

160th SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 26-30 June 2017

Provisional Agenda Item 3.7

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APPOINTMENT OF ONE MEMBER TO THE AUDIT COMMITTEE OF PAHO

Background

1. In 2009 the 49th Directing Council established an Audit Committee in the Pan American Health Organization (PAHO) to function pursuant the Terms of Reference (Annex A) adopted in Resolution CD49.R2.
 2. According to those Terms of Reference, the Audit Committee serves the Director of the Pan American Sanitary Bureau (PASB or Bureau) and PAHO's Member States. It does so through the Executive Committee, in an independent expert advisory capacity on the operation of the Organization's financial controls, reporting structures, risk management processes, and other audit-related controls. The Committee is composed of three members appointed by the Executive Committee. Members may serve up to two full terms of three years (see paragraph 5 of the Terms of Reference in Annex A).
 3. Audit Committee members shall reflect the highest level of integrity and must be fully independent of PAHO. The criteria for membership established in the Terms of Reference require that candidates have had recent and relevant senior-level financial, audit, and/or other oversight related experience (see paragraph 4 of Annex A). Such experience should reflect, to the extent possible, the following:
 - a) experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues faced by PAHO, including an understanding of relevant accepted accounting principles;
 - b) an understanding of and, if possible, relevant experience in the inspection, monitoring, and evaluation processes;
 - c) an understanding of internal control, risk management, and investigation procedures for financial reporting; and
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d) a general understanding of the organization, structure, and functioning of international organizations in the United Nations system.

4. According to the Terms of Reference, the process for identifying candidates for Audit Committee membership requires that the Director of PASB draw up a list of qualified candidates to be submitted to the Subcommittee on Program, Budget, and Administration (SPBA) for consideration prior to the session of the Executive Committee where the election is to take place (see paragraph 6 of Annex A).

5. Beginning in January 2017, the Director of PASB undertook an extensive recruitment process in order to update a roster of highly qualified candidates from which to choose and recommend candidates to fill Audit Committee vacancies as they arise. This recruitment process included the placement of advertisements in leading journals and newspapers. Additionally, the Director sought candidacies from PAHO Member States through formal channels.

6. The current Members of the Audit Committee and their respective terms of office are as follows:

a) Mr. Nicholas Treen was elected to serve a term of three years through June 2017 (see Resolution CE154.R3 [2014]);

b) Mr. John D. Fox was elected to serve a term of three years through June 2018 (see Resolution CE156.R5 [2015]); and

c) Mr. Claus Andreasen was elected to serve a term of three years through June 2019 (see Resolution CE158.R5 [2016]).

7. In view of the upcoming vacancy in the PAHO Audit Committee on 30 June 2017 and in accordance with the Terms of Reference of the Audit Committee, the Director of PASB drew up a short list of candidates (including the incumbent) to be considered by the SPBA.

8. During its Eleventh Session in March 2017, the SPBA appointed a Working Group to evaluate the candidates proposed by the Director. This Working Group, comprised of the delegates from Guyana, Nicaragua, Peru and the United States of America, carefully examined the criteria for membership in the Audit Committee stipulated in the Terms of Reference; selected critical factors for ranking the candidates; established a scoring system; and prepared a decision matrix.

9. After careful consideration of the Working Group's report, the SPBA unanimously nominated Ms. Kumiko Matsura-Mueller as the top candidate for consideration by the Executive Committee to fill the upcoming vacancy in PAHO's Audit Committee.

Action by the Executive Committee

10. The Executive Committee is invited to take note of this report, review the candidate¹ recommended by the SPBA to fill the upcoming vacancy in the PAHO Audit Committee, and consider adoption of the proposed resolution in Annex B.

Annexes

¹ Documentation on the candidates will be provided to the Executive Committee by the PASB.

Annex A

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF PAHO¹

Guiding Principle

1. An Audit Committee shall be established by the Directing Council of the Pan American Health Organization (PAHO) to exercise an independent consultative function, providing the Director of the Pan American Sanitary Bureau (“the Director”) and the PAHO Member States, through the Executive Committee, with advice on the operation of the Organization’s financial controls and reporting structures, risk management processes, and other audit-related controls. The Committee shall perform this function through independent reviews of the work carried out by PAHO’s system of internal and external controls, including PAHO’s Office of Internal Oversight and Evaluation Services, the External Auditor, and the administration and management of the Organization. The work of the Audit Committee shall be conducted in accordance with internationally accepted standards and best practices and in compliance with PAHO’s policies, regulations, and rules. The Audit Committee does not substitute the function of the Executive Committee of PAHO or of its Subcommittee on Program, Budget, and Administration (SPBA).

Role of the Committee

2. The PAHO Audit Committee shall:
- a) review and monitor the adequacy, efficiency, and effectiveness of the Organization’s risk assessment and management processes, the system of internal and external controls (including PAHO’s internal oversight and External Auditor function), and the timely and effective implementation by management of audit recommendations;
 - b) advise on issues related to the system of internal and external controls, their strategies, work plans, and performance;
 - c) report on any matter of PAHO policy and procedure requiring corrective action and on improvements recommended in the area of controls, including evaluation, audit, and risk management;
 - d) comment on the work plans and the proposed budget of the internal and external audit functions;
 - e) advise on the operational implications of the issues and trends apparent in the financial statements of the Organization and significant financial reporting policy issues;
 - f) advise on the appropriateness and effectiveness of accounting policies and disclosure practices and assess changes and risks in those policies; and

¹ Annex to Resolution [CD49.R2](#) (2009) approved by the 49th Directing Council.

- g) advise the Director in the selection process of the Auditor General of PAHO, and advise the Executive Committee in the selection of the External Auditor.

Membership of the Committee

3. The Audit Committee shall be composed of three members who shall reflect the highest level of integrity and be fully independent from PAHO. The Audit Committee shall be appointed by the Executive Committee of PAHO. Members shall serve in their personal capacity. Each Member shall serve as Chairperson of the Committee for one year on a rotational basis.

Criteria for Membership

4. All members of the Committee must have recent and relevant senior-level financial, audit, and/or other oversight related experience. Such experience should reflect, to the extent possible:

- a) experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues faced by PAHO, including an understanding of relevant accepted accounting principles;
- b) an understanding of and, if possible, relevant experience in the inspection, monitoring, and evaluation processes;
- c) an understanding of internal control, risk management, investigation, and procedures for financial reporting; and
- d) a general understanding of the organization, structure, and functioning of international organizations in the UN system.

Terms of Appointment

5. The Members of the Audit Committee shall be appointed to serve no more than two full terms of three years each. The election cycle shall be fixed upon establishment of the Committee. Members may be reelected for a second and final term of three years, with the exception of the initial three Members of the Committee, who shall be appointed by drawing of lots to serve an initial term of two, three, or four years. Former members of the Audit Committee may be reappointed to the Committee subject to not serving more than two full terms.

Call for Proposals

6. The Director shall recommend a list of qualified candidates. The list will be notified to the SPBA prior to the Executive Committee Session and must include an extended CV of each of the candidates.

7. The list of candidates will be subject to assessment, which may include requests for additional information and subsequent modification. The highest ranked candidates, according to the Criteria for Membership, will be proposed by the SPBA to the Executive Committee for decision.

Responsibility of Members

8. In performing their functions, Members of the Audit Committee shall neither seek nor receive instructions from any national government authority. They shall act in an advisory, non-executive, capacity and be fully independent from any government or PAHO body, structure, or entity. Members shall be guided solely by their expertise and professional judgment, taking into account the collective decisions of PAHO's Governing Bodies.

9. Members of the Audit Committee shall be required to sign a confidentiality statement at the beginning of their tenure, as well as a PAHO Declaration of Interest Form. Where an actual or potential conflict of interest arises, the Member shall declare such interest to the Committee and will be excused from the Committee's discussion on the corresponding issue.

Meetings and Rules of Procedure

10. The PAHO Audit Committee shall normally meet in a regular session twice a year. Additional meetings may be scheduled on an *ad hoc* basis as necessary. The Chairperson of the Committee shall determine the timing of meetings and the need for any additional meetings in the course of the year. He/she shall also set the agenda of the meetings, taking into account relevant requests from the Director and/or the Executive Committee of PAHO. The meetings shall be convened by the Secretariat of the Committee on behalf of the Chairperson. Members of the Audit Committee shall normally be given at least four weeks' notice of meetings.

11. The Director, the External Auditor, the Auditor General of PAHO, the Director of Administration of PAHO, and the Financial Resources Manager of PAHO shall attend meetings of the Audit Committee at the invitation of the Chairperson of the Committee.

12. The Audit Committee may decide to meet in closed session from time to time as determined by the Committee.

13. The Audit Committee shall endeavor to work on the basis of consensus.

14. Members serve in their personal capacity and cannot be represented by an alternate attendee.

15. The administrative and secretariat support function of the Audit Committee, including the preparation and maintenance of minutes of the meetings, shall be carried

out by independent staff hired on an as needed basis for that purpose, and will report directly to the Chairperson on matters relating to the work of the Audit Committee.

Disclosure

16. The Audit Committee secretariat, observers, and any third party invited by the Committee to attend its sessions shall not make any document or information public without the Committee's prior authorization.

17. Any Audit Committee Member reporting on the Committee's work shall ensure that confidential materials are secured and shall keep other Members adequately informed.

Access

18. The Audit Committee shall have access to all records and documents of the Organization, including, but not limited to, audit reports and work documents of the Office of Internal Oversight and Evaluation Services, and reports issued by the External Auditors.

19. The Audit Committee shall be able to call upon any PAHO staff member or employee, including senior management of the Organization, and request meetings with any parties, as it deems necessary to obtain information relevant to its work.

20. PAHO's External Auditors and Auditor General shall also have unrestricted and confidential access to the Chairperson of the Committee.

21. The Audit Committee may obtain legal or other independent professional advice if it is considered necessary.

Reporting

22. The Chairperson of the Audit Committee shall interact regularly with and report to the Director on the results of the Committee's deliberations, as well as any issues relevant to its business.

23. The Audit Committee shall prepare an annual report of its work for the Executive Committee of PAHO. The Audit Committee may also prepare *ad hoc* reports as requested by the Executive Committee. The Director shall be given the opportunity to comment on all reports prior to their submission to the Executive Committee.

Resources

24. The Audit Committee shall be provided with such resources as are necessary to undertake its duties. Funds shall be included in the biennial budget of the Organization to provide for administrative support, travel, and accommodation costs in relation to

Committee Members' duties. Such travel shall be conducted in accordance with PAHO regulations and rules. The Members shall serve without remuneration from PAHO.

Review of the Terms of Reference

25. The Executive Committee will periodically review the output of the Audit Committee, assess its effectiveness and make appropriate recommendations, in consultation with the Director, regarding its membership and Terms of Reference. The Terms of Reference of the Audit Committee may be modified by the Directing Council as necessary.



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Annex B
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PROPOSED RESOLUTION

APPOINTMENT OF ONE MEMBER TO THE AUDIT COMMITTEE OF PAHO

THE 160th SESSION OF THE EXECUTIVE COMMITTEE,

Considering that the 49th Directing Council, through Resolution CD49.R2 (2009), established the Audit Committee of the Pan American Health Organization (PAHO) to function as an independent expert advisory body to the Director of the Pan American Sanitary Bureau (PASB) and PAHO Member States;

Guided by the Terms of Reference of the Audit Committee, which establish the process to be followed in the assessment and appointment by the Executive Committee of the members of the PAHO Audit Committee;

Noting that the Terms of Reference of that Committee stipulate that members shall serve no more than two full terms of three years each;

Considering that a vacancy will exist in the PAHO Audit Committee,

RESOLVES:

1. To thank the Director of the PASB and the Subcommittee on Program, Budget, and Administration for their thorough work in identifying and nominating highly qualified candidates to serve on the PAHO Audit Committee.
2. To thank Mr. Nicholas Treen for his years of service to the PAHO Audit Committee.
3. To appoint _____ to serve as a member of the PAHO Audit Committee for a term of three years from June 2017 through June 2020.