



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



## 51st DIRECTING COUNCIL 63rd SESSION OF THE REGIONAL COMMITTEE

Washington, D.C., USA, 26-30 September 2011

---

*Provisional Agenda Item 5.3*

CD51/17 (Eng.)

1 August 2011

ORIGINAL: ENGLISH

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

1. In accordance with Regulation 14.1 of the Financial Regulations, the Pan American Sanitary Conference or the Directing Council shall appoint an External Auditor of international repute to audit the accounts of the Organization. The duration of the appointment is at the discretion of the Conference or Council. However, previous practice has been to appoint the External Auditor for two biennia.
2. A *note verbale* was sent to all Member, Participating, and Associate States in October 2010 (Annex B). The *note verbale* described in detail the process to be followed by the Member, Participating, and Associate States in nominating candidates for PAHO's External Auditor for the 2012-2013 and 2014-2015 biennia and listed all the documentation that needed to be included in a nominating proposal. The deadline for the receipt of submissions from PAHO's Member States was 30 April 2011. In order to provide the Members additional time to fully participate in the process, the Director of the Pan American Sanitary Bureau (PASB) extended the deadline for the receipt of nominations by PASB to 1 June 2011.
3. The Bureau received three nominations as follows: Bolivia nominated the Comptroller and Auditor General of India (Annex C); Panama nominated the Court of Audit of Spain (Annex D); and Peru nominated the Supreme Audit Institution of Germany – Bundesrechnungshof (Annex E).
4. The nominations submitted by Panama and Peru provided the corresponding full proposals, as required in the above mentioned *note verbale*. However, Bolivia sent only a letter from the Ministry of Health informing of their nomination, without the documentation required of a nominating proposal. Even though all efforts were made by the Secretariat to obtain such documentation, it has not been provided to date.

5. All the documentation available for the nominations was forwarded by the Bureau to PAHO's Audit Committee for review and comment. The Committee's comments will be provided to the Member, Participating, and Associate States as a separate document.

6. A summary table of the nominations, including the proposed audit fees, is included as Annex F.

### **Action by the Directing Council**

7. The Directing Council will invite the representatives of the nominated audit entities that presented complete documentation to make a summary presentation of their proposals and to take questions from the Member States to assist in the selection process.

8. The Directing Council will then elect the External Auditor, in accordance with the Rules of Procedure. Once the election has been completed, the Directing Council is invited to consider the resolution as contained in Annex A.

### Annexes:

Annex A Proposed Resolution

Annex B *Note Verbale* and enclosures, including:  
*Extract from PAHO Financial Regulations*  
*Background Information*

Annex C Proposal received from Bolivia

Annex D Proposal received from Panama

Annex E Proposal received from Peru

Annex F Summary table of nominations with proposed audit fees



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



## **51st DIRECTING COUNCIL** **63rd SESSION OF THE REGIONAL COMMITTEE**

*Washington, D.C., USA, 26-30 September 2011*

---

CD51/17 (Eng.)  
Annex A  
ORIGINAL: ENGLISH

### ***PROPOSED RESOLUTION***

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

##### ***THE 51st DIRECTING COUNCIL,***

Having considered the report of the Director of the Pan American Sanitary Bureau (PASB) on the Appointment of the External Auditor (Document CD51/17);

Noting the regulations, rules and practices of the Pan American Health Organization and the practices of the World Health Organization;

##### ***RESOLVES:***

1. To appoint [exact title to be inserted] as External Auditor of the accounts of the Pan American Health Organization for the period 2012-2015, in accordance with the principles and requirements stipulated in Financial Regulation XIV.
2. To request the Director:
  - (a) to establish contractual terms and conditions between the Organization and the appointed External Auditor to cover the modalities of the External Auditor's work in fulfilling its mandate as per Annex B of the document which provides further background information on the appointment of the External Auditor, with particular reference to the requirements of International Public Sector Accounting Standards.
  - (b) to express its appreciation to the Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland for the many years of service

CD51/17 (Eng.)  
Annex A

provided to the Pan American Health Organization, especially with respect to the support of the Organization's recent successful adoption of International Public Sector Accounting Standards.

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

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

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

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

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

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

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

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

Washington, October 2010

Annexes

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

**Regulation XIV – External Audit**

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

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



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

**Appendix**

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

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

- not make use of it except in direct connection with the performance of the audit. The External Auditor may bring to the attention of the Conference or the Directing Council any denial of information classified as privileged which, in their opinion, was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounts but shall bring to the attention of the Director for appropriate action any transaction that creates doubt as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be immediately communicated to the Director.
  5. The External Auditor shall express an opinion on the financial statements of the Organization. The opinion shall include the following basic elements:
    - (a) identification of the financial statements audited;
    - (b) a reference to the responsibility of the entity's management and responsibility of the External Auditor;
    - (c) a reference to the audit standards followed;
    - (d) a description of the work performed;
    - (e) an expression of opinion on the financial statements as to whether:
      - (i) the financial statements present fairly the financial position as at the end of the financial reporting period and the results of the operations for such period;
      - (ii) the financial statements were prepared in accordance with the stated accounting policies;
      - (iii) the accounting policies were applied on a basis consistent with that of the preceding financial reporting period unless disclosed in the financial statements.
    - (f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
    - (g) the date of the opinion and the signature of the External Auditor;
    - (h) the External Auditor's name and position;
    - (i) the place where the report has been signed;

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

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

## PAN AMERICAN HEALTH ORGANIZATION

### Background Information

#### 1. General Requirements and Objectives

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

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

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

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

#### 2. Nature of Audit Assignment

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

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

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

[http://www.paho.org/English/PAHO/about\\_paho.htm](http://www.paho.org/English/PAHO/about_paho.htm)

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

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

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

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

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

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

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

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

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

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

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

**7. External Audit Fee**

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

**ANNEX C**

**NOMINATION OF BOLIVIA**

Please find attached the nomination received from the Ministry of Health and Sports of the Plurinational State of Bolivia.



**Nomination Letter of Bolivia\***

[Emblem]  
Plurinational State of Bolivia  
Ministry of Health and Sports

URGENT  
[PWR Routing stamp]  
[illegible writing]

La Paz, 26 May 2011  
CITE:MSyD/DESPACHO/RR.11/1192/2011

Dr. Christian Darras  
PAHO/WHO REPRESENTATIVE IN BOLIVIA

REF: Appointment of External Auditor of  
the Pan American Health Organization

Dear Sir:

In response to note CITE: CPS/63/03-C-0687/2011 on the **nomination of the current External Auditor of the Pan American Health Organization**, this is to inform you that this Ministerial Office proposes the current **Comptroller and Auditor General of India**. I would therefore appreciate your valuable cooperation in transmitting this nomination by the country to PAHO Headquarters.

Sincerely,

[signature]

Dr. Nila Heredia Miranda  
Minister of Health and Sports  
Plurinational State of Bolivia

AKGM/nch  
Adj. antecedentes  
C.c arch.  
C.c p.r.1

---

\* This is a faithful translation of the letter that appears on the following page.



# URGENTE

*Estado Plurinacional de Bolivia*  
*Ministerio de Salud y Deportes*

La Paz, 26 de mayo de 2011  
**CITE: MSyD/DESPACHO/RR.II./1192/2011**

*Transmisión a Cg  
Bjca. regional  
Chd  
30 05 11*

DE: PWR	
A: XC	FECHA
Acción	
Comentarios	
Información	
Su decisión	
Archivo	

Señor  
Dr. Christian Darras  
**REPRESENTANTE OPS/OMS EN BOLIVIA**  
Presente.-

**REF: Nombramiento Auditor Externo de la Organización Panamericana de la Salud**

De mi consideración:

En atención a nota CITE: CPS/63/03-C-0687/2011, con referencia al **nombramiento del actual Auditor Externo de la Organización Panamericana de la Salud**, comunico a usted que este Despacho Ministerial propone para dicho cargo al actual **Contralor y Auditor General de la India**, en ese sentido, agradeceré su valiosa cooperación para transmitir esta nominación de país ante las oficinas Centrales de la OPS.

Con este motivo, aprovecho la oportunidad para expresar a usted las consideraciones de mi más alta distinción.

**Dra. Nilo Heredia Miranda**  
**MINISTRA DE SALUD Y DEPORTES**  
**ESTADO PLURINACIONAL DE BOLIVIA**

AKGM/wh.  
Adj. antecedentes  
C.c. Arch.  
C.c. RR.II.

**ANNEX D**

**NOMINATION OF PANAMA**

Please find attached the nomination received from the Permanent Mission of Panama to the OAS which includes a cover letter from the Mission and the proposal submitted by the Court of Audit of Spain.



MISION PERMANENTE DE PANAMA  
ORGANIZACION DE LOS ESTADOS AMERICANOS  
WASHINGTON, D. C.

PANA-OEA-9-476  
May 31st, 2011

Dear Ms. Roses:

The Permanent Mission of Panama to the Organization of American States is please to submit the proposal of the Spanish Court of Audit as External Auditor of the Pan-American Health Organization (PAHO), for the financial biennia 2012-2013 and 2014-2015, according to the terms established in the Note of the Organization.

The candidacy includes Manuel Nuñez Pérez Curriculum Vitae, as a representative of the Institution that submits its candidacy, as well as the profile of the staff that, if that were the case, would form the audit team. It also incorporates some details of the national and international activities of the Institution and the benefits to the PAHO arising from its performance. In addition, it is exposed an approach, procedures and audit standards, as well as the number and level of staff to be involved in it and the proponed amount of audit fees, with an estimation of the total number of months-auditor devoted to the audit.

I would like to express the interest and availability of the Spanish Court of Audit in carrying out the external audit. Of PAHO, as well as their commitment to develop a rigorous and high quality external control with highly qualified personnel, as evidenced by our experience in the external audit of International Organizations, and thus contribute to PAHO's success in the exercise of the important functions assigned to it.



**GUILLERMO A. COCHEZ**

Embajador, Representante Permanente

Dr.  
Mirta Roses Perigo  
Director  
Pan-American Health Organization  
Washington, D.C.



**PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITOR OF**  
**THE PAN AMERICAN HEALTH ORGANISATION (PAHO)**  
*(financial periods 2012-2013 and 2014-2015)*

*(SUBMITTED BY THE COURT OF AUDIT OF SPAIN)*

***A) CV OF THE NOMINEE; DETAILS OF THE NATIONAL AND INTERNATIONAL ACTIVITIES OF THE AUDITOR GENERAL'S OFFICE AND THE AUDIT SPECIALITIES THAT COULD BE OF BENEFIT TO THE ORGANIZATION.***

**CURRICULUM VITAE OF MR. MANUEL NÚÑEZ PÉREZ,**  
**PRESIDENT OF THE TRIBUNAL DE CUENTAS DE ESPAÑA (SCA)**

**I. PERSONAL DETAILS:** Mr. Núñez was born in Benavides de Órbigo (Leon), Spain, on 28 October 1933.

**II. TRAINING AND COMPETITIVE EXAMINATIONS:**

- Lawyer of the Bar Association of Madrid and a State Civil Servant.
- Bachelor in Law from the University of Oviedo (Spain). Degree in Journalism from the Complutense University of Madrid (Spain).

**III. PROFESSIONAL DETAILS**

**1. At the Spanish Tribunal de Cuentas:**

- Elected Member of the Spanish Tribunal de Cuentas by the Parliament on 30<sup>th</sup> October, 2001. He was appointed, by the Full Session of the Court of Audit, President of the Auditing Section of the Court of Audit and Head of the Audit Department for Regions and Autonomous Cities on 12<sup>th</sup> November, 2001.
- Elected President by the Full Session of the Court of Audit on 12<sup>th</sup> November, 2007; appointed by Royal Decree 1539/2007 of 23<sup>th</sup> November 2007, and designated as such by H.M. the King of Spain.
- As President of the Spanish Court of Audit, Mr. Núñez holds also the position of Secretary General of the European Organisation of Supreme Audit Institutions (EUROSAI). In this capacity, he participates actively in international forums and meetings related to auditing. He develops an intense activity for keeping contacts and communication among EUROSAI members, and supporting the Congress and the Governing Board of the Organisation..
- Mr. Núñez takes part, on regular basis, in the Congresses and activities of the International Organisation of Supreme Audit Institutions (INTOSAI). He also participates in a number of the INTOSAI Committees, Sub-Committees and Task Forces, where the Spanish Supreme Audit Institution is a member.
- Mr. Núñez participates in the Assemblies of the Organisation of Latin-American countries Supreme Audit Institutions (OLACEFS); Institution where the Spanish Tribunal de Cuentas takes part as Adherent Member.

- He keeps permanent international collaboration with a number of Supreme Audit Institutions under international cooperation agreements signed for exchanging knowledge, skills and information, and developing joint audit initiatives in the field of public funds auditing. He is also involved in supporting other Supreme Audit Institutions under projects for technical assistance for enhancing capacity building.
- Mr. Núñez is a member of the Contact Committee of Presidents of EU Supreme Audit Institutions; assembly for exchanging experiences related to the auditing of UE funds and promoting the collaboration in the EU context, including the development of joint audit activities.
- He has leaded the external audit of several international organisations and programmes, twinning projects and technical assistances entrusted to the Spanish *Tribunal de Cuentas*.
- He has published several works in the auditing field.

## **2. In the State General Administration and Government:**

Among others, he has held the following positions:

- Director of the Publications Service of the Ministry of Education and Culture (1976).
- Secretary of State for Employment and Work Relations (1980).
- Minister of Health and Consumption (1981-1982).

## **3. At the Parliament**

- Mr. Núñez has been Member of the Parliament (MP) during several legislatures.
- Within his duties as MP, Mr. Núñez took part in the Committees on Rules, Budget, Infrastructure, Public Administration, Justice and Home Affairs, Education and Science, Social Policy and Employment. He held in these committees the positions of President, Secretary or Spokesperson.
- He has participated as a Speaker and Spokesman on numerous organic and ordinary laws.



#### IV. MERITS AND HONORS

- Doctor *Honoris Causa* by the University of San Antonio de Cuzco, Peru
- He holds several decorations, including:

Grand Cross of Charles III.  
Order of Constitutional Merit.

## SCA's NATIONAL ACTIVITIES

The *Tribunal de Cuentas of Spain* (SCA) is defined by the Spanish Constitution as the Supreme Audit Institution of the public sector. It conducts its activity independently (SAI, Members, staff and budgetary independence) and impartially. It has and develops two functions:

- Auditing: Performs the external, permanent and ex-post audit over public sector (State, Regional and Local Administrations; Social Security and public enterprises and entities).

Audit activity covers legality, regularity, economy, efficiency and effectiveness of public management. Audit process covers every phase: programming, planning, field-works, analysis of findings, submission for auditee's comments and recommendations; and reporting; all in accordance with international audit standards and principles (ISSAIs).

All audit reports/products (Annual Report; Final Declaration of the General State Account; special reports and motions proposing measures for management improvement) are presented to Parliament. Audit reports incorporate recommendations for good practices and legislative changes when convenient.

- Jurisdictional: It is competent for trying for accounting liabilities (in first instance and appeal), searching for recovering mismanaged funds.

## SCA's INTERNATIONAL ACTIVITIES

### WITHIN EUROPEAN UNION (EU):

The SCA:

- Supports the European Court of Auditors (ECA) in auditing EU funds managed by Spain (liaison with auditees; observer in ECA's audits; providing experts).
- Acts as a Member of the Contact Committee of Heads of UE SAIs (Assembly for cooperating, fixing common positions and developing joint activities); designates a Liaison Officer (for permanent technical contact); takes part in Working Groups (Structural Funds; VAT audit; Reports of EU funds; EU Audit Standards) and Experts Networks (Lisbon/Europe 2020 Strategy; Fiscal Policy).
- Participates in Coordinated Audits with other UE SAIs

- Cooperates with Candidate Countries (PHARE) and countries with EU preferential agreements (TACIS): twinning projects (Slovenia, Bulgaria, Romania, Turkey, Morocco), technical assistances (Bulgaria, Lithuania, Poland, Slovak Republic...).

#### WITHIN ORGANISATIONS OF SAIs

See Letter F) of this Proposal

#### BILATERAL COOPERATION AGREEMENTS/TECHNICAL SUPPORT TO SAIs

- Cooperation agreements have been signed with fourteen SAIs. Three more are under preparation.

#### SCA: EXTERNAL AUDITOR OF INTERNATIONAL ORGANISATIONS/PROJECTS

##### ***-Already developed:***

- INTOSAI (1989/1991).
- Western European Union (WEU-1997/1999).
- European Organization for Nuclear Research (CERN-1998/2002).
- European Molecular Biology Laboratory (EMBL-1998/2000).
- Organisational Review of the Financial Control Office of the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT), 2010.

##### ***- Currently in progress:***

- Audit of the European Fighter Aircraft (NETMA)- EF-2000 PROGRAM.
- Member of the Board of Auditors of:
  - \*Organization for Promoting Defence and Weapons Co-operation (OCCAR-EA)
  - \*Financial Mechanisms Military and Defensive Operations of EU (ATHENA)

#### OTHER INTERNATIONAL CO-OPERATION PROJECTS of SCA:

- Support to Latin-American SAIs (training; technical assistance) in the framework of Spanish international cooperation.
- Training *on-line* provided to civil servants from Latin-America, in cooperation with the

Spanish Foundation CEDDET.

- Participation in meetings of other international organisations (Board of Auditors of NATO...)

### SCA AUDIT SPECIALITIES OF BENEFIT FOR AUDITING PAHO

- *Independence, impartiality and objectivity*
- *Wide audit mandate/scope, including health/ social services-actions area* with one of the seven audit Departments exclusively devoted to it. Reports approved by the SCA were focused in: prevention of labour risks; Foundation Centro Nacional de Investigaciones Oncológicas; Instituto de Salud Carlos III, ; accessibility programmes for disabled; public procurement made into communications by the Social Security System; management of patients' files in a sample of public hospitals; Sanitary attention specialized in the circulatory system with special focus on hart attack; Hygiene at labour places et cetera.
- Large experience in *legality/regularity/compliance/performance audit*.
- Large experience in auditing/reporting, raising recommendations for improving management.
- Experience in auditing *International Organisations*.
- *Audit methodology and standards* according to the international systems/practices and continuous process of *quality assurance*.
- *Highly-qualified staff* (auditing process/international standards-ISSAIs/IPSAS-/IT abilities/teams' management).
- *Tailor-made audit plan for PAHO* offering the necessary *flexibility* in performance for meeting arising needs.

## ***B) DESCRIPTION OF THE AUDIT APPROACH, PROCEDURES AND AUDIT STANDARDS.***

### **Methodology and Approach.**

The audit process will cover the different stages of planning and programming, internal control evaluation, risk analysis, carrying of substantive checks, supervision and reporting.

### **Identification of audited subjective scope**

The offer proposed cover the annual audit of Pan American Health Organization, including Headquarters in Washington, its offices and regional and sub-regional centres for the financial periods 2012-2013 and 2014-2015, according to the PAHO Financial Rules and other directives and terms of reference.

### **Scope and objectives**

Our audit approach will be carried in accordance with Article 14 of PAHO's Financial Rules, and our Reports will cover all the aspects and information required by Annex I of them. So our audit approach will consider the objectives of legal compliance, regularity of the financial statements, and also efficiency and effectiveness of management, and will seek to gain assurance that:

- The system of recording transactions provides an adequate basis for the preparation of financial statements and the effective management of assets and interests;
- There are adequate corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability;
- The systems of internal control provide an adequate mean of preventing or detecting material mis-statement, error, fraud or corruption;
- Transactions have been processed and recorded in accordance with statutory and management requirements;
- The financial statements are fairly presented in accordance with accounting policies.
- The management has made proper arrangements for securing value for money in its use

of resources;

- The management has properly considered and acted upon all matters of legality.

The audit shall be performed including special funds and accounts, in order to verify whether the financial statements are consistent with the books and records of the Organisation; to check that the financial transactions reflected in the statements are in accordance with the Financial Rules and Regulations and with the budgetary provisions; to ascertain that the securities and funds on deposit and on cash have been verified by certificate received directly from the Organisation's depositories or by actual count, and that the procedures applied are satisfactory for the record of assets, liabilities as well as financial results (Appendix to the Financial Rules).

The final decision on work to be undertaken in any one year will depend on factors such as materiality and risk and the results of previous audit work undertaken. A standard risk assessment model will be used and particular risk factors are classed as high, medium or low risk.

### **Planning, Risk Analysis and Internal Control Evaluation**

The first stage to elaborate an audit plan shall be developed by identifying the audit universe, performing a risk analysis, and obtaining a wide knowledge relative to controls and governance processes. Flexibility of the plan is necessary in order to respond to the new risk evaluations arising from audit findings. We will consider financial, legal and managerial risks, and additionally others if necessary. Risk factors include aspects like complexity of operations or of their regulation, quality of internal control, management accountability, significant changes in business processes, rapid growth, risk of financial loss, technological risks, etc. The first input that will be obtained will come from the conclusions of the previous Auditor, the Internal Audit Unit and the Senior Management.

The internal control framework established by management is an integral part of our review. Internal control is a process, effected by the management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The different perspectives of an internal control system, which are the Control Environment, Risk Assessment, Control Activities, Information and Communication activities and Monitoring, will be subject to evaluation.

To reach an efficient process it is necessary to keep materiality into perspective (Appendix to the Financial Rules "Additional Attributions", paragraph 10). Materiality would include looking at the relative size, complexity and other such stuff of the operations or group of operations.

The planning process shall involve the prioritisation risk-based of audit areas (general areas and specific areas or projects outlined by the PAHO Assembly, if applicable, according to Article 14.5 of Financial Rules) and the determination of the scope and nature of audit checking at PAHO Headquarters, Country and Special Offices, institutes and centres.

The Audit Plan Memorandum, as a result of planning process, will show the audit approach and shall define the audit areas, distribute team, establish checking and supervising assignments and determine time schedule for the different activities. For each audit area, which will have been assigned to a team member, it will be defined an Audit Program containing a detailed list of tests to perform and its extension. The audit program will specify: the audited area; the concrete objectives to be fulfilled; the detailed checks to be performed; the distribution of responsibilities among the members of the audit team and the time scheduled.

#### **Audit resources**

We propose an audit team composed of 10 senior auditors from Tribunal de Cuentas's staff, and a Coordinator at highest level in Organization. The Coordinator will keep the President permanently informed about the progress of the audit. The Coordinator shall take part in preliminary and final milestones of audit. During audit work on the ground at PAHO Headquarters and other Offices the corresponding audit team will be led by a Team Leader.

It has to be emphasized that every team member are university graduates (mostly in law or economics) because it is a pre-requisite to join the Institution. Moreover, all of them have passed competitive examinations on procedures and auditing standards, budgetary rules, accounting standards in both the private and public sectors and other related matters.

The senior auditors who will incorporate to team also have large experience in financial statements and legal compliance audit, internal control evaluation, audit of budget results as well as in performance audit. They also are trained in INTOSAI audit techniques and standards, as well as in the international field, since they have taken part in external audit of International Organisations, international advisory activities in the field of auditing or international training activities. They are also fluent in English being Spanish their mother tongue (requisite included into Annex B), and several of them have also knowledge of French, three official languages of PAHO, and are skilful in carrying out audit in a computerized environment.

The team proposed for the external audit of PAHO will be supported at the SCA by other in-house experts in concrete and very specialised works, which will enrich and add value and quality to the audit task.

The staff of Tribunal de Cuentas is subject to the general rules and regulations for the civil services (rights and duties, regime of incompatibilities, and disciplinary system) and the specific ones established for the SCA.

### **Main Audit Work**

The first meetings will be held with the Senior Management (kick-off meeting), the previous Auditor and the *Office of Internal Oversight and Evaluation Services*. According to the Financial Rules of PAHO, we take the compromise to collaborate with the next Auditor in the same way as the previous will collaborate with us.

During the audit work, the audit team will develop the field work at the PAHO's Headquarters, in several country entities and regional and sub-regional entities (in a tentative approach we plan to visit eight entities per year).

They will also carry out the works at the External Auditor Headquarters in Madrid, maintaining direct contact with PAHO staff, and moving to Washington if necessary to complete checking or to keep an interview, even if the time for field work scheduled were fulfilled. The audit team will obtain competent, relevant and reasonable evidence to support the audit findings, conclusions and recommendations.

The audit will be performed in accordance with the Organisation's Financial Rules and Regulations, in full compliance with its budgetary provisions and other applicable directives and additional terms of reference governing the audit matter.

Through the audit work, the team will specifically take into account that:

a) The annual financial statements of PAHO are:

- Prepared in accordance with International Public Sector Accounting Standards (IPSAS);
- Presented with due consideration to the circumstances of the Organisation;
- In accordance with PAHO accounting records;
- Properly measured and presented;

So, we will take a deep knowledge of the Organisation's accounting principles, practices, rules and regulations with special attendance to the implantation of IPSAS;



b) The accounting system and the financial statements cover all the financial transactions carried out by the Organisation during the financial year;

c) All transactions are in accordance with the Financial Rules, instructions and any other applicable Decisions/Resolutions laid down by the corresponding bodies of the Organisation;

d) The budgetary expenditure has been made in accordance with the purposes of, and within the limits of, the appropriations shown in the budgets.

e) Budgetary results are properly reconciled with results after IPSAS;

f) The transactions are vouched for by appropriate supporting documents.

g) The economy and efficiency with which resources are acquired and used, and the effectiveness with which objectives are met.

h) According to the nature and scope of audit, audit team will check whether:

- Contracting procedures are appropriate;

- There are established systems and practices providing reasonable assurance about safeguard and protection of financial, human and physical resources;

- Segregation of functions is clear and adequate;

- Proper systems of objectives are established;

- Monitoring and evaluation systems exist and allow the detection of deviation from objectives and its correction;

- Procedures are well defined and established, and they operate as planned.

- IT systems in place would be also subject to checks and analysis.

We will emphasize a balanced and homogeneous review of operations through the whole Organization. In the other hand, a significant amount of audit resources will be devoted to effectiveness and efficiency in the execution of programs, accordingly to the Organization's Strategy.

## **Reporting**

After comprehensive discussions with the Senior Management, the External Auditor shall make constructive recommendations when appropriate. Preliminary audit findings and recommendations will be brought to the notice of the Director for comments and observations. After taking into due consideration the replies received, the final audit report will be sent to the Director before the fifteen of April of the year following the exercise audited to be transmitted to the Executive Board, that will analyse both and transfer to the Conference or the Directing Council.

The reporting of audit results shall comply with the requirements stated in the Financial Rules related to the external audit of PAHO. So, the report shall include the scope and character of the examination, reference of the responsibility of the management and of the own Auditor, reference of audit standards applied, description of the work carried out, the opinion over regularity of financial statements, opinion over legal compliance, other matters affecting accuracy of financial accounts, and other matters which should be brought to the notice of the Conference or the Directing Council (cases of presumptive fraud, improper expenditure, defects in the general system or in the regulations governing the budgetary process, internal control deficiencies, expenses overcoming budgetary assignments, ...), etc. The external auditor shall notify any restriction that would affect the scope of audit.

The definitive Report shall not contain any criticism which has not been previously submitted to the Director, with the aim of to allow him to give an adequate explanation (Appendix to the Financial Rules). The final audit report will be transmitted to the Conference or Directing Council, as stated in the Financial Regulations.

## **Audit Standards and Procedures**

The audit will be carried out under the Auditing Standards of INTOSAI (ISSAIs); the Common Auditing Standards and Auditing Guidelines issued by the Panel of External Auditors of the United Nations and its Specialised Agencies and the Audit Standards of the International Federation of Accountants. The SAI has developed its own Audit Standards that cover the principles of the INTOSAI Audit Standards.

Some aspects to be highlighted are:

- The importance of the preliminary tasks and evaluation of internal control to elaborate the Audit Plan and the Programs.
- Risk-based evaluations in order to determine the audit areas and the nature and extent of checks.

- The permanent direction and supervision along the whole audit process, aimed to guarantee an efficient inter relation among the checks programmed and the audit targets, as well as the coordination between the different areas.
- Documental support, as well as their correspondence with the program.
- A constant and fluid communication with the audited Entity.
- A rigorous evaluation process of audit quality is applied.

The audit activity will be conducted by the staff of the Spanish SAI under the principles of impartiality and objectivity, professional capacity, due diligence, and professional secret.

The collection of evidence would involve different procedures. The audit team will collect and analyze information through sampling techniques and using procedures such as:

- Meetings with Internal Audit personnel;
- Analysis of ratios, trends, etc
- Interviews and questionnaires with the responsible staff;
- Analysis of previous audit reports;
- Physical inspection;
- Verifying financial records;
- Documental exam;

**C) TOTAL NUMBER OF MONTHS/AUDITOR FOR EACH FINANCIAL PERIOD (YEARLY)**

As a result of our evaluations, our offer provides a total of 80 months/auditor per year representing a total of 320 months/auditor for the whole mandate (2012-13 and 2014-15). This total would be distributed as follows:

TOTAL MONTHS/AUDITOR PER FINANCIAL YEAR

	On the ground	Madrid Headquarters	TOTAL
PAHO Headquarters	5	20	25
Country Entities, regional and sub-regional entities (1)	16	39	55
<b>TOTAL</b>	<b>21</b>	<b>59</b>	<b>80</b>

(1) Including CAREC, CFNI and others entities.

## ***D) AMOUNT OF ANNUAL FEES***

The SCA is a non profit institution, so the annual fee proposed only pursues the recovery of the travelling expenses of the audit team as well as the allowances and other costs associated to travelling. There is no amount charged for works at the SCA's Headquarters. The annual fee proposed amounts to US \$ 240,000; being the total fee for the mandate US \$ 960,000.

## ***E) INDICATION OF THE NATURE, EXTENT AND TIMING OF INFORMATION REQUESTS, INCLUDING ACCESS TO AUDIT FILES AND DOCUMENTS FROM PREVIOUS EXTERNAL AUDITOR AND TO THE FOLLOWING.***

### **INDICATION OF THE NATURE AND EXTENT OF INFORMATION REQUESTS**

The nature of the information required and its scope will be in accordance to the dispositions of generally accepted international audit standards, specially those of INTOSAI, that are also included into the Audit Standards of the SCA. The information will be that considered necessary to fulfil the prescriptions of the Financial Regulations in relation to the external audit function, as well as the objectives defined into the audit programs.

It will include informative interviews with Management and staff; collect and review any relevant previous information, specially previous reports from external auditors and internal control, as well as the financial reports, to collect and analyse the Organisation's regulations and those directives related to the procedures to record operations into the accounts.

During the audit work the information and documentation requested will be that to obtain enough and pertinent audit evidence that sustains sufficiently and properly the audit results reported.

The information requests will consider in particular the prescriptions in the Annex to the Financial Rules referred to external audit that contemplate the faculty of the External Auditors to decide on the acceptance of the certifications and declarations from the management, as well as to execute the inspections and verifications they may consider appropriate related to any account document, and also determine the free access to books, records and any document that they consider necessary to consult. According to generally accepted international Audit Standards, as well as the above mentioned PAHO Regulations, in case of restrictions to the audit scope or lack of enough evidence, the External Auditor is compelled to mention those facts in the audit opinion.

The information considered secret or confidential will be previously demanded. The audit team will be compelled to professional secret and to respect the confidentiality of any information classified as secret or confidential, and the only use they will do will always be directly related to the development of the audit. It should be highlighted that the SCA's staff are subject to the main principles of impartiality, objectivity, expertise and professional qualification, professional diligence and professional secret, being their professional activity conducted according to a Code of Ethics.

## INDICATION OF THE TIMING OF INFORMATION REQUESTS

A indication of tentative schedule for the first financial year would be as follows (the following exercises will be similar):

Previous Auditor Meeting		June 2012
General Request Preliminary works from Madrid		3th September 2012
Kick-off meeting in Washington		24 September 2012
Preliminary works on the ground in Washington	24 September 2012	28 September 2012
Request of samples for Internal controls checks from Madrid, to be examined on the ground		19 October 2012
Documentation requests for regional and sub-regional entities to be visited, including CAREC and CFNI		26 October 2012
Internal control Checks on the ground in Washington		November 2012
Planning meeting with WHO Management		November 2012
Checks on the ground regional and sub-regional entities to be visited, including CAREC and CFNI.	December 2012	Mars 2013
Field work at PAHO's Headquarters		February 2013
Meeting with the World Health Organization's External Auditor		
Draft Reports		Mars 2013
Discussion of Draft Reports with management		April 2013
Final Reports		15 April 2013

During the field work there will be several documentation requests as usual.

## **DOCUMENTS FROM THE PREVIOUS EXTERNAL AUDITOR AND TO THE FOLLOWING**

The access to the previous External Auditor's audit files, as well as to our own files by the next External Auditor, is expected to be in accordance to generally accepted Audit Standards. In particular:

- Initiative of communication with Predecessor corresponds to the Successor that must previously notify its intention to the audited Entity.
- The Successor must pursue the previous authorisation from the audited Entity in case of need of access to the previous Auditor's working papers.
- Having been the Successor authorised by the audited Entity, the Predecessor should attend their questions as well as permit access to the working papers.

The repercussions in the audit reports of the relations with previous Auditors will be in accordance with generally accepted Audit Standards, and, particularly, to ISSAIs.



**F) OTHER ADDITIONAL INFORMATION (i.e. AFFILIATION OF ACCOUNTING ORGANISATIONS and PUBLICATIONS)**

**INTERNATIONAL ORGANIZATIONS OF SAIs:**

INTOSAI (International Organisation of SAIs)

The SCA is an INTOSAI member since its constitution (1953).

It is a member of several INTOSAI committees/subcommittees/taskforces (Subcommittees of Financial Audit and Internal Control Standards; Professional Standards, and Capacity Building Committee Committees, and the Task Forces "INTOSAI-Donors for Financing" and "The role of SAIs in the Financial Crisis").

EUROSAI (European Organisation of SAIs):

The SCA is a Member since its constitution (Madrid, 1990).

- It holds permanently the EUROSAI General Secretariat
- It Co-chairs the Training Committee.
- It is member of the Working Groups on IT and Environmental Audit
- It cooperates regularly with INTOSAI and some of its Regional Groups (OLACEFS, ARABOSAI, ASOSAI), with the INTOSAI Initiative Development, SIGMA, ECIIA and other partners.

OLACEFS (Latin-American and Caribbean Organisation of SAIs)

The SCA is an OLACEFS Adherent Member.

**OTHER INTERNATIONAL PARTICIPATIONS:**

- Member of the Board of Auditors of:
  - \*Organization for Promoting Defence and Weapons Co-operation (OCCAR-EA).
  - \*Financial Mechanisms Military and Defensive Operations of EU (ATHENA).

## EUROPEAN UNION

As Member of the Contact Committee of Heads of EU SAIs (for more detail, please see Letter A) of this Proposal), the SCA takes part in several working groups (audit of Structural Funds; VAT fraud in extra EU operations; National Report on EU Funds management; Common audit standards and criteria for EU Funds) and Experts Networks (audit of the Lisbon Strategy - Europe 2020; Audit on Fiscal Policy).

## **NATIONAL BODIES**

The SCA participates in the works of the *Instituto de Contabilidad y Auditoría de Cuentas* – ICAC, national entity that elaborates audit and accounting standards.

## **PUBLISHING**

- The SCA publishes *Revista Española de Control Externo* (RECE) since 1999, on a four-month period.
- The SCA, as permanent Secretariat of EUROSAI publishes the EUROSAI Review (annual) and the EUROSAI Newsletter four-month period).

**ANNEX E**

**NOMINATION OF PERU**

Please find attached the nomination received from the Permanent Mission of Peru to the OAS which includes a cover letter from the Mission and the proposal submitted by the German Supreme Audit Institution.

**Nomination Letter of Peru\***

[Emblem]  
Permanent Mission of Peru  
to the Organization of American States

Note No. 7-5-V/006

The Permanent Mission of Peru to the Organization of American States (OAS) sends its cordial greetings to the Honorable Pan American Health Organization (PAHO), referring to its Note FRM/FS/A/048/11 on the process for appointing the external auditor for the next two bienniums, which will take place in September of this year during the Organization's 51st Directing Council.

In this regard, the Permanent Mission is pleased to report that the Government of Peru has decided to nominate the Supreme Audit Institution of Germany to the position of external auditor of PAHO for the bienniums 2012-2013 and 2014-2015. Attached is the "offer of services" prepared by the aforementioned institution, which provides information such as its profile and the audit strategy that it proposes to implement in PAHO.

The Permanent Mission thanks this Honorable Organization in advance for receiving this nomination and distributing it in a timely manner to the Governing Bodies of the Organization and the Member, Participating, and Associate States.

The Permanent Mission of Peru to the Organization of American States (OAS) would like to take this opportunity to reiterate to the Honorable Pan American Health Organization (PAHO) the assurances of its highest esteem.

Washington, D.C., 23 May 2011

[Seal of the Permanent Mission of Peru to the OAS]

To the: Honorable  
Pan American health Organization (PAHO)  
Washington, D.C.

---

\* This is a faithful translation of the cover letter that appears on the following page.



REPRESENTACIÓN PERMANENTE DEL PERÚ  
ANTE LA ORGANIZACIÓN DE ESTADOS AMERICANOS

Nota N° 7-5-V/006

La Representación Permanente del Perú ante la Organización de los Estados Americanos (OEA) saluda muy atentamente a la Honorable Organización Panamericana de la Salud (OPS), en ocasión de referirse a su Nota FRM/FS/A/048/11, relativa al proceso de nombramiento del auditor externo para los dos bienios subsiguientes, que se realizará en el mes de septiembre del presente año, en el marco del 51° Consejo Directivo de la Organización.

Sobre el particular, la Representación Permanente tiene el agrado de informar que el Gobierno del Perú ha decidido nominar al Tribunal de Cuentas de Alemania para ocupar el cargo de auditor externo de la OPS, durante los bienios 2012-2013 y 2014-2015. Se adjunta la "oferta de servicios" elaborada por la mencionada institución, donde se consigna diversa información, como su perfil y la estrategia de auditoría que propone llevar a cabo en la OPS.

La Representación Permanente agradecerá a esa Honorable Organización tener por presentada esta postulación y difundirla oportunamente entre los cuerpos directivos de la organización, los Estados miembros, participantes y asociados.

La Representación Permanente del Perú ante la Organización de los Estados Americanos (OEA) hace propicia la oportunidad para reiterar a la Honorable Organización Panamericana de la Salud (OPS), las seguridades de su más alta y distinguida consideración.

Washington D.C., 23 de mayo de 2011.



A la Honorable  
Organización Panamericana de la Salud (OPS).  
Washington D.C.-

**Pan American Health Organization**  
**(PAHO)**

Offer of Services  
as External Auditor

submitted by the  
Bundesrechnungshof  
(German Supreme Audit Institution)

## Table of contents

	<i>Page</i>
<b>A</b> Curriculum vitae and details of national and international activities	3
<b>B</b> Introduction – Purpose of this presentation	5
<b>C</b> Profile of the Bundesrechnungshof	7
<b>D</b> Our audit strategy for PAHO	12
<b>E</b> Proposed audit fee and estimates of auditor work months for the financial periods 2012-2013 and 2014-2015	20
<b>F</b> Key features	21

---

For information please contact:

MR BRH Michael SCHRENK, Audit Director  
Tel. office Bonn: + 49 22899 721 2030  
Tel. office Vienna: +43 1 2600 21083  
E-mail (Bonn): [michael.schrenk@brh.bund.de](mailto:michael.schrenk@brh.bund.de)  
E-mail (Vienna): [m.m.schrenk@iaea.org](mailto:m.m.schrenk@iaea.org)

**Professor Dr. Dieter Engels**  
**President**  
**Bundesrechnungshof**  
**(German Supreme Audit**  
**Institution)**

**Adenauerallee 81**  
**D - 53113 Bonn**  
**Germany**

born 7 February 1950 in Mechernich, Germany

married, two children

\*\*\*\*\*

- |              |   |
|--------------|---|
| as from 2002 | <p>President of the Bundesrechnungshof (German Supreme Audit Institution)</p> <p>Chair of the European Organization of Supreme Audit Institutions, EUROSAI (2005 – 2008)</p> <p>Bundesrechnungshof mandates as External Auditor during his presidency:</p> <ul style="list-style-type: none"> <li>- External Auditor of the Organization for the Prohibition of Chemical Weapons (as from 2009)</li> <li>- External Auditor of the International Atomic Energy Agency (as from 2004)</li> </ul> |
| as from 2001 | Professor at the German Postgraduate School of Administrative Sciences in Speyer  |
| 1996 - 2002  | Vice-President of the Bundesrechnungshof  |
| 1992 - 1996  | Director of the Administrative Office of a German party's parliamentary group   |
| 1983 - 1989  | Senior Civil Servant, final position held as Senior Executive Director at the Office of German Federal Parliament, <i>inter alia</i> Chief Secretary to the Parliamentary Appropriations Committee  |
| 1978 - 1983  | Research Associate at the Institute for Penal Law at the University of Bonn   |
| 1979         | Doctor's degree in law  |
| 1968 - 1973  | Law studies at the University of Bonn followed by Junior Barrister education  |



#### International Background:

**Professor Dr. Engels' national activities** cover the full range of external audit missions at federal departments and agencies and the relationship with Parliament. **International activities** include audit and representational responsibilities regarding international organizations and permanent working contacts with supreme audit institutions of foreign countries, with a recent focus on technical support to Central and Eastern European countries.

In 2005, the Bundesrechnungshof hosted the VI<sup>th</sup> EUROSAI Congress in Bonn. Subsequently, Professor Dr. Engels served as EUROSAI's chairman for a three-year term.

When he started his term as Vice-President of the Bundesrechnungshof in 1996, the Bundesrechnungshof was holding the mandate as **External Auditor of the United Nations Industrial Development Organization**. This mandate ended in 2002.

As from 1 July 2004, the Bundesrechnungshof took over the mandate as **External Auditor of the International Atomic Energy Agency** and delivered its first report as External Auditor of the Agency on 31 March 2005.

The Conference of the States Parties of the **Organization for the Prohibition of Chemical Weapons** mandated the Bundesrechnungshof as **External Auditor** of the organization from 2009 on.

*The purpose of this presentation is to offer the services of the Bundesrechnungshof (German Supreme Audit Institution) as External Auditor of the Pan American Health Organization (PAHO)*

This paper is designed to illustrate why the Bundesrechnungshof considers itself a suitable candidate for the office of the PAHO External Auditor. It outlines the Bundesrechnungshof's role as Germany's Supreme Audit Institution, its broad range of national and international audit experience, its highly professional staff resources and its proposed strategy for fulfilling PAHO's audit mandate.

The Bundesrechnungshof is confident of meeting PAHO's requirements for the following reasons:

- The proposed team is made up of expert auditors who have been continuously auditing UN organizations for several years. The Audit Director himself has already been serving for 22 years as the External Auditor of various UN organizations. Being the External Auditor of the International Atomic Energy Agency (IAEA) and the Organization for the Prohibition of Chemical Weapons (OPCW), we can draw on the experience and expertises gained, and keep abreast of the latest developments of international audit.
- We have further wide experience in the external audit of international and supranational organizations.
- Performance audit is a key focus of our daily work. Hence, our audit approach would also include performance audit missions to ensure sound financial management.
- In two organizations (IAEA and OPCW) our highly proficient staff will already have successfully facilitated the implementation of IPSAS by the time the PAHO audit would start.
- The Bundesrechnungshof applies for both positions as External Auditor of the World Health Organization (WHO) and PAHO. This combination would perfectly fit chapter 5 of the background information provided and ensure a

common audit approach for all entities dealing with financial activities in the health area.

- Since 2008 Members of the Bundesrechnungshof have held the offices of Chairman of the Panel of External Auditors of the United Nations, the specialized Agencies and the IAEA and its Technical Group. Therefore, we are involved in all developments concerning the audit of UN entities and play a leading role in the discussions.

## The Bundesrechnungshof

### *Staff*

Our staff totals some 1400. We have 9 audit divisions, 49 audit units and 9 regional audit offices. Administrative functions are carried out by a support division (comparable to a General Secretariat). Our auditors all hold a university or other higher education degree. The professional qualifications found within our human resource pool range from public administration, law and various engineering specialties, to economics, management and computer science. The staff assigned to the audit of international organizations have excellent knowledge and skills in accounting issues. All auditors have a record of several years of practical working experience in at least one government department or agency or in private sector business. This highly proficient workforce provides the Bundesrechnungshof with a sound basis for auditing international organizations.

### *National audit mandate*

The Bundesrechnungshof's audit mandate covers:

- federal financial management,
- federal trading funds,
- public bodies incorporated under federal law,
- social security institutions incorporated under federal law or state law, such as health insurance and pension institutions, and
- the management of federal government shareholdings in private sector enterprises.

### ***Reporting***

The Bundesrechnungshof submits annual reports on its audit findings to both chambers of the federal legislature and to the federal government. In addition to annual reporting, we may report on matters of particular significance at any time.

### ***Role of the Bundesrechnungshof***

We also conduct audits of administrative decisions that have not yet had a financial impact. That is a very far-reaching regulation and enables us to carry out performance audits on a real-time basis. Thus we are used to checking government expenditure before the money has actually been spent. We use our audit findings as a basis for advising government departments and agencies, and also Parliament, on decisions to be taken, notably in connection with budgeting. This advisory function has become increasingly important over the past decade.

The Bundesrechnungshof has the status of a supreme federal authority, i.e. it is equal in rank to a federal government department. It is an independent institution of government audit, subject only to the law. It is not part of the federal government and is not subject to any instructions from either the Executive Branch or the Legislature.

### **Audit criteria**

#### ***Performance audit***

In Germany, the emphasis of government auditing has shifted over time. Formerly, the work of government auditors focused on *ex post* financial audit work. The additional audit criterion of performance was imposed by statute decades ago. Performance audit has been the key focus of our work ever since, and even while we continuously expand our knowledge in this field, we are able to apply decades of experience in economy, efficiency and effectiveness.

Our auditors do not only look into the figures in the accounts or into individual revenue or expenditure items, but also into the underlying operations and programmes. This operational audit of the Federal Government's overall financial management increases timeliness and topicality. It addresses entirely new audit fields. It includes the examination of the structure, operations and human resources management of departments and agencies. Audit work also focuses on programme evaluations, effectiveness audits, efficiency audits and risk analyses. We use the audit findings as a basis for advising Parliament and the Government. In our reports, we present the lessons learned from earlier audit missions in order to provide an insight into current issues and problems of financial management.

#### ***Financial audit***

The Bundesrechnungshof's role is to provide the assurance gained from regularity and compliance auditing, in which government operations are checked against supporting documents, applicable statutory provisions, rules and regulations. An essential part of the financial audit is the certification of the Federation's annual accounts.

#### ***Timely audit***

Our timely audit approach seeks to develop audit findings that help to enhance future action, rather than merely criticizing past deficiencies.

### **Our track record as External Auditor of International Organizations**

#### ***Wealth of experience gained in the audit of the United Nations***

The Bundesrechnungshof's President served as one of the three members of the United Nations Board of Auditors from 1989 to 1992. Our audit mandate covered the examination of the annual accounts and financial management of the United Nations and some UN entities, e.g. the United Nations Development Programme (UNDP), the United Nations Fund for Population Activities (UNFPA), the International Trade Center (ITC) and the United Nations Relief and Works Agency (UNRWA). The audit

missions involved the collection of evidence at field offices and at UN development projects located worldwide.

From 1994 to 2001 we also audited the UN specialized agency UNIDO (United Nations Industrial Development Organization). As from 1 July 2004 the Bundesrechnungshof took over the mandate as External Auditor of the IAEA. This mandate has subsequently been renewed three times and will end 30 June 2012 after eight years of service.

#### ***Other international audit missions***

German auditors have been involved in the audit of a wide array of international projects. In recent years, the Bundesrechnungshof has, for example, participated in the audits of the European Organization for Nuclear Research (CERN), the European Space Agency (ESA), the Franco-German Research Center St. Louis (ISL), the European Organization for the Safety of Air Navigation (EUROCONTROL), the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT), the Western European Union (WEU), the Organization for Joint Armament Cooperation (OCCAR), the European Center for Medium-Term Weather Forecasting (ECMWF), the European Patent Office, the Organization for Economic Cooperation and Development (OECD), the Franco-German University, the Franco-German and Polish-German youth foundations. Moreover, our staff is seconded to the International Board of Auditors for NATO, to the European Communities Court of Auditors and to the Council of Europe.

#### ***Membership in INTOSAI/EUROSAI***

The Bundesrechnungshof is a member of the International Organization of Supreme Audit Institutions (INTOSAI), to which the supreme audit institutions of most UN member countries are affiliated.

We hosted INTOSAI's 13<sup>th</sup> World Congress held in Berlin in 1989, with participants from more than 130 nations and international organizations. The Bundesrechnungshof's President served as Chairman of INTOSAI's Governing

Board from 1989 to 1992. In addition, the Bundesrechnungshof is a member of INTOSAI's European regional working group, the European Organization of Supreme Audit Institutions (EUROSAI). Our institution hosted the VI<sup>th</sup> EUROSAI Congress in Bonn in 2005 and our President subsequently served as EUROSAI's chairman for a three-year term.

### ***International cooperation***

By tradition, we work closely with other Supreme Audit Institutions on a bilateral and multilateral basis. To name but a few, our partner countries include China, the Russian Federation, Peru, Malaysia, Cambodia, and Jordan. Furthermore, we chair a EUROSAI Working Group on the Coordinated Audit of Tax Subsidies which has 17 members all over Europe. We also chair the INTOSAI Sub-Committee whose task is to promote best practices and quality assurance through voluntary peer reviews among Supreme Audit Institutions. We have carried out peer views of several SAIs such as Austria, Macedonia, Peru and Switzerland.



## **Meeting PAHO's audit requirements**

In our audit of PAHO, we would make available the experience and expertise gained through our national and international audit work. This includes technical issues, as well as performance audits, in all areas of PAHO's operations. We strongly support the approach of results-based management and we would also like to monitor PAHO's process of implementing IPSAS.

We play a leading role in introducing and auditing results-based management in Germany. We monitor the prospect of results-based management and provide on-going advice to Parliament and the Government. Finally, we possess vast experience of all kinds of financial issues and of the audit of financial statements under United Nations System Accounting Standards (UNSAS) and IPSAS.

The Bundesrechnungshof is currently dealing extensively with a change in national accounting procedures and our international auditors are presently auditing the implementation of IPSAS in IAEA and OPCW. We stand ready to give advice when it is needed and to clarify all questions that may arise on how to apply individual standards. The German Director of External Audit has been a regular observer in the UN-wide Task Force on IPSAS and members of the Task Force are regularly invited to the meetings of the Technical Group of the Panel of External Auditors. This sharing of information and ideas enhances mutual understanding of problems encountered and helps to achieve a coordinated and harmonized approach.

### ***Our audit approach***

We would conduct the audit in accordance with best audit practice.

We plan, prepare, conduct and report on our audit exercises in compliance with internationally accepted standards. We follow the International Standards on Auditing (ISA) issued for the private sector and the International Standards of Supreme Audit Institutions (ISSAI).

With our certification of PAHO's financial statements we would follow ISA 700, which obliges us to comply with ethical requirements and to plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement.

ISSAI have added a chapter on performance audit to the ISA, which encourages SAs to put a greater emphasis on economy, efficiency and effectiveness rather than merely checking the regularity of the accounting. In all their work, our auditors would be guided by a cooperative attitude towards PAHO's management and internal auditors and we would very much like to continue this best practice.

#### *Areas of special experience in UN organizations*

The assignment to the Board of Auditors we held from 1989 to 1992 was an excellent opportunity to familiarize ourselves with the special nature of UN organizations. In our audit of UNIDO we addressed – in addition to the financial audit – all performance issues arising over the period of eight years. This covered the downsizing of the organization in the mid-nineties, the effectiveness of internal control systems, as well as financial issues such as cash management and investments, procurement procedures, information technology and personnel management issues, and UNIDO's field operations at headquarters and in six field missions to UNIDO projects in Asia, South America and Africa.

In our audit of IAEA we examine all major areas of IAEA activities. We intend to carry on these audits to cover all issues of relevance and materiality during the rest of our mandate. Some examples are set out below.

We made recommendations and follow-up audits in the field of **IT governance**, particularly the role of the Chief Information Officer and his budget responsibility. Also, our audit team tackled such areas as the collection of arrears, harmonization of budget cycles, after-service health insurance, contributions in-kind, budgeting on an accrual basis and capital budgeting, commonly used premises and common services, which would all need to be addressed in the course of the IPSAS

implementation. We commented on **asset protection and management**. This includes IT security, security in the laboratories and safeguards equipment.

In addition, we have further recommended monitoring the effects of increasing **voluntary contributions**, particularly their impact on the utilization of regular budget resources. A common programme support cost mechanism has been introduced in order to compensate for the administrative costs involved. We also advocate a theme-based approach or pooled funding of voluntary contributions, which would facilitate programme execution and deter donor-imposed conditions.

Over the years we have commented on the problems caused by voluntary contributions being provided under the condition of a special verification by the donor, under the Financial and Administrative Framework Agreement (**FAFA**) with the European Commission (EC). The requirement of donors of voluntary contributions to carry out special verifications is not in accordance with the Agency's financial regulations and violates the Single Audit Principle. We have even discussed this topic with the EC and the European Court of Auditors. Our Audit Director is also regularly invited to the yearly meetings of the EC-UN Working Group on FAFA.

We have worked successfully in a variety of areas. With regard to the **Technical Cooperation Fund**, we have pointed out that its purchasing power erodes with the decline of the dollar against the Euro. As a consequence, the Governing Bodies agreed to a split "assessment" of their voluntary funding to protect the resources of the fund, to the extent possible, against the effects of such currency fluctuations. In the area of **procurement**, a merger of two departments of procurement following our recommendation brought further synergetic effects.

Furthermore, we analyzed the financial and organizational implications of the IAEA's staff rotation policy and recommended that the organization should not be forced to separate well-performing staff only because of the rotation policy. We are continuing our audit of this field and are examining the recruitment procedures together with the applicable regulations and rules.

We could continue to describe a large number of other issues which would prove that our approach is universal insofar as it provides recommendations not only to the Secretariat, but also, for amendments that go beyond the Secretariat's responsibility, to Member States. Further evidence can be found on the IAEA's website, where the six reports we have issued up to now are published ("The Agency's Accounts for [year]").

## **Our audit strategy**

### ***Audit staff***

We would provide an internationally experienced team of auditors who have continuously participated in previous UN audits. The team, which would never be changed unnecessarily, would be led by an Audit Director and one Audit Manager and consist of approximately eight Senior Auditors, all of them having university degrees in various fields and who consist of experience colleagues of the IAEA/WHO external audit team. They have gained much valuable experience during their prior audit missions to IAEA's Headquarters and Field Missions to approximately 25 countries since autumn 2004. This would be strongly supported by intensive training in all areas relevant to the audit of PAHO.

As the Bundesrechnungshof has close relation to the Contraloria General de la Republica del Peru, the Peruvian Supreme Audit Institution (SAI), both organizations have agreed to integrate local expert staff from the Peruvian SAI in our team. This would enable us to make available the knowledge and experience of auditors of the region. Additionally, we would profit from their language skills and their knowledge of the socio-economic conditions in the area.

The full team is able to work in English, and in addition some team members are fluent in Spanish and French. The audit team reflects the vast specialized knowledge available within the Bundesrechnungshof in all public sector audit fields. Some auditors have previously worked in private sector audit companies. We are able to meet PAHO's requirements for a comprehensive financial audit, as well as its

technical requirements, by assigning staff to the audit that have excellent experience in national financial auditing and all kinds of performance audits.

### ***Audit methods***

The following methods would be applied in carrying out our audits:

#### *Financial audit*

The financial audit mainly aims at assessing whether the financial statements fairly present the financial position at the end of a financial period, and whether the financial statements have been prepared in accordance with the relevant accounting guidelines and policies, applied on a basis consistent with that of the preceding financial period.

The financial audit will be based on analytical audit procedures. This includes detailed scrutiny of the financial statements, an examination of PAHO's internal control system and sample testing of transactions and vouchers. Our financial audit is supported by commercial audit software.

#### *Performance audit*

The first step in conducting a performance audit is to obtain an understanding of the audit subject by carrying out a task analysis. Areas of high financial impact and high risk for the Organization are identified. As a result of discussions with responsible officials and the collection of audit evidence on the premises of functional and programme management units, additional audit subjects may emerge.

Performance audits would cover the whole range of PAHO activities. We would measure these against the criteria of economy, efficiency and effectiveness. To make our own audits as efficient as possible, we would consider asking for the support of Auditor Generals of developing countries, if special examinations in the fields of operations are necessary.

The overall ratio between performance and financial audit would be about 60 to 40 percent. Accordingly, our team has both financial and technical qualifications.

#### ***Risk assessment as part of the conduct of audits***

The strengths and weaknesses of controls within PAHO's financial systems would be assessed in order to determine the likelihood of material error occurring. The results of this assessment would help to determine the level of audit evidence needed to support the audit opinion, to concentrate efforts towards high risk areas and to improve the cost-effectiveness of audit testing.

#### ***Work Plan***

As required, we provide a sample work plan in the annex to this document. We designed this plan for one of our audits. We would design a similar plan for PAHO once we have carried out the analysis of the organization's mandate and the necessary risk assessment.

#### ***Professional standards to be applied to audits***

We would carry out the audit of PAHO in accordance with International Standards on Auditing (ISA) in the form of the ISSAI. These standards were tailored to the special circumstances of UN Organizations by INTOSAI and their application endorsed by the Panel of External Auditors of the United Nations. We would apply IPSAS as the organization's accounting standards.

#### ***Other details***

##### *Cooperation with Internal Audit and Oversight*

We would establish close working relations with the Office of Internal Oversight and Evaluation Services (IES). In order to avoid duplication, we would make use of information provided by that office and exchange our findings and reports. After a

comprehensive assessment of the IES's status and work, we would consider relying on the audit work carried out by IES.

#### Handover procedures

As agreed by the Panel of External Auditors in 2003, we would ensure a smooth handover from our predecessor as well as to our successor. We would appreciate receiving all documents officially issued and received by our predecessor, such as audit observations and management letters, including the Secretariat's comments received. Access to audit working papers of our predecessor would be helpful and welcomed.

As a matter of course, we would furnish to our successor all documentation, including our working papers, provided that this would not cause any conflict with our independence and/or the relationship of trust with PAHO.

#### Reporting

At the end of a financial period, we would submit a report as required in the Financial Regulations 14.8 and 14.9 and the additional terms of reference governing the external audit of PAHO.

Before we report to PAHO's legislative body, we would, of course, inform the management of any relevant data found, thus providing advice on how to enhance PAHO's daily work and giving the management the opportunity to comment.

**The Bundesrechnungshof's financial offer for 2012-2015**

We offer PAHO (Headquarters and the regional offices) the services of the Bundesrechnungshof for 2012/13 and 2014/2015 on the basis of zero real growth with a moderate price adjustment for 2014 on the following terms per year:

Work months per year	Fee for 2012 (USD)	Fee for 2013 (USD)	Fee for 2014 (USD)	Fee for 2015 (USD)
15	300,000*	300,000*	310,000*	310,000*

We would like to point out that we only ask for reimbursement for those 15 months (300 working days) that are delivered at PAHO. The External Auditor's presence in meetings with governing bodies is not taken into account. All the work we undertake at the Bundesrechnungshof would be free of charge. According to our experience we estimate the additional time we would spend for the PAHO mandate for preparation work and analysis at our Headquarters at about three months (60 working days) per year. This extra time would not be charged to the organization.

\*Our price calculation is based on 245,000 USD, which were budgeted and paid for 2010 and 2011. This amount equalled 205,000 Euros at that time and would be sufficient to cover our direct costs. With the exchange rate of end of April 2011 of 1.48 USD for 1 Euro we need to charge 300,000 USD per year.

We are requested to calculate the fee in USD. However, as our costs are exclusively incurred in Euros we kindly ask for a refund of our actual costs of 205,000 Euros, taking into account the respective exchange rate valid at the time the payment is effected. Expressed in USD, this may result in a higher or lower fee depending on the exchange rate fluctuation.

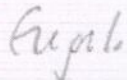


### Key features of our application

- The proposed team is made up of experts who have been auditing in the UN system for several years and who would make use of the experience they gained there. We consider staff continuity as important and do not unnecessarily change our team.
- As the Bundesrechnungshof has close relation to the Contraloria General de la Republica del Peru, the Peruvian Supreme Audit Institution (SAI), both organizations have agreed to add local expert staff from the Peruvian SAI in our team. This would enable us to make available the knowledge and experience of auditors of the region.
- Our audit approach goes beyond financial auditing. It focuses on economy, efficiency and effectiveness. These are key features for sound financial management and high organizational performance. We have vast experience in performance auditing and would dedicate 60 percent of our work to it.
- In addition to our audit opinion we give recommendations for improvement rather than merely voice criticism at the end of the financial year when money may already have been wasted.
- Our price is calculated on a reliable and transparent basis and reflects only the reimbursement of real and direct costs incurred.
- Our offer comprises 15 months at the PAHO Headquarters in Washington D.C. or, if required, in other duty stations. This is the time we need to perform our high-quality work. Three months work for preparation and analysis are carried out at our Headquarters free of charge.
- The Bundesrechnungshof has also applied as External Auditor of the World Health Organization (WHO); this would be in line with chapter 5 of the background information provided and ensure a common audit approach for all entities dealing with financial activities in the health area under the UN umbrella.
- Since 2008 Members of the Bundesrechnungshof have been holding the offices of Chairman of the Panel of External Auditors of the United Nations, the specialized Agencies and the IAEA and its Technical Group and thus have carried out a leading role amongst the external auditors of the UN system.

In our opinion, this comprehensive package, based exclusively on the recovery only of direct costs, offering our work for only a small increase in actual costs in the two biennia, is highly competitive, emphasizes quality and reflects good value for PAHO's money.

We would therefore like to request Member States to appoint the Bundesrechnungshof's team for the period 2012-2015. We would then start our long-term audit programme which aims at completing all the objectives contained in our risk assessment over the years.



Professor Dr. Dieter Engels  
President of the Bundesrechnungshof  
Germany



**Bundesrechnungshof**  
**German Supreme Audit Institution**  
**External Audit XXXX**

Date:

To:

Director Administration

From:

Audit Manager

Ext.: +49 22899 721 0

**Subject: Draft Plan for the Audit of the XXXX Financial Statements 2010**

**1. Auditing Standards:**

The International Standards of Supreme Audit Institutions lay down that the External Auditor has to discharge his mandate freely and impartially. He should take management views into consideration when forming audit opinions, drawing conclusions and making recommendations, but he owes no responsibility to the management of the audited entity for the scope or nature of the audits undertaken. The External Auditor should seek to maintain good relationships with all stakeholders involved, promote the free and frank flow of information, and conduct discussions in an atmosphere of mutual

**D r a f t**

respect and understanding. For this reason it is good management practice to discuss the scope of the audit with the audited entities at the earliest opportunity.

Before starting the audit of the financial statements 2010 we would like to inform you about our audit objectives, the scope, design and methods and the tentative timeframe of our audit.

We will carry out our audit in accordance with Article XIII of the Financial Regulations of the XXXX, the Additional Terms of Reference governing the work of External Audit, the standards of the International Organisation of Supreme Audit Institutions and the Common Auditing Standards of the Panel of External Auditors of the United Nations, specialised agencies and the International Atomic Energy Agency.

Those standards postulate that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement.

## **2. Audit Objectives:**

The main objective of the audit is to form an opinion whether the financial statements present fairly the financial position of the XXXX as it was at 31 December 2010.

We will also examine whether the expenditures recorded in 2010 had been incurred for the purposes approved by the Conference of States Parties, whether income and expenditure were properly classified and recorded in line with the XXXX's Financial Regulations and Rules.

Our audit will include performance audits in the areas Administration (especially Human Resources, Procurement and Information Technology,) International Cooperation and Assistance, as well as Verification and Inspection.

Additionally we will examine whether the pro-forma financial statements as at 31 December 2010 were prepared in accordance with IPSAS and can be used as the basis for the opening balance for the financial year 2011.

### **3. Scope, Design and Methods of the Performance Audits**

The scope, design and methods of the performance audits are as follows:

#### **a. Execution of the Budget**

Scope: We will examine whether the preparation and the execution of the budget are in line with the financial regulations and rules. We also want to look into the related workflow to see whether it is efficient, effective and transparent.

Design: Lead questions:

- Is the preparation process of the budget in line with the financial regulations and rules?
- Can the process of the preparation of the budget be enhanced?
- Is the execution of the budget during the financial year in line with the financial regulations and rules?
- Can the process of the execution of the budget be enhanced?

Methods: Interviews with involved staff, inspection of relevant documentation and records.

#### **b. Property Survey Board**

Scope: We will examine whether the activities of PSB are efficient and effective.

Design: We will assess the

- relevant financial regulations and rules and related documents,
- minutes/ decisions of the meetings of the PSB,
- paperwork that gives information on the actions taken after PSB's decisions.

Methods: Interviews with involved staff, inspection of relevant documentation and records.

**c. Blanket Purchase Orders**

Scope: We will examine whether the procurement process can be improved. We want to analyse whether the more intensive use of blanket purchase orders would increase the efficiency of the procurement process

Design: In our last audit we recognised room for improvement in the procurement process. We now want to identify whether and in which areas the conclusion of blanket purchase orders or other long term contracts are reasonable.

Methods: Interviews with involved staff, inspection of relevant documentation and records.

**d. Inventory Control (depending on the results of the internal audit)**

Scope: We will examine the efficiency and effectiveness of asset management in the XXXX.

Design: Follow-up on our observations made in the course of our audit of the financial statements 2009 concerning the inventory taking.

Lead questions:

- When and how was the last inventory taking conducted?
- Outcome of the inventory taking?
- Relevant procedures for not found items?
- Conclusions from the last inventory taking and our report?

Methods: Interviews with involved staff, inspection of relevant documentation and records.

**e. Effectiveness of IT related Rules**

Scope: Effectiveness of IT related rules, regulations and administrative orders

Design: IT related rules, regulations and administrative orders, especially the ‘Standard on the Use of the Information Technology Environment’ and the ‘Information Security Policy’, will be object of our audit.

We will assess the

- relevant rules and regulations in their current and in former versions,
- minutes of related meetings,
- instruments and IT systems which are designed to monitor the compliance with rules and regulations,
- documentation of consequences in case of violations.

Methods: Interviews with involved staff, investigation of relevant documentation, records and systems.

#### **f. Risk Management**

Scope: We will examine whether the Secretariat has identified significant risks for the achievement of the XXXX’s strategic and operational objectives. In addition we intend to examine out whether the Secretariat has evaluated the potential consequences and implemented measures for controlling and monitoring the risks.

Design: Follow-up audit on the observations made in autumn 2009 about risk management in the XXXX.

Lead Questions:

- Has the Secretariat identified significant risks?
- Is a risk register in place?
- Are the risk register and the categories appropriate?  
(risk analysis, assessment and prioritisation)
- Does the Secretariat monitor the risks?
- Has the Secretariat identified risk responses and necessary actions?

Methods: Interviews with involved staff, inspection of relevant documentation and records.

**g. Operational Aspects of YYYY Policy**

Scope: We will examine which operational effects result from the execution of the YYYY policy.

Design: Follow-up audit on the observations made in our report 2010 as asked by the BOARD

Lead Questions:

- Which effects of YYYY policy are noticeable?
  - Loss of institutional memory
  - Losing qualified staff members
  - Vacant posts
  - Effects on teambuilding processes
- Which actions have been taken by the Secretariat to minimise these effects?
- Which other actions could be taken to minimise these effects?

Methods: Interviews with involved staff (especially directors level and above), inspection of relevant documentation and records.

**h. International Cooperation**

Scope: We will examine whether the activities of the different fields are efficient and effective.

Design: We will assess the

- relevant regulations and rules and related documents,
- financial impacts and sustainable development,
- activities in this field for the past years,
- documents that gives information on the activities taken



Methods: Interviews with involved staff, inspection of relevant documentation and records

**4. Timetable:**

15 Nov - 26 Nov 2010	performance audit and preparation of financial audit
14 Feb - 25 Feb 2011	performance audit and preparation of financial audit
14 Mar - 15 Apr 2011	audit of the financial statements

**5. Preparation of the Audit**

- a. Please provide us at the beginning of our visit in November 2010 with the General Ledger as at 31 October 2010 on CD
  
- b. Please provide us at the beginning of our spring visit 2011 with:
  - the General Ledger as at 31 December 2010 on CD
  - the summary statement of the investment activities of the financial year 2010 (financial rule 9.1.01)
  - the report on losses from investments of the financial year 2010 (financial rule 9.1.03)

D r a f t

- the report of the physical verification of non-expendable property of the year 2010 (financial rule 10.2.03)
- a list of all ex-gratia payments of 2010 of the financial year 2010 (financial regulation 10.4)
- a statement of all write-offs or write-downs (cash and assets) during the financial period 2010 (financial regulation 10.5)
- the list of expendable property that has been sold or disposed of in the year 2010
- copies of all reports of the Office of Internal Oversight of the year 2010 (financial regulation 12.4)

c. Please provide us by 31 March 2011 at the latest with:

- the financial statements as at 31 December 2010
- a statement of the Director General confirming that the accounts and financial statements were established in compliance with the XXXX's regulatory framework (Letter of Representation)

CC: Director  
Head of Finance  
Director of Internal Oversight

D r a f t

**ANNEX F**  
**SUMMARY TABLE OF NOMINATIONS**  
**WITH PROPOSED AUDIT FEES**

**Summary Table of Nominations with Proposed Audit Fees <sup>1</sup>**

<b>Nominating Member State</b>	<b>Name and Title of Nominee</b>	<b>Number of auditing months per year at PAHO</b>	<b>Proposed annual audit fees (US\$)</b>
Panama	Mr. Manuel Núñez Pérez, President, Spanish Court of Audit (El Tribunal de Cuentas de España)	21	\$240,000
Peru	Prof. Dr. Dieter Engels, President, German Supreme Audit Institution (Bundesrechnungshof)	15	\$300,000* \$310,000**

\* Annual fee for 2012 and 2013.

\*\* Annual fee for 2014 and 2015, which reflects a price adjustment.

---

---

<sup>1</sup> Bolivia sent only the formal letter of the Ministry of Health informing of their nomination. A full proposal has not been provided to date.