHO's Coordinator of Internal Audits as first-level supervisor, and jointly to WHO's Director of Internal Oversight Services and the Director of PAHO as second-level supervisors.</p> <p>The annual audit plan is decided jointly by the WHO Director of Internal Oversight Services and the Director of PAHO.</p> <p>There is an agreed upon audit plan for 2005, and the audit process is well under way. WHO's Director of Internal Oversight reported at the 136th Session of the Executive Committee.</p>	<p>I accept that PAHO's IOS department is now staffed to complement with two staff in post, but this does not attempt to deal with the fact that there has been a significant (26 month) reduction in resources applied to this important function. PAHO internal audit was understaffed from July 2002 to September 2004. WHO IOS department from Geneva has recently conducted several evaluations of PHAO programmes, augmenting their oversight functions in the AMRO region.</p> <p>Because there is now a new auditor and a new risk-based audit approach, effort will need to be invested in establishing improved coverage, resulting in fewer reports in 2004-2005 than is usual for a biennium. (16 reviews/reports are planned compared to a typical 35). PAHO's IOS department may be fully staffed but there are no plans to compensate for the overall understaffing and reduced coverage in 2004-2005.</p>	<p>Under-resourcing in 2004-2005 (26 months) was such that, even with the return to full complement and the new risk-based audit approach, the degree of IOS coverage in the biennium has been significantly reduced.</p> <p>Internal audit is an important tool in management's discharging of their responsibility of controlling the Organization. A reduction in the level of oversight reduces management's knowledge of and control over the Organization's activities; and the assurance available over the adequacy and performance of the internal control systems.</p> <p>In consideration of the importance of the oversight function, <b>I recommend</b> that PAHO should further consider the adequacy of internal audit coverage being achieved and the resources available, to ensure an appropriate level of coverage.</p>

		<b>When:</b> Already reported.	<p>The internal audit programme is very forward-looking and there are no plans for any catch up to compensate for areas that have not been audited for some time as a result of under-resourcing.</p> <p>My staff have discussed this matter with PAHO and WHO's OIOS.</p>	
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## VII. Independence of Ombudsman

	E.C. recommendation	Management response	External Auditor's Comments	External Auditor's Conclusion
18	<p>As with recommendation 17, the Executive Committee called for there to be a report on the selection of an Ombudsman.</p>	<p><b>Recommendation accepted:</b> Yes</p> <p><b>Action:</b> An extensive search for an Ombudsperson was conducted in 2003 and 2004, but none of the candidates was eminently qualified for the position. The post was re-advertised at a higher grade with a five-year term, in an effort to attract the highest quality candidates. The post was advertised on 7 March 2005 and had a closing date of 30 April 2005. A preliminary screening of applications was carried out and a five qualified candidates were interviewed</p> <p>Given the length of time that the post had been vacant, and the time yet required to recruit and fill the five-year post, an individual with appropriate experience was hired, in consultation with the PAHO Staff Association, on a temporary basis. A bilingual individual from Colombia with relevant work experience as an ombudsperson and teaching experience in dispute resolution at the university level commenced his temporary assignment on 9 May 2005.</p> <p><b>When:</b> It is expected that the selection process for the five-year post will be completed by the end of August 2005, and the post of Ombudsperson filled by the end of 2005.</p>	<p>My staff have been advised that the post of Ombudsperson is being taken seriously and that recruitment on a full time basis is in process. The Ombudsperson will be an essential component of the Integrity and Conflict Management System.</p>	<p>I note the steps that PAHO has taken to address this matter.</p>