APPOINTMENT OF THE EXTERNAL AUDITOR OF PAHO
FOR 2024–2025 AND 2026–2027

1. The audit of an organization by an external entity is one of the key instruments ensuring transparency and oversight in its operations. The appointment of the current External Auditor of the Pan American Health Organization (PAHO) will expire at the completion of the audit of the 2023 financial period. The current External Auditor, the National Audit Office of the United Kingdom of Great Britain and Northern Ireland, has held the appointment for the past three biennia.

2. In accordance with Financial Regulation 14.1 of PAHO, 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 term of office shall be four years, covering two budgetary periods, and may be extended once for an additional two years.

3. In August 2022, a note verbale was sent to all Member States, Participating States, and Associate Members. The note verbale described in detail the process to be followed in order to nominate an External Auditor for the 2024–2025 and 2026–2027 biennia (see Annex B). The deadline for the receipt of submissions was 31 January 2023.

4. The Pan American Sanitary Bureau (PASB) received one nomination (see Annex C) from the Government of Chile nominating its Office of the Comptroller General of the Republic (Contraloría General de la República de Chile). PASB considers that the nomination meets the requirements specified in the above-mentioned note verbale.

5. All the documentation available for the nomination was forwarded to the Audit Committee of PAHO for review and advice.

6. To assist in the selection process, the representatives of the nominated audit entity will be invited to make a summary presentation of its proposal and to take questions from Member States.
**Action by the Directing Council**

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

Annexes
PROPOSED RESOLUTION

APPOINTMENT OF THE EXTERNAL AUDITOR OF PAHO FOR 2024–2025 AND 2026–2027

THE 60th DIRECTING COUNCIL,

(PP1) Having considered the report of the Director of the Pan American Sanitary Bureau on the Appointment of the External Auditor (Document CD60/11);

(PP2) Noting the regulations, rules, and practices of the Pan American Health Organization,

RESOLVES:

(OP)1. To appoint _________________________ as External Auditor of the accounts of the Pan American Health Organization for 2024–2025 and 2026–2027, in accordance with the principles and requirements stipulated in Financial Regulation XIV.

(OP)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 per Annex B of Document CD60/11 which provides further background information on the appointment of the External Auditor;

b) to express its appreciation to the National Audit Office of the United Kingdom of Great Britain and Northern Ireland for the excellent service provided to the Pan American Health Organization for the 2018 through 2023 financial periods, especially with respect to the commitment to its mandate and the quality of recommendations provided, which have contributed to increased efficiency and effectiveness of the Organization’s operations.
Annex B

Note Verbale

Appointment of the External Auditor of the Pan American Health Organization for the 2024–2025 and 2026–2027 biennia

1. The Director presents her compliments to Member States, Participating States, and Associate Members and has the honor to recall that, in September 2021 the 59th Directing Council, by Resolution CD59.R6, appointed the National Audit Office of the United Kingdom of Great Britain and Northern Ireland to be the External Auditor of the Pan American Health Organization (PAHO) for the 2022-2023 biennium. Accordingly, and with reference to PAHO Financial Regulation 14.1, it will be necessary for the 60th Directing Council in September 2023 to appoint an External Auditor of international repute for the 2024–2025 and 2026–2027 biennia. The purpose of this note verbale is to start the process for the appointment of the External Auditor by inviting nominations from Member States, Participating States, and Associate Members.

2. The Director of the Pan American Sanitary Bureau has the honor, therefore, to invite Members to nominate a candidate fulfilling the conditions of PAHO Financial Regulation XIV, whom they may wish the Directing Council to consider for appointment as the External Auditor of PAHO for the 2024–2025 and 2026–2027 biennia. The full text of Financial Regulation XIV, the Additional Terms of Reference governing the External Audit of PAHO, and background including information on the scope of PAHO’s financial operations are enclosed herewith.

3. 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 Organization no later than 31 January 2023 to allow time for the preparation of the submission to the 60th Directing Council in September 2023. The nominee’s proposal should include in respect of the proposed External Auditor:

   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 (IPSAS);

   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, 2024–2025 and 2026–2027;
d) for each financial period (2024, 2025, 2026 and 2027), a proposed audit fee expressed in United States dollars. This fee should cover the international audit of PAHO program budget 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 nominee’s cooperation, on completion of appointment, in responding to similar requests for information by the incoming auditor;

f) any other information which may assist the 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.

4. Since nominations will be presented to the Directing Council, they must be prepared and submitted in one of the four working languages of the Council (English, French, Portuguese or Spanish). The Organization will undertake to translate the tenders. For this reason, the nomination should not exceed 6,000 words and should be formatted in U.S. letter-size pages (8.5” x 11”, or 216 x 279 mm) or in A4 format (210 x 297 mm), with margins no less than 1” (or 25 mm) on each side and top and bottom, in print-ready PDF format.

5. The Organization would like to take this opportunity to express its appreciation for the support of the Member States, Participating States, and Associate Members in this very important endeavor.
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.
Appendix to the Financial Regulations of PAHO

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.
Background Information

Appointment of the External Auditor of the Pan American Health Organization

1. General Requirements and Objectives

1.1 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.

1.2 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.

1.3 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.

1.4 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 2021–31 December 2021, which is available on the Pan American Health Organization’s website at: https://www.paho.org/en/official-document-365

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 27 countries through representative offices and technical centers. Additional information regarding the Pan American Health Organization is available on its website at: https://www.paho.org/en/who-we-are

3. The World Health Organization (WHO)

PAHO also serves as the Regional Office for the World Health Organization in the Americas (AMRO). 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 as that appointed by PAHO, in which case close collaboration is required between the two auditors. Additional information regarding WHO is available on its website at: http://www.who.int/en/

4. **Office of Internal Audit (OIA)**

The Pan American Health Organization maintains an office of internal audit and oversight. The main responsibility of the 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.

5. **External Audit Fee**

The external audit fee for 2022-2023, including all travel and other costs associated with the audit of the entities as noted above, is US$ 323,000 per year. Audit fees should be expressed in US dollars.
ANNEX C

PROPOSAL RECEIVED FROM THE OFFICE OF THE COMPTROLLER GENERAL OF THE REPUBLIC OF CHILE (CONTRALORÍA GENERAL DE LA REPÚBLICA DE CHILE)
The Permanent Mission of Chile to the Organization of American States (OAS) presents its compliments to the Pan American Health Organization (PAHO) and has the honor to nominate the Office of the Comptroller General of the Republic of Chile for the position of External Auditor of PAHO, for the bienniums 2024–2025 and 2026–2027, whose election will be held during the 60th Directing Council of the Organization in September 2023.

In compliance with the requirements established in PAHO’s Financial Regulations communicated in Organization’s Note Verbale FRM-22-0013 and its annex CE 170/22, the Permanent Mission of Chile to the OAS wishes to submit the proposal for the position of external auditor prepared by the Office of the Comptroller General of the Republic of Chile.

The Permanent Mission of Chile to the OAS takes this opportunity to reiterate to the Pan American Health Organization the assurances of its highest and most distinguished consideration.

Washington, D.C., 23 January 2023

To: Pan American Health Organization
Washington, D.C.
PROPOSAL FOR THE POSITION OF EXTERNAL AUDITOR OF THE PAN AMERICAN HEALTH ORGANIZATION FOR THE 2024–2025 AND 2026–2027 BIENNIA

OFFICE OF THE COMPTROLLER GENERAL OF THE REPUBLIC OF CHILE

JANUARY 2023

OVERSEEING THE RESPONSIBLE USE OF PUBLIC RESOURCES
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INTRODUCTION

I am pleased to present to the Pan American Health Organization (PAHO) this proposal that the Office of the Comptroller General of the Republic of Chile serve as external auditor during the 2024–2025 and 2026–2027 biennia. This proposal contains the information required in Note Verbale "CE 170/22 – ANNEX", in addition to other background information that I consider relevant for your evaluation.

Through this candidacy, we wish to provide PAHO with our professional and technical capacity to continue contributing to the accountability and transparency of international organizations. At the Office of the Comptroller General of the Republic of Chile, hereinafter the CGR, we aspire to contribute to PAHO's work by offering excellence in accordance with international auditing standards.

The CGR team are convinced of the value of our proposal, and we are available to provide any additional information or clarifications you may require.

Yours faithfully,

JORGE BERMUDEZ SOTO,
COMPTROLLER GENERAL OF THE REPUBLIC OF CHILE
1. Curriculum vitae and details on the national and international activities of the CGR

1.1 Introduction

The Office of the Comptroller General of the Republic of Chile was created in 1927, continuing a tradition of administrative control that dates back to colonial times. It is the Supreme Audit Institution of the State Administration and is autonomous with respect to the executive branch and the other branches of government. Its autonomy and mandate are guaranteed at the constitutional level.

Administrative control of the CGR is broad in nature, and includes legal, accounting, financial, and performance control.

In compliance with its mandate, the CGR conducts audits of governmental entities, as well as those that are part of its United Nations external audit portfolio. Their internal control systems are evaluated, their adherence to financial regulations is monitored, and proposals are made to correct any irregularities detected.

The CGR has played a leading role in preventing corruption, to which end it pursues various lines of work, including collaborative actions at the international level.

1.2 The Comptroller General of the Republic

The Comptroller General is appointed by the President of the Republic of Chile and ratified by three-fifths of the senators in office. To be appointed, the candidate must have had a law degree for at least 10 years, be 40 years of age, and qualify as a citizen with the right to vote.

The term of office of the Comptroller General is eight years and cannot be extended for a subsequent term. Also, the incumbent must step down at age 75.

The current Comptroller General of the Republic of Chile is Jorge Bermúdez Soto, an attorney appointed on 17 December 2015.

Since his appointment, the Comptroller General has emphasized the importance of demonstrating to citizens his autonomy and his concern for the proper use of public resources. As a result, the CGR has become a key part of the Chilean government's anti-corruption system.

Furthermore, considering the importance of contributing to democracy at the service of citizens, the Comptroller General has pursued a strategy of strengthening public trust, with the objective of developing an agile and flexible organization and exercising control that actively responds to its environment and contributes to good administration.
Curriculum Vitae of the Comptroller General:

JORGE BERMÚDEZ SOTO

WORK EXPERIENCE
Since 2015 • Comptroller General of the Republic
Since 2018 • Member of the United Nations Board of Auditors
Since 2023 • President of the Supreme Audit Institutions of the countries of South America (EFSUR)
2021-2022 • President of the United Nations Board of Auditors
2022 • Chairman of the Panel of External Auditors of the United Nations, its specialized agencies, and the International Atomic Energy Agency
2015-2022 • Executive Secretary of the Latin American and Caribbean Organization of Supreme Audit Institutions
2003-2015 • Professor of Administrative and Environmental Law, Law School of the Pontifical Catholic University of Valparaíso
2014- • Advisor to the Superintendence of the Environment on administrative and environmental regulation issues
2011-2012 • Legal Adviser to the Cabinet of the Minister of National Defense

ACADEMIC BACKGROUND
2011–2012 • Legal Adviser to the Cabinet of the Minister of National Defense
1993 Chile • Degree in Legal Sciences, Catholic University of Valparaíso
1996 Spain • Master’s Degree in European Community Law, Autonomous University of Madrid
1998 Spain • Doctoral Degree in European Community Law, Autonomous University of Madrid
2012 Germany • Postdoctoral Degree in Environmental Law, as a fellow of the Alexander von Humboldt Foundation, University of Giessen (Germany) (2002–2003) and University of Heidelberg (Germany) (6 months, in 2010 and 2012)

PUBLICATIONS

Doctoral thesis

Books
Recuperación de Pesquerías. Análisis de experiencias comparadas, Ediciones Universitarias de Valparaíso, 2015 (co-authored with Osvaldo Urrutia and Rocío Parra).
1.3 CGR activities

a) National-level activities

The CGR conducts audits of the public entities under its control, in order to ensure compliance with legal and financial regulations, safeguarding of public assets, and administrative probity. Its methodology includes the evaluation of internal control systems; verification of adherence to relevant financial regulations, in particular those for the implementation of financial statements; verification of the veracity of supporting documentation; compliance with the statutory rules applicable to civil servants; and the formulation of proposals to remedy any irregularities detected. Its approach includes conducting compliance audits to verify that actions, operations, systems, and aspects of probity comply with the legal framework that governs the audited entity, as well as financial audits to determine the accuracy and reasonableness of the auditee's financial information, applying the established regulatory framework of reference.

For the exercise of its audit function, the CGR has a team of 870 professionals (as of December 2022).

The health sector is a particularly relevant area, which is why the CGR has teams responsible for continually auditing various topics in this area. The CGR strategically supervises the proper use of public resources in health, auditing different areas of the national health network, such as the actions of public and private entities involved in the delivery of benefits and supplies to users, and compliance with the associated regulations.

During the period 2020–2022, 290 audits have been carried out in 96 institutions in the health sector, including the following:

<table>
<thead>
<tr>
<th>AUDIT</th>
<th>DATE</th>
<th>LINK</th>
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<tbody>
<tr>
<td>Consistency of information records from EPIVIGILA</td>
<td>20/08/2020</td>
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<td>(Ministry of Health system for data, alerts, and epidemiological</td>
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<td>surveillance)</td>
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<td>Processes for the receipt of samples, analysis, and delivery of</td>
<td>29/03/2021</td>
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<td>test results to detect COVID-19 at the Institute of Public Health</td>
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<td>Provision of medicines for sexual and reproductive health care by</td>
<td>10/01/2022</td>
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<td>the Supply Center of the National Health Services System</td>
<td></td>
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<td>Effectiveness of the mechanisms implemented by the Government of</td>
<td>14/03/2022</td>
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<td>Chile for the prevention of HIV/AIDS transmission</td>
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b) International activities

Audits of United Nations entities

On 1 July 2018, the CGR became a member of the United Nations Board of Auditors for a six-year term. It currently holds this position with the supreme audit institutions (SAIs) of China and France.
To do this work, the CGR organized the Department of External Audit—United Nations Board of Auditors, which manages and directs audit activities and resources for its portfolio of entities, in accordance with the Financial Regulations of the United Nations and the International Standards on Auditing (ISAs).

As of December 2022, the CGR had audited 19 entities in the United Nations system, totaling 188 visits to 94 different offices in 49 countries. The entities audited to date are listed below.

<table>
<thead>
<tr>
<th>AUDITED ENTITY</th>
<th>FINANCIAL YEARS AUDITED</th>
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<tr>
<td>United Nations Joint Staff Pension Fund (UNJSPF)</td>
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<td>United Nations Population Fund (UNFPA)</td>
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<td>United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)</td>
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<td>United Nations Office on Drugs and Crime (UNODC)</td>
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<td>United Nations University (UNU)</td>
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<td>United Nations Institute for Training and Research (UNITAR)</td>
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<td>International Residual Mechanism for Criminal Tribunals</td>
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<tr>
<td>United Nations Interim Security Force for Abyei (UNISFA)</td>
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<tr>
<td>United Nations Support Office in Somalia (UNSOS)</td>
<td>2018 and 2019</td>
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<tr>
<td>United Nations Human Settlements Programme (UN HABITAT)</td>
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<tr>
<td>United Nations Environment Programme (UNEP)</td>
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<tr>
<td>United Nations Relief and Works Agency for Palestine Refugees (UNRWA)</td>
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<td>United Nations Office at Nairobi (UNON)</td>
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<td>United Nations Children’s Fund (UNICEF)</td>
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<tr>
<td>United Nations Office at Vienna (UNOV)</td>
<td></td>
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<tr>
<td>United Nations Interim Administration Mission in Kosovo (UNMIK)</td>
<td>2020 to 2022</td>
</tr>
<tr>
<td>United Nations Peacekeeping Force in Cyprus (UNFICYP)</td>
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<td>United Nations Interim Force in Lebanon (UNIFIL)</td>
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Chairmanship of the United Nations Board of Auditors

In accordance with the internal regulations of the United Nations Board of Auditors, the Comptroller General of the Republic of Chile was assigned to serve as Chair for a period of two years, starting on 1 January 2021.

At the same time, and in accordance with the Board's management mechanism, chairmanship of the Audit Operations Committee—based in New York and composed of the External Audit Directors representing the three member countries—was led by Chile, through its External Audit Director.
Participation in the Panel of External Auditors of the United Nations

By virtue of its participation in the Board of Auditors, the CGR is also a member of the Panel of External Auditors of the United Nations, its specialized agencies, and the International Atomic Energy Agency. This working group brings together 13 SAIs, which audit funds and programs of the United Nations System. Currently, in addition to Chile, the Panel is composed of the SAIs of Canada, China, France, Germany, Ghana, India, Indonesia, Italy, the Philippines, Russia, Switzerland, and the United Kingdom.

This body has a Technical Group, in which officials of the aforementioned institutions participate. The Technical Group coordinates the audits for which its members are responsible and exchanges information on audit methods and results, presenting the main conclusions to the Panel, where the comptrollers and auditors-general discuss the observations and recommendations and issue a letter to the Secretary General of the United Nations to inform him of their conclusions on the matter.

During 2022, the Panel of External Auditors was chaired by Comptroller General Jorge Bermúdez. It held its annual session in Santiago from 23 to 29 November 2022. Chile was the first South American country to host this meeting. During the meeting, a remote session was held with the Secretary General of the United Nations, António Guterres.
Other relevant activities

The Office of the Comptroller General of the Republic is highly regarded internationally. The Comptroller General participates in multiple initiatives, including participation in the International Organization of Supreme Audit Institutions (INTOSAI) and serving as Executive Secretary of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) from 2015 to 2022. Since 1 January 2023, he has served as President of the Supreme Audit Institutions of the countries of South America (EFSUR).

In 2022, the Comptroller General organized the meeting of the OLACEFS Steering Committee in Valparaíso, Chile; and participated in the Main Panel and five other events of the 24th International Congress of Supreme Audit Institutions (INCOSAI) in Rio de Janeiro.

Combatting corruption

The CGR plays a key role in the Chilean integrity system, which is made up of a group of agencies responsible for combatting corruption through prevention, detection, investigation, and sanctions.

In this regard, the CGR has implemented a national anticorruption strategy, based on a study entitled "X-ray of corruption: ideas to strengthen probity in Chile", which involved 23,453 people in a broad participatory process. The result of this process, together with the guidelines of the United Nations Office on Drugs and Crime (UNODC), has led to the implementation of 25 measures to consolidate a culture of zero tolerance for corruption in Chile.1

1 For more information about this strategy, see: https://www.contraloria.cl/portalweb/web/estrategia-nacional-anticorrupcion.
The CGR and the United Nations Development Program (UNDP) have been coordinating the Anti-Corruption Alliance in Chile since 2012. This group is composed of 31 entities from the public and private sectors, academia, the international community, and civil society. The work of the Anti-Corruption Alliance is carried out through five working groups: integrity, training, standards, legislative initiatives, and communication.2

2. Membership in internationally recognized accounting and auditing entities

The CGR has built fruitful relationships within the framework of various multilateral organizations and partnerships. It participates actively in various international organizations together with other SAIs: as a full member of both INTOSAI and OLACEFS, and as Chair of the SAI of the countries of South America (EFSUR), in the period 2023–2024.

In addition, the CGR participates in various international anti-corruption initiatives, including:
- the mechanism for monitoring implementation of the Inter-American Convention against Corruption (IACC)
- the mechanism for reviewing implementation of the United Nations Convention against Corruption (UNCAC)
- the Network of Corruption Prevention Authorities (NCPA) and the UNODC Global Operational Network of Anti-Corruption Law Enforcement Authorities (GlobE Network).

The CGR is the authority that establishes the basic accounting principles and standards, and the procedures by which the public accounting system is governed, exercising guidance, control, and technical supervision of public agencies. This accounting system operates in accordance with International Public Sector Accounting Standards (IPSAS), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). In this leadership role, the CGR maintains agreements and permanent working groups with the College of Accountants of Chile, the Institute of Internal Auditors of Chile and the College of Auditors of Chile. As a result, permanent links have been established with schools and academia, whose opinions and support are obtained in the areas of auditing and accounting.

Finally, the CGR has agreements with the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD) (both of the World Bank Group), for the auditing of the financial statements of all programs conducted with loans granted by these organizations to Chile.

2 For more information on the Alliance's work, visit: http://www.alianzaanticorrupcion.cl/.
3. Audit Team

The Department of External Audit—Board of Auditors of the United Nations, specialized in international audits, is composed of more than 50 professionals with the skills, knowledge and experience to provide a top-level external audit service to PAHO.

Each member of our team has a bachelor's degree and is professionally accredited as an auditor or accountant, or has a complementary professional career such as lawyer, architect, public administrator, or engineer, in order to carry out comprehensive and multidisciplinary audits. Most have master's diplomas or degrees in specific fields such as financial auditing and analysis, international financial reporting standards (IFRS), techniques for fraud detection, finance, public finance, public management and policy-making, information security, big data, and data science, among others. In addition, the entire team has a high level of English, with continuous training in technical, financial, and communicational English. Additionally, some professionals are fluent in other languages, including French and Portuguese.
The CGR establishes annual plans for continuous training of all employees through its Training Department, in order to develop, improve, and update the necessary knowledge and skills to complement and/or improve their performance. Trainings are given by CGR staff belonging to the network of internal trainers, or by universities or training centers. Through this training plan, the External Audit Department’s team of auditors receive training and annual updates on ISSAI and IPSAS; handle office computing tools at least an intermediate level; are familiar with enterprise resource planning software (ERP) such as SAP or PeopleSoft at the user level or higher; and are proficient users of big data analysis software such as IDEA, ACL, and SQL.

Furthermore, the department has internal regulations related to the performance of its members. These establish guidelines for their behavior and work dynamics, to ensure the best performance of the tasks entrusted to them.

The internal regulations establish that the department’s staff must carry out their work in accordance with the strategic values of the institution: autonomy, probity, transparency and respect. A high capacity for teamwork is also required, in accordance with the values of complementarity, coordination, communication, trust, and commitment.

The regulations also address the relationship with audited entities and behavior in the field, emphasizing diversity and multiculturalism, client relations, working in an autonomous and flexible environment, maintaining the necessary independence that characterizes auditing work, and establishing formal communication channels.
Support units

The CGR has a computer center whose objective is to provide support and technical assistance, so that institutional functions are carried out safely, efficiently and effectively.

The computer center developed a computer system for the External Audit Department that supports planning, implementation, and follow-up of audits of international organizations, enabling the recording of results, generation of approval flows, and traceability and reportability, among other functionalities.

The Comptroller’s Office also has a Systems Audit Department, composed of nine IT experts and data analysts who perform specialized audits and provide advice to other units on the analysis and verification of big data, security, and interoperability, among other matters.

4. Approach, procedures, and standards for CGR audits

4.1 Audit standards and ethical requirements

The CGR conducts financial auditing in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with INTOSAI standards and guidelines. With respect to the external audit of PAHO, the Organization will additionally be subject to the provisions of its Financial Regulations. Furthermore, our teams are constantly reviewing updates on these matters and on IPSAS.

Currently, CGR is a member of the IPSAS Consultative Advisory Group, which participates in the formal consultation process of the International Public Sector Accounting Standards Board (IPSASB).

As previously mentioned, the CGR has established its own financial audit regulations, based on international standards, framing and guiding the work of its professionals.
Additionally, it has issued guidelines on incorporating the Sustainable Development Goals (SDGs), both in its audit reports and in technical audit procedures.

Our team members possess the technical skills and experience in auditing United Nations entities whose internal control systems are based on the integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Control Objectives for Information and Related Technologies (COBIT), and the enterprise risk management (ERM) methodology.

In addition, our organization has adopted relevant ethical requirements, including those relating to fundamental principles such as integrity, independence and objectivity, professional competence and due diligence, and confidentiality and transparency in relation to the audit of financial statements, in line with ISSAI 130 (Code of Ethics) and ISSAI 140 (Quality Control for SAIs).

4.2 Audit approach

The audit plan is structured on a risk-based approach that encompasses the following key objectives:

- Understanding the audited entity's operations and environment: The audit team will identify organizational and operational objectives, and will study its external and internal environment in order to assess risks that may occur during the course of the entity's operations and that may result in material errors in its financial statements.

- Evaluation of internal control systems: The team will evaluate key operational processes and any controls implemented to reduce risks to an acceptable level. It will design and implement appropriate audit procedures to obtain sufficient and adequate evidence for the audit. The main financial information systems around and within key internal processes will also be evaluated.

- Analysis and identification of significant risks: The audit team will conduct risk assessments, determine planning materiality, and assess the risk of material misstatement. Prioritization of audit areas will be based on risk assessments considering the materiality and importance of the transactions. Based on this, the team will develop annual audit plans that indicate the audit's scope and area of focus, allocation of personnel, responsibilities, duration of audits, and time frame for reporting. Prior to implementation of the audit, which involves field work, the team will define the areas to be audited, considering those that are critical in each unit of the organization. These will be reviewed through a preliminary analysis of documentation to obtain relevant and useful information for the audit.

In unique and exceptional circumstances, the CGR may conduct remote audits, using alternative audit procedures in accordance with ISA500.
The following are key steps indicative of the proposed approach to the external audit of PAHO:

1. Agreement on the terms of engagement for audits
2. Understanding the accounting entity and its environment
3. Study and preliminary evaluation of internal control
4. Determination of materiality and tolerable misstatement
5. Identification and assessment of risk of material misstatement
   - Identify significant accounts and disclosures
   - Identify significant processes and transactions
   - Determine inherent risk and evaluate control
6. Audit response to evaluated risks
   - Identify significant accounts and disclosures
   - Identify significant processes and transactions
   - Determine inherent risk and evaluate control
7. Obtaining audit evidence
   - Substantive detailed evidence
   - Controls testing
   - Analytical testing
8. Implementation of procedures prior to issuance of the audit report
9. Evaluation of adequacy of audit evidence
10. Reassessment of audit risk
11. Assessment of whether the financial statements are fairly presented
12. Preparation of the report
4.3 Field work

The teams will prepare an audit work plan that describes the scope, objectives, relevant risk areas, deadlines, activities, and work to be completed. During implementation, progress on each plan will be monitored to ensure efficient and cost-effective completion of the audit. Both the auditable units selected and the details of the plan will be reported to management.

The criteria for forming teams will prioritize the experience, multidisciplinarity, and flexibility of team members in order to cover the different aspects to be audited in the different contexts of PAHO.

The CGR will use big data analytics to verify and communicate your financial and non-financial information, allowing it to efficiently evaluate a significant volume of transactions. To do this, our institution uses computer-aided auditing techniques (CAATs) and the software previously indicated in this document.

4.4 Communications with management

For quality control purposes, audit work will be continuously supervised by qualified professionals, ensuring that the work follows international auditing standards and is completed efficiently and effectively.

The audit procedures described are crucial and useful for promptly solving problems and raising significant issues for the client to consider.

All findings will be communicated and discussed with management during the course of the audit; likewise, viewpoints and observations on the audit will be discussed in the conclusions and recommendations of the audit report.

Observations and findings of the audit will be reported through an audit observation memorandum (AOM), which includes background, an audit-based evidence analysis, audit conclusions, and preliminary audit recommendations. This process allows audit results that are fair and accurate and that contain constructive and value-added recommendations.

4.5 Reporting

The process of preparing and issuing audit reports will meet the requirements of PAHO's Financial Regulations and Additional Terms of Reference, and is subject to any prior agreement with management.

Similarly, during the audit, the CGR will provide written communications reporting any deficiencies observed and will issue letters to management.

In the final stage of the audit, a detailed report will be delivered containing observations and recommendations to improve the organization's internal control environment, an update of observations from previous years, and the level of progress in implementing previous recommendations. Matters significant for the attention of management and/or Governing Bodies will also be addressed, together with the audit opinion on the annual financial statements.
To ensure that our reports meet the highest quality of content and presentation, the CGR has defined three core requirements: reports must be complete, timely, and relevant to the auditee's affairs. In this regard, the draft of the External Auditor's Report will be shared in a timely manner so that management’s observations can be included before it is finalized, in order to determine any necessary adjustments based on the auditee's perspectives.

In addition, the CGR may issue special external audit reports required by PAHO or its Governing Bodies, if appropriate.

5. **Nature, scope, and timing of requests for information**

5.1 **Proposed methodology for communications with the auditee**

As a general procedure, prior to fieldwork, a request for information will be sent to the audited entity. This document will detail the information requested and the deadline for its delivery. During the audit cycle, the team may request additional background information through requests, meetings, or questionnaires.

The audit findings and resulting recommendations will be reported to management through an Audit Observation Memorandum, to which a formal response from the entity will be requested.

The deadline for responding to requests for information, questionnaires, and the memorandum will be discussed in due course with PAHO management. For all of our reports, management will be given the opportunity to comment on the accuracy of the findings and the overall content of the documents.

It should be noted that the CGR audit team will maintain an ongoing relationship with the Organization, especially its Office of Internal Audit, to avoid unnecessary duplication of efforts, to exchange information and views, and to determine the degree of confidence in its work. In addition, our institution will adjust to your internal requirements for the necessary mutual collaboration.

5.2 **Initial terms of engagement and communications with predecessor auditor**

The CGR will adopt a structured approach to efficiently manage the transition, initiating this process at the time of its appointment. In the first year, the audit team will invest more time to ensure that an effective audit plan is in place and implemented. This will respond to the expectations of PAHO management and staff during the transition.

Our staff will invest about 250 hours at different levels of the Pan American Health Organization to acquire the required knowledge of an institution of this kind. It should be noted that the CGR will assume the costs of professional time associated with the transition and will carry it out with a minimum of interruption for your staff.

The CGR's approach to the transition will rely in part on the knowledge acquired by its professionals in previous audits of entities belonging to the United Nations system. Based
on this experience, the following activities would be included as part of our commitment to a smooth and effective transition:

- At least one meeting with PAHO's senior management and our senior staff to build an adequate understanding of the Organization, as well as transition and familiarization sessions with key PAHO personnel to plan, set expectations, and build working relationships;
- At least one transition meeting between key people from the predecessor external audit team and our professionals to discuss previously identified findings and relevant issues such as difficulties encountered during audits, and strengths and weaknesses of the Organization, among others. The CGR will also cooperate with the successor auditor to exchange information and views;
- At least one meeting with the OIA to understand the operational scope, and a review of any previous evaluations that may be relevant; and
- A review of working documents, copies of the letter to management, and recommendations of the predecessor external auditor.

6. **Calculation of the total number of months spent on the audit for each financial year**

The CGR has the necessary resources to provide a high-quality service to PAHO, assigning personnel who will be dedicated exclusively to its audits, with full availability of time for the entire period of the mandate.

Based on the scope of the audit engagement with the Organization and its operations, the financial statements as of 31 December 2021, and our experience as an external auditor of other United Nations agencies, funds, and programs, the CGR estimates that an on-site audit of PAHO will require 440 auditor days or 22 auditor months, including interim and final audit planning visits for each of the four financial years covered by the two biennia, 2024–2025 and 2026–2027.

Annual visits will include PAHO Headquarters in Washington, D.C. and at least two local offices (country/centers) determined with a risk-based approach. Our audit team will consist of seven auditors, including a supervisor.

<table>
<thead>
<tr>
<th>Activities in each financial year</th>
<th>Total weeks per year</th>
<th>Auditor days</th>
<th>Auditor weeks</th>
<th>Auditor months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim visit (Headquarters)</td>
<td>4</td>
<td>120</td>
<td>30</td>
<td>6</td>
</tr>
<tr>
<td>Interim visit (2 field offices)</td>
<td>6</td>
<td>180</td>
<td>45</td>
<td>9</td>
</tr>
<tr>
<td>Final visit</td>
<td>4</td>
<td>140</td>
<td>35</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>14</strong></td>
<td><strong>440</strong></td>
<td><strong>110</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities in each biennium</th>
<th>Total weeks per biennium</th>
<th>Auditor days</th>
<th>Auditor weeks</th>
<th>Auditor months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim visits (Headquarters)</td>
<td>8</td>
<td>240</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td>Interim visits (4 field offices)</td>
<td>12</td>
<td>360</td>
<td>90</td>
<td>18</td>
</tr>
<tr>
<td>Final visits</td>
<td>8</td>
<td>280</td>
<td>70</td>
<td>14</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>28</strong></td>
<td><strong>880</strong></td>
<td><strong>220</strong></td>
<td><strong>44</strong></td>
</tr>
</tbody>
</table>
The audit of PAHO will be led by a director who will be in charge of quality control, the audit, and communications with PAHO's management and Governing Bodies. This executive will be present in Washington D.C. during the visits to Headquarters, during the presentation of the final reports, and at any other time deemed necessary or agreed to with PAHO.

7. Financial proposal

Having examined all conditions and factors that could affect external audit costs, the CGR offers to carry out and complete the required services for the following annual contract price (in US dollars):

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Total in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Professional fees, audit team</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>Travel costs</td>
<td>268,620</td>
</tr>
<tr>
<td>3</td>
<td>Other administrative and secretarial costs</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>308,620</strong></td>
</tr>
</tbody>
</table>

Audit team fees and administrative and secretarial costs will be covered mostly by the CGR, with PAHO’s external audit budget contributing USD 30,000 and USD 10,000, respectively, to partially cover these costs. As for travel costs related to the audits, the CGR will charge 100% of expenses under this heading, based on the following calculations:

<table>
<thead>
<tr>
<th>Annual visits</th>
<th>Air tickets from Chile (estimated)</th>
<th>People</th>
<th>Number of annual visits</th>
<th>Total per diem</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits at PAHO headquarters in Washington D.C.</td>
<td>10,920</td>
<td>7</td>
<td>2</td>
<td>133,896</td>
<td>144,816</td>
</tr>
<tr>
<td>Audits of other PAHO offices</td>
<td>15,820</td>
<td>7</td>
<td>2</td>
<td>93,744</td>
<td>109,564</td>
</tr>
<tr>
<td>Management team in Washington D.C.</td>
<td>3,120</td>
<td>2</td>
<td>2</td>
<td>11,120</td>
<td>14,240</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>29,860</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>238,760</strong></td>
<td><strong>268,620</strong></td>
</tr>
</tbody>
</table>

Taking this estimate as a basis for the first year, the following table shows the annual audit fees for each of the four financial years to be audited (2024, 2025, 2026, and 2027), adjusted for a year-on-year inflation of 3%:

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjustment for inflation</th>
<th>Audit fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>-</td>
<td>308,620</td>
</tr>
<tr>
<td>2025</td>
<td>3%</td>
<td>317,879</td>
</tr>
<tr>
<td>2026</td>
<td>3%</td>
<td>327,415</td>
</tr>
<tr>
<td>2027</td>
<td>3%</td>
<td>337,237</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>1,291,151</strong></td>
</tr>
</tbody>
</table>

22
OVERSEEING THE RESPONSIBLE USE OF PUBLIC RESOURCES
Mr. Ambassador:

Santiago, 8 March 2023.

Through your note No. 84, of 7 February 2023, note has been taken of the query formulated by the Pan American Health Organization (PAHO) in the context of the selection process for External Auditor of PAHO for the 2024–2025 and 2026–2027 bienniums.

In relation to the aforementioned query, initiated by PAHO’s Finance Department regarding paragraph 4.5 on proposed candidacies for the post of External Auditor, the Office of the Comptroller General of the Republic of Chile would like to confirm the date of submission of final reports and opinions on financial statements, as follows:

In exercise of the mandate of External Auditor of PAHO, the Office of the Comptroller General will deliver such reports no later than 15 April following the end of the corresponding financial year, as indicated in paragraph 14.9 of PAHO’s Financial Regulations. The foregoing aligns with the commitment made by PAHO in paragraph 13.4 of the aforementioned Regulations, according to which the delivery of financial reports to the External Auditor is made no later than 15 March following the end of the corresponding financial year.

On behalf of the Office of the Comptroller General of the Republic of Chile, I formally deliver this response and remain at your disposal to provide any additional information required. I take this opportunity to express to you our high esteem and consideration.

Yours sincerely,

MARTA MORALES DEL RÍO
Head of Department of External Audit
United Nations Board of Auditors