



**Pan American
Health
Organization**



**World Health
Organization**
REGIONAL OFFICE FOR THE
Americas

174th Session of the Executive Committee

Washington, D.C., 24–28 June 2024

CE174/10

Provisional Agenda Item 3.7

21 January 2024

Original: English

REPORT OF THE AUDIT COMMITTEE OF PAHO

CONTENTS

I.	The PAHO Audit Committee.....	3
	Role and Function of the Audit Committee	3
	Reporting Period.....	4
II.	Governance	4
III.	Administrative and Financial Matters	5
IV.	Internal Audit Matters.....	6
V.	Compliance	7
VI.	Program, Budget, and Evaluation.....	8
VII.	Investigations Matters.....	8
VIII.	Ethics Matters.....	9
IX.	Information Security.....	9
X.	External Audit Matters	10
XI.	Conclusion	10
XII.	Audit Committee Recommendations Issued During The Period and Main Open Recommendations from Prior Periods.....	10

I. The PAHO Audit Committee

Role and Function of the Audit Committee

1. The 49th Directing Council of the Pan American Health Organization (PAHO) established the Audit Committee in 2009 under Resolution CD49.R2, Establishment of the Audit Committee of PAHO. The Audit Committee held its first meeting in November 2010. Members of the Audit Committee are appointed in their personal capacity to serve no more than 2 full terms of 3 years each. Current members of the Audit Committee are: Martín Guozden, reappointed for a second 3-year term in 2021, which ends in June 2024; Alan Siegfried, reappointed for a second 3-year term in 2022; and Sara Greenblatt, appointed in 2023. Chairmanship of the Audit Committee rotates on an annual basis among the 3 members. Mr. Guozden was the Chair during the 2023 period covered in this report.
2. The concept of an audit committee is a normal and internationally accepted best practice in both the private and public sectors and is now well established throughout the United Nations system. The PAHO Audit Committee contributes to strengthening the Organization's governance, accountability, transparency, and stewardship and assists the Director of the Pan American Sanitary Bureau (PASB or Bureau) and Executive Committee in fulfilling their oversight responsibilities. To ensure effectiveness, the members of the Audit Committee are experts of the highest integrity who are both impartial and fully independent of the organization they serve. The 3 current members of the Audit Committee collectively provide, inter alia, expertise in the processes of governance and accountability, external audit, internal audit, internal control, risk management, financial management and reporting, accounting, monitoring and evaluation, planning and budgeting, and ethics and integrity. All 3 members have extensive senior-level experience in the United Nations system and/or other international and national public sector bodies. Their only relationship to PAHO is through the Audit Committee, and they receive no remuneration for their work beyond travel expenses.
3. In accordance with its terms of reference, the Audit Committee provides advice to the Director of PASB and also to PAHO Member States through the Executive Committee. The work of the Audit Committee is conducted in accordance with internationally accepted best practices. The Committee normally comes together twice a year for a 2-day meeting, at which it meets with the Director, senior management, and other staff members, as well as with the Auditor General and the External Auditor. In addition, the Audit Committee reviews documents and policies, receives briefings and presentations, and holds closed/executive/private sessions with certain presenters, without members of management. It may, if needed, visit PAHO/WHO Representative (PWR) Offices and Centers. The last time that the full Audit Committee visited a PWR Office or Center, to help in better understanding PAHO operations, was in March 2013. The Audit Committee is working with management to schedule a visit to a PWR Office or Center in the first quarter of 2024.
4. An important aspect of the Audit Committee is that it is advisory and does not conduct investigations or perform external or internal audits. It is not responsible for the operation or effectiveness of internal controls, financial or risk management, or any of the other areas of operation that it reviews. The Audit Committee is not a substitute for the functions of the Director or the Executive Committee or its Subcommittee on Program, Budget, and Administration.

Reporting Period

5. During the Audit Committee Self-Assessment meeting in April 2023, the members of the Audit Committee discussed the opportunity to change the reporting period from January to December of each year. This annual report covers the period July to December 2023, considering the Audit Committee's work at its 26th Session in November 2023 (fall session).

6. As a general rule, for each meeting, an agenda is agreed upon and a schedule is adopted for the open and closed sessions (the latter to discuss confidential and sensitive matters). After each meeting, the Audit Committee prepares summary minutes with comments and recommendations for the Director. An annual report is prepared for submission to the Executive Committee for its June meeting each year. This report is a synopsis of the main topics and issues that have been discussed and contains what the Audit Committee considers to be its most important findings and recommendations.

7. Between 2015 and the time of the 172nd Session of the Executive Committee (CE172), the Audit Committee issued 87 recommendations to the Bureau and closed a total of 76 recommendations. The Audit Committee acknowledged the work done by management and agreed to close 2 more recommendations during the period covered in this report, clarifying the actions necessary to accomplish this outcome. The Audit Committee also requested that the Bureau ask for clarification regarding recommendations when necessary. The Bureau took note of the updated status of recommendations, which is reflected in the table below.

Status of Recommendations Made by the Audit Committee since 2015

Year issued	Recommendations				
	Issued as of CE172	Closed as of CE172	Issued during the period	Closed during the period	Open as of 1 January 2024
2015–2020	72	72	–	–	–
2021	4	2	–	1	1
2022	5	2	–	1	2
2023	6	–	2	–	8
Total	87	76	2	2	11

Note: There are 4 recommendations that have been combined/tracked with other recommendations. These recommendations have only been counted once.

II. Governance

8. The Director of PASB briefed the Audit Committee and summarized the major governance issues and priority risks that had arisen since the 25th Session of the Audit Committee, held in April 2023. The Director also provided context through several updates on the Region of the Americas.

9. The Director highlighted the recent launch of PAHO Forward, an initiative whose main purpose was to propel PAHO through innovative processes, including by increasing the Organization's country focus and ensuring that its internal processes and management systems were more efficient, transparent, and accountable. The Director also informed that the Bureau had been receiving increased requests from Member States for technical cooperation to help in responding to the impact

of the coronavirus disease (COVID-19) pandemic, particularly in terms of routine immunization programs.

10. The Director also updated the Audit Committee on recent activities related to procurement and supply management. In line with PAHO Forward, the Organization was working to enhance its procurement processes to improve efficiency and agility in responding to the needs of Member States and partners. Additionally, PAHO had been taking decisive steps to mitigate the impact of its operations on the environment, starting with a critical assessment of CO₂ emissions associated with PAHO's procurement activities. Furthermore, the Director provided an update on the recent and upcoming renovations.

III. Administrative and Financial Matters

11. The Bureau briefed the Audit Committee on the financial situation of PAHO and presented the 2022 Financial Report of the Director and highlights from 2023. In 2022, the total revenue of PAHO had declined by 12% compared with 2021, but had still been significantly higher than in 2019, the pre-pandemic baseline year. Assessed contribution arrears had decreased to US\$ 65 million¹ in 2022, marking an improvement since 2019, but were still 60% higher than pre-pandemic levels. This had led the Organization to fully utilize the \$50 million balance of the Working Capital Fund, impacting implementation of the Program Budget.

12. During the fall session, the Audit Committee was briefed on the status of pending assessed contributions. The unpaid balances originated mainly from a small group of countries. PASB had communicated this to Member States in letters signed by the Director, and the situation was being closely monitored on a continuous basis. As of 30 September 2023, the Organization had utilized \$36 million of the Working Capital Fund to support implementation of the Program Budget. In comparison with September 2022, voluntary contributions had increased by 8% and national voluntary contributions by 6%. By contrast, emergency response funding and the expenses of the Revolving Fund for Access to Vaccines (Revolving Fund) and the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund) had decreased.

13. The Audit Committee asked what the plan was for the first semester of 2024 in the event that extra funding and the arrears were not received. The Bureau responded that additional payments were expected. The Committee also inquired as to whether the increases in voluntary contributions and national voluntary contributions in 2023 had been related to adjustments linked to inflation and whether they could be expected to continue. The Bureau, which had begun providing 12-month forecasts to management on core resources following suggestions by the External Auditor and the Audit Committee, responded that emergency voluntary contributions were expected to decrease. However, national voluntary contributions were expected to increase even more significantly and not merely due to inflation. The Committee requested and received clarifications regarding agreements on national voluntary contributions, the new scale of assessed contributions, and the use of the Working Capital Fund. At the request of the Committee, PAHO's Legal Counsel briefed members on the legal status of the Mais Médicos project issue.

¹ Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

14. The Bureau provided an overview of human resources management in PASB, summarizing the following aspects: *a)* initiatives implemented in line with the 3 pillars of PAHO's People Strategy 2.0, *b)* information on personnel misconduct, and *c)* staffing statistics. Regarding the People Strategy, the Organization had carried out numerous selection processes for fixed- and short-term positions. Extensive work had been done on the implementation of the new PASB Management Information System recruiting module, the human resources planning module, policy updating, and the strengthening of e-learning activities. Two personnel engagement surveys had been conducted and work plans had been developed to address the findings. PAHO had continued to offer the leadership and management program of the United Nations System Staff College, with several staff members completing the certificate program and participating in the language training program. Regarding personnel misconduct, the Bureau summarized cases of wrongdoing, including fraud, harassment, and sexual harassment, noting the disciplinary actions that the Organization had taken to address them. With respect to staffing statistics, the Bureau stated that the number of fixed-term positions had increased as the Organization continued to recover from the financial crisis and from the COVID-19 pandemic. The Organization had surpassed the 50% target of female employees, but gender balance remained a challenge in senior positions. As part of its gender strategy, the Bureau was reviewing recruitment policies to ensure the participation of women in selection processes.

15. The Audit Committee asked whether communication strategies were in place to support human resources initiatives regarding modernization. The Bureau replied that although the new management recognized the importance of communication strategies for those initiatives, many of which were linked to PAHO Forward, a more robust communication strategy had yet to be developed. The Committee also inquired about new staffing needs in the Organization, and whether hiring fixed-term staff to respond to those needs would be viable. The Bureau explained that, although PAHO had devoted resources to these new positions, the Organization's financial model did not permit a robust number of fixed-term staff. However, significant work was being done to streamline recruitment processes to accommodate resource limitations. Key performance indicators (KPI) were being developed to help to assess the Organization's performance. The Committee also asked whether there were efforts to limit recruitment timelines to a maximum of 120 days, as was the case in other United Nations agencies. The Bureau responded that, although streamlining and KPI reporting would help to shorten those timelines, complex staff rules and policies would make it difficult to comply with the 120-day limit.

16. The Audit Committee expressed interest in following up on future developments and in gaining a better understanding of the differences between Headquarters and PWR Offices in matters pertaining to human resources.

IV. Internal Audit Matters

17. The Audit Committee received an update on the status of the Office of Internal Audit's (OIA) Work Plan for 2023, which consisted of 3 thematic assignments and 8 country-level audits, 3 of which had been desk audits. The Auditor General explained that, due to the COVID-19 pandemic, OIA had started to carry out desk audits for some assignments, with success. The Audit Committee was informed that, following the first semester of 2023, the Bureau had decided to publish the list of internal audit reports on OIA's external website and to make the reports available to Member States upon request.

18. During its 26th Session in November 2023 (fall session), the Audit Committee reviewed two internal audit reports—one on the PWR Office in Brazil; the other on the PWR Office in Panama—and discussed them in detail with the Auditor General.

19. The Audit Committee was also presented with an update on the status of the recommendations related to OIA. OIA reported that 82% of all recommendations issued for the period from 2019 to 30 April 2023 had been implemented by management. The Auditor General explained that the current practice was to hold meetings every 4 months to follow up on those findings, with 1 of those meetings being chaired by the Director. Although 1 priority finding related to non-staff travel had been issued more than 2 years ago, the Bureau indicated that the finding was expected to be addressed by 31 December 2023.

20. The Audit Committee recommended that the Bureau provide a presentation, including on the key performance indicators used to measure the internal auditing activity's performance.

V. Compliance

21. The Audit Committee was introduced to the new Compliance Advisor, who provided an update on the PAHO's compliance function and on the recommendation regarding the assurance map. PASB noted that the PAHO's assurance map had identified 99 risk areas and assessed their levels of assurance. In response to the Audit Committee recommendation, the Bureau had been using those results to link business risks with control activities, which would allow for a better assessment of compliance effectiveness, as required by the Audit Committee. Additionally, for a subset of those risk areas, compliance certification exercises were being performed quarterly. Trends and outliers in compliance were being reported to the Enterprise Risk Management and Compliance Standing Committee and shared with PWR Offices through a new compliance dashboard portal created for that purpose. Other risk areas identified in the assurance map were already covered by annual financial certifications issued by cost centers. For the next biennium PASB would seek to further strengthen its Statement of Internal Control process by requiring an additional statutory certification. Additional measures would also be taken to support a culture of compliance, in line with the PAHO Forward initiative.

22. The Audit Committee suggested potentially including a line item in staff performance evaluations related to participation in Enterprise Risk Management (ERM) and compliance in the individual's responsibilities in order to promote further engagement. In response to the Committee's question as to whether the oversight of this process was the exclusive responsibility of audits in the third line of defense, the Bureau replied that ERM and the Compliance Advisor also supported staff in efforts and activities related to compliance. The Committee also asked whether sharing information with Member States on the allocation of resources would be useful in increasing compliance. The Bureau noted that there was already a dedicated portal and referred to other processes that were already in place to achieve that objective. Lastly, the Committee wished to know how compliance certification was linked to the PAHO Forward initiative. The Bureau noted that work was being undertaken to establish specific deliverables and to align communication strategies in that regard.

VI. Program, Budget, and Evaluation

23. The Bureau provided the Audit Committee with an update on the work of the evaluation function. Since the approval of the PAHO evaluation policy, in May 2021, several responsibilities were added to the evaluation function, including *a)* commissioning and managing evaluations; *b)* coordinating, supporting, and hiring evaluation teams and firms; *c)* assuring overall quality of evaluations; and *d)* chairing the Evaluation Reference Group for corporate evaluations. The evaluation policy had also been adapted to reflect the Director's decision to make evaluations public. Those measures were intended to enhance the evaluation culture within the Organization. Other updates regarding the evaluation function included: revamping the evaluation intranet page, issuing the Evaluation Handbook, launching the Evaluation Platform as a repository for past and new evaluations, increasing awareness and conducting capacity-building activities. Regarding corporate evaluations, 2 had been completed and published, including 1 on the PAHO response to the COVID-19 pandemic. The Committee was informed of the 3 ongoing evaluations, 1 of which was expected to conclude in December 2023. The evaluation function had also been supporting WHO evaluations.

24. The Audit Committee thanked the Bureau for the information and looked forward to receiving updates on evaluations completed following the updated evaluation policy.

VII. Investigations Matters

25. The Audit Committee was given a briefing by the Chief Investigator on the work undertaken by the Investigations Office (INV), including recent trends and achievements. In terms of the investigations activities carried out in 2023, a higher number of reports had been received than in 2022. As of November 2023, INV had issued 9 investigation reports and 6 preliminary assessments, mostly related to fraud and harassment. The Investigations Office had seen an uptick in the number of allegations of sexual harassment received. Two investigations reports related to sexual harassment had been issued in 2023. The Chief Investigator expressed the opinion that this could be attributed to Executive Management's efforts to reassure staff that allegations of sexual misconduct would be taken seriously and addressed without retaliation.

26. The Chief Investigator provided an update on the timeline for peer review. The implementation timeline for the peer review was on track, with the competitive selection process for the peer review team slated to begin in the first quarter of 2024, once the terms of reference had been finalized. It had been decided that a hybrid peer review panel would be established, consisting of 1 or 2 qualified individuals from peer United Nations organizations—who would be contracted on a non-reciprocal basis—as well as 1 consultant from the private sector.

27. The Audit Committee requested clarification on the criteria used by the Investigations Office for closing cases. The Chief Investigator responded that there were several factors that could lead to a decision to close a case, such as a lack of evidence or a case falling outside the INV's jurisdiction. He further stressed that INV reviewed and responded to each allegation it received, regardless of whether an investigation was warranted, and its statistics were on a par with those of similar organizations.

28. The Audit Committee recommended that the Bureau provide a presentation including the key performance indicators to measure the investigation activity's performance.

VIII. Ethics Matters

29. The Audit Committee was provided with an overview of the work of the Ethics Office during 2022, as well as recent updates and planned future activities. The Ethics Program Manager highlighted that the number of consultations received had remained relatively consistent between 2018 and 2023. For the first time since its establishment in 2006, the Ethics Office had received more consultation requests from PWR Offices than from Headquarters. Another recent trend had been the increase in consultations related to conflicts of interest, which could be attributed to the Ethics Office's efforts to enhance the Bureau's conflict of interest disclosure programs for both staff and consultants.

30. Preventing and responding to sexual exploitation and abuse and sexual harassment continued to be a key focus of the work of the Ethics Office, with several training courses having been conducted in the Region of the Americas. The Audit Committee was also informed of the work undertaken to enhance the Organization's diversity, equity, and inclusion initiative.

31. Future planned activities for the Ethics Office included: *a)* finalizing the new Code of Ethical Conduct and developing an online training program; *b)* developing a comprehensive policy on the prevention of sexual misconduct; *c)* revising the PAHO harassment policy; *d)* implementing criminal background checks; *e)* carrying out another ethical climate survey in follow-up to the one issued in September 2021; *f)* completing the review of the Integrity and Conflict Management System; and *g)* managing the election of members to the PAHO Board of Appeal.

IX. Information Security

32. The Audit Committee was briefed by the Director of Information Technology Services and the Information Security Advisor on *a)* recent developments and planned work related to the information security program, as well as the current cybersecurity risk landscape; *b)* information security metrics, including threat and vulnerability management, security incidents, user awareness and compliance, and data governance and protection; and *c)* the status of the information security team and new personnel.

33. The Audit Committee was informed that significant improvements had been noted in both user awareness and compliance with mandatory training, as well as the phishing exercises conducted. As of November 2023, compliance with the mandatory cyber security training increased to 88%. The Bureau emphasized that the information security program would continue to maintain user awareness and training as a key pillar, given the increased sophistication of phishing attacks. The focus would also be expanded to additional pillars such as privileged access management and data management. New developments in artificial intelligence risk had also been identified as an area requiring increased attention from the United Nations system. In terms of metrics, the Bureau had noted significant improvements in incident management, particularly in detection and response. A benchmarking exercise had also indicated that PAHO was ahead of similar organizations in terms of its Microsoft Secure Score.

34. The Bureau also provided the Audit Committee with an update regarding the independent assessment of information technology security, which had been facilitated by the Office of Internal Audit.

X. External Audit Matters

35. The External Auditor, the National Audit Office of the United Kingdom of Great Britain and Northern Ireland, presented the status of the annual audit plan for 2023 and provided a brief analysis of each of the risks, detailing the criteria for the findings. Findings from other audit areas and from the ongoing interim audit were also presented. Regarding the report on the status of recommendations made by the External Auditor, it was observed that the report had just been received and that analysis would be provided at a later date. The results of the 2023 audit would be presented at the 174th Session of the Executive Committee, in June 2024.

36. The Audit Committee noted that the items on the Financial Situation of PAHO and External Audit Matters would be the main focus of the spring session and requested that representatives of the Office of the Comptroller General of the Republic of Chile, the incoming External Auditor for the biennia 2024–2025 and 2026–2027, be invited to participate in order to become familiar with those discussions. The Audit Committee emphasized the importance of ensuring smooth continuity in the handover between the external auditors, especially considering potential changes in financial reporting standards.

XI. Conclusion

37. The Audit Committee welcomed the cooperation it received from the Director and from management. Such full support and cooperation had been crucial to the progress achieved across the broad range of issues that had been considered and recommended by the Audit Committee.

38. Priorities for the Audit Committee in the coming year would include the following aspects: *a)* follow-up on PAHO's financial situation; *b)* cybersecurity matters; *c)* updates on risk monitoring and compliance in the context of Enterprise Risk Management; and *d)* the status of outstanding recommendations arising from the work of the External Auditor. The Audit Committee also intended to review recommendations from the previous meeting of the Chairs of Audit Committees of the United Nations and determine their applicability to the work of the PAHO Audit Committee, including with regard to good practices for Audit Committee secretariats.

XII. Audit Committee Recommendations Issued During the Period and Main Open Recommendations from Prior Periods

Recommendation 1 (2021). The Audit Committee recommends that the Office of Internal Audit facilitate an outside independent assessment of IT security to further enhance independence and objectivity of the process.

Recommendation 2 (2022). The Audit Committee recommends that the Bureau and the External Auditor work together to streamline the content of the report on the in-progress external audit recommendations including segregating those recommendations where *a)* they are no longer deemed useful and *b)* where there is disagreement between the two parties.

Recommendation 3 (2022). The Audit Committee recommends that the Bureau provides additional information about how the COSO² framework supports the internal control map and the assurance map, and how this supports internal control over financial reporting.

Recommendation 4 (2023). The Audit Committee recommends that the Bureau provide additional information outlining all change initiatives underway in the Organization and its coordinated change management plan that identifies intended actions and outcomes, timelines and key individuals responsible for achieving the desired changes.

Recommendation 5 (2023). The Audit Committee recommends that the Bureau provide additional information on the effectiveness of its compliance with those components of its assurance map and second line of defense that support its Statement of Internal Control.

Recommendation 6 (2023). The Audit Committee recommends that the Office of the Internal Audit identify the root cause of the findings identified within the recurring and systemic issues identified by the Office in its previous reports.

Recommendation 7 (2023). The Audit Committee recommends that the Bureau provides additional information on the financial sustainability of its activities excluding those related to revolving funds and voluntary contributions, including how inflation would impact PAHO's services to Member States.

Recommendation 8 (2023). The Audit Committee recommends that the Bureau provides additional information on the human capital of the Organization.

Recommendation 9 (2023). The Audit Committee recommends that the Bureau include in the letter of engagement with the new external auditor that the external auditors are to provide the Audit Committee with all information that is expected to be provided to those charged with governance under International Auditing Standards.

Recommendation 10 (2023). Office of Internal Audit: The Audit Committee recommends that the Bureau provides a presentation including the key performance indicators to measure the internal audit activity's performance.

Recommendation 11 (2023). Investigations Office: The Audit Committee recommends that the Bureau provides a presentation including the key performance indicators to measure the investigation activity's performance.

² Committee of Sponsoring Organizations of the Treadway Commission.