



**156th Session of the Executive Committee**  
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**ANNUAL REPORT OF THE AUDIT COMMITTEE**  
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**Pan American  
Health  
Organization**



**World Health  
Organization**

REGIONAL OFFICE FOR THE **Americas**

# HIGHLIGHTS OF THE 2014 ANNUAL REPORT

1. The Audit Committee's activity
2. External Audit
3. Internal Audit
4. Evaluation
5. Internal Controls and Risk Management
6. The 2014 Financial Statements and Report
7. *Mais Medicos*
8. PASB Management Information System (PMIS)
9. Ethics and Fraud
10. Building Security
11. Areas of Audit Committee Focus in 2015
12. Self-assessment



# 1. The Audit Committee

## Three members :

- John Fox, current Chair (JIU Inspector and Senior career positions with U.S. Department of State, retired);
- Nick Treen (Director Internal Audit & Oversight Division, WIPO, retired);
- Amalia Lo Faso (Inspector General, FAO, Retired).

## Advisory role, only, on:

- Accounting, financial controls and reporting;
- Risk management;
- Internal and external audit & evaluation;
- Issues and trends apparent in financial statements;
- Policies and procedures requiring corrective action;
- Ethics and investigation
- Selection of Auditor-General and External Auditor.

# Indicators

- Two sessions of two days (in November 2014 and March 2015) with PASB staff, leading to recommendations;
- Between sessions, e-mails and conference calls within the Audit Committee and with PASB, the Auditor-General, the External Auditor, etc. as necessary;
- Continuous benchmarking with best practices of other audit committees;
- Audit Committee annual self-assessment questionnaire.



## 2. External Audit

- The President of the Court of Audit of Spain has delivered his opinion and report.
- In full compliance with professional standards and the terms of reference on which the Directing Council elected the External Auditor.
- Adequate manpower led to appropriate
  - Opinion on financial statements;
  - Long-form Report and recommendations;
  - Management letter;
  - Three PWR reports.



# 3. Internal Audit

- Fully staffed and uses specialized consultants as needed;
- Internal auditor dedicated to *Mais Medicos* project appointed;
- Strong annual report;
- Annual opinion on internal controls;
- Thematic review of significant areas;
- Synergy with External Auditor: reliance, no duplication;
- Self-assessment planned for 2015 to prepare for Independent Quality Assessment Review (QAR) in 2016;
- Follow-up of recommendations: strong support of the Director; improved recommendations aging in 2014; average implementation rate comparable to other organizations; recurrent issues continue to call for stronger PWR action.

**= Audit progress achieved in terms of recommendation implementation and areas audited, including higher focus on *Mais Medicos*.**



# 4. Evaluation

- Evaluation Officer appointed;
- Evaluation function's change of emphasis toward PAHO-wide monitoring by IES accomplished;
- All decentralized evaluations = independence and professionalism to be guaranteed by IES;
- First inventory of planned, ongoing and completed evaluations conducted throughout the Organization;
- First report to Director on lessons learned from evaluations released first quarter of 2015.

***= Transition period continues. Progress in 2014 has been slow but stronger effectiveness of IES evaluation role expected in 2015 with the appointment of an Evaluation Officer. Higher focus needed to build an evaluation culture of accountability and learning throughout the Organization.***



# 5. Internal Control and Risk Management

- Improvement in internal controls and IES conclusion that they provide reasonable assurance. Some progress in Risk Management.
- But need for continuing attention to:
  - Develop an internal control framework and policy;
  - Link risks more clearly to organizational objectives and to risk-mitigating internal controls;
  - Continue to improve outdated and fragmented procedural guidance in country offices;
  - Improve IT security standards of PAHO's Headquarters network;
  - Increase focus on using a top-down approach to identify major Organization risks and on integrating risk management into PAHO's processes;
  - Continue progress in setting up and using the PAHO risk register;
  - Complete/fine tune comprehensive risk assessment;
  - Use ERM to improve strategic planning and the program budget formulation process;
  - Review major and highest risks monthly at Executive Management meetings.

***= Further progress needed. The implementation of PMIS in 2015-16 is expected to increase automation of internal controls, which will reduce risk of manual errors. Continuation of higher focus on risk management initiated in 2014.***



## 6. 2014 Financial Statements and Report

- Comprehensive Financial Report, good compliance with IPSAS;
- Comparative IPSAS-based figures with previous year;
- Director's statement on internal controls;
- Positive External Audit opinion.

**= *Continuity in yearly Financial Reporting.***

# 7. Mais Medicos

- **The largest PAHO project in technical cooperation is with the Ministries of Health of Brazil and Cuba.**
    - Risk analysis of project and Risk Register progressing;
    - Internal Audit plan developed and dedicated internal auditor appointed;
    - Compliance officer appointed in PWR Brazil;
    - Evaluations planned by PAHO and Brazil to include external independent experts from well-respected institutions;
    - Arrangements reviewed also by External Audit in 2014;
    - Potential national legal challenges remain a concern.
- = Continued progress but need to:**
- *Improve database used to monitor use of Cuban doctors;*
  - *Determine and monitor appropriate performance measures, and report on health care benefits achieved vis-à-vis baselines;*
  - *Plan sustainability measures for gains and benefits after departure of Cuban doctors;*
  - *Keep Member States informed of project's financial facts and progress, given its magnitude and importance.*



## 8. PMIS

- Project re-engineering early 2013: in line with recommendations by the Internal & External Auditors and by the Audit Committee.
- Strong management attention and support.
- Successful and timely implementation of Phase I reported.
- Phase II, underway, will be more challenging.

**= *Improvement and optimistic perspective, but with continuing challenges and risks and need to:***

- ***Continue to keep project as a top management priority;***
- ***Keep strong budgetary management controls and be prepared in case of budget shortfalls;***
- ***Increase focus on changing PAHO culture and behaviors to obtain maximum usage and benefits from the new system.***



## 9. Ethics and Fraud

- Brochures on conflicts of interest, gifts, hospitality, employment activities outside PAHO were issued;
- Case management information continues to be manual and fragmented, and status reports require considerable effort;
- The Ethics Officer to review the roles and mandates of the ethics and integrity function to ensure conflicts of interests are avoided between advisory, policy, investigative and compliance work and report back to the Committee before the end of 2015

**= Progress has been slow.**

- ***Need to establish a robust and accurate case management system for all sources and kinds of complaints and how they are addressed;***
- ***Need to increase staff awareness about modalities to address conflict and managing disagreements prior to escalating matters to the Ethics Office;***
- ***Need to provide Audit Committee with full statistics and more substantive information on investigation cases handled.***



# 10. Building Security

- Security vulnerabilities identified by the United Nations Department for Safety and Security (UNDSS) for all PAHO-owned offices of \$66.9 million, of which \$55 million relate to PAHO's Headquarter building.
- The Audit Committee looks forward to reviewing PAHO's updated Master Capital Plan and real estate strategy to address the security vulnerabilities, maintenance arrears and a viable funding policy.

***=Need to establish a sustainable source of funding for effective management of major capital items.***



# 11. Audit Committee's Areas of Focus in 2015

- In addition to Financial, Audit and other matters, AC will continue to follow:
  - Development and implementation of *Mais Medicos*,
  - Roll out and effectiveness of PMIS;
  - Implementation of the new evaluation policy;
  - Implementation and integration of ERM into PAHO's operations;
  - Developments in the ethics and investigation areas.

# 12. Self-Assessment

- The third Audit Committee Self-Assessment, based on WHO's template adapted to PAHO:
- *Confirms that PAHO has appropriate Audit Committee arrangements;*
- *There is open dialog and cooperation between the Organization and the Audit Committee;*
- *The Committee receives good administrative support.*

***In the future, the Audit Committee looks forward to feedback on its performance from PAHO and its Executive Committee.***



# Thank you.

*Questions  
are welcomed.*

