



WORLD HEALTH ORGANIZATION

FIFTY-SIXTH WORLD HEALTH ASSEMBLY
Provisional agenda item 16.2

A56/31
10 April 2003

Appointment of the External Auditor

Report by the Director-General

1. Regulation 14.1 of the Financial Regulations of WHO states that the “External Auditor(s), each of whom shall be the Auditor-General (or officer holding equivalent title or status) of a Member government, shall be appointed by the Health Assembly, in the manner decided by the Assembly. External Auditor(s) appointed may be removed only by the Assembly.”
2. Although the duration of the appointment is at the discretion of the Health Assembly, previous practice has, however, been to appoint the External Auditor for two financial periods. In May 1999, the Fifty-second World Health Assembly, by resolution WHA52.8, reappointed the Auditor-General of the Republic of South Africa as the External Auditor of WHO’s accounts for the two financial periods 2000-2001 and 2002-2003.
3. The appointment of the External Auditor will need to be considered by the Fifty-sixth World Health Assembly in May 2003 and, if past practice is followed, the appointment will take effect from 1 January 2004 and would be for the financial periods 2004-2005 and 2006-2007.
4. A practice has been established as from the Forty-eighth World Health Assembly whereby proposals for the post of External Auditor were made by Member States upon invitation by the Director-General. That Health Assembly made its selection, as in other organizations of the United Nations Common System, by secret ballot, as would be the case for any election under Rules 80 and 81 of the Rules of Procedure of the World Health Assembly. This practice was also followed by the Fifty-second World Health Assembly.
5. In accordance with the practice referred to in paragraph 4 and existing in some other organizations of the United Nations system, all Member States were invited, by the Note Verbale C.L.30.2002 (4 September 2002, see Annex 1), to nominate a candidate for consideration by the Health Assembly for the position of External Auditor of the accounts of WHO for the financial periods 2004-2005 and 2006-2007. A deadline of 31 January 2003 was specified for the receipt of nominations.
6. Nominations were received before the deadline from the Governments of **Germany** (dated 29 January 2003, Annex 3); **Ghana** (dated 31 January 2003, Annex 7); **India** (dated 31 January 2003, Annex 8); **Mauritius** (dated 29 January 2003, Annex 4); **Netherlands** (dated 30 January 2003, Annex 5); **South Africa** (dated 27 January 2003, Annex 2) and **Sweden** (dated 31 January 2003, Annex 9). A nomination from the Government of **Colombia**, dated 31 January 2003, was received on 7 February 2003 (Annex 6). These nominations are summarized in Annex 10.

7. Two nominations of private companies and one nomination of a private individual were received from a government before the deadline (dated 8 January 2003). In view of the requirement that the External Auditor be “the Auditor-General (or officer holding equivalent title or status) of a Member government”, the government concerned was asked to confirm that the companies and individual proposed met this qualification before consideration could be given to submitting the nominations to the Health Assembly. No such confirmation has been received at the time of preparation of this document and, consequently, the nominations have not been submitted to the Health Assembly.

ACTION BY THE HEALTH ASSEMBLY

8. Because several nominations have been received for the appointment as External Auditor, the Fifty-sixth World Health Assembly may wish to proceed in accordance with the practice established by the Forty-eighth and Fifty-second World Health Assemblies, namely, to select the External Auditor by holding a secret ballot. After the selection process, the Health Assembly may wish to consider the following draft resolution:

The Fifty-sixth World Health Assembly

1. RESOLVES that [exact title to be inserted] of [title of Member State to be inserted] be appointed External Auditor of the accounts of the World Health Organization for the financial periods 2004-2005 and 2006-2007 and that he/she conduct his/her audits in accordance with the principles incorporated in Regulation XIV and the Appendix to the Financial Regulations, provided that, should the necessity arise, he/she may designate a representative to act in his/her absence;

[if applicable]

2. EXPRESSES its thanks to the Auditor-General of the Republic of South Africa for the work he has performed for the Organization in his audit of the accounts for the financial periods 2000-2001 and 2002-2003.

ANNEXES

9. The annexes referred to in the preceding paragraphs are listed below for ease of reference. Those for the nominations are listed in order of date.

Annex 1	Note Verbale
Annex 2	Nomination from the Government of South Africa
Annex 3	Nomination from the Government of Germany
Annex 4	Nomination from the Government of Mauritius
Annex 5	Nomination from the Government of the Netherlands
Annex 6	Nomination from the Government of Colombia
Annex 7	Nomination from the Government of Ghana
Annex 8	Nomination from the Government of India
Annex 9	Nomination from the Government of Sweden
Annex 10	Summary table of nominations



Ref.: C.L.30.2002

**Appointment of External Auditor of the World Health Organization
for financial periods 2004-2005 and 2006-2007**

The World Health Organization presents its compliments to Member States and has the honour to recall that, in May 1999 the Fifty-second World Health Assembly, by resolution WHA52.8, appointed the holder of the office of the Auditor-General of the Republic of South Africa to be the External Auditor of the World Health Organization (WHO) for the two financial periods 2000-2001 and 2002-2003. Accordingly, and with reference to Regulation 14.1 of WHO's Financial Regulations, it will be necessary for the Fifty-sixth World Health Assembly in May 2003, to appoint an External Auditor, who shall be the Auditor-General (or an officer holding equivalent title or otherwise qualified) of a Member State, for the financial periods 2004-2005 and 2006-2007. The purpose of this Note Verbale is to prepare for the appointment of the External Auditor by inviting nominations from all Member States.

The Organization has the honour, therefore, to invite Member States to nominate a candidate fulfilling the conditions of Regulation 14.1 of WHO's Financial Regulations, whom they may wish the World Health Assembly to consider for appointment as the External Auditor of WHO for the financial periods 2004-2005 and 2006-2007. The full text of Regulation XIV of the Financial Regulations and the Additional Terms of Reference governing the External Audit of WHO are enclosed herewith as Annex I. Member States may wish to note that an Audit Committee has been established by the WHO Executive Board and the Terms of Reference are enclosed as Annex II. Annex III lists the External Auditors of WHO appointed during the period 1948 to 2003, and Annex IV provides background information including information on WHO's financial operations.

Should a Member State wish to propose a candidate, the name of the candidate should reach the Organization no later than 31 January 2003, to allow time for the preparation of the submission to the Fifty-sixth World Health Assembly in May 2003. The nomination 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 specialities 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 United Nations System Accounting Standards;

... ENCLS: (4)

C.L.30.2002

- (c) estimates of the overall number of auditor-work-months which would be devoted to carrying out the audit for each of the two financial periods, 2004-2005 and 2006-2007;
- (d) **for each financial period (2004-2005 and 2006-2007)**, a proposed audit fee expressed in United States dollars. This fee should cover the worldwide audit of WHO regular programme activities and extrabudgetary funded activities **and be summarized on a single page**. In estimating the cost of the audit, all secretarial and other ancillary costs, and 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 Geneva and to 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 international auditing standards, and an assurance of the nominees cooperation, on completion of appointment, in responding to similar requests for information by an incoming auditor;
- (f) any other information which may assist the World Health Assembly in finalizing the appointment.

Since nominations will be submitted to the Health Assembly they must be prepared and submitted in one of the six official languages of the Health Assembly (Arabic, Chinese, English, French, Russian and Spanish). The Organization will undertake to translate the tenders. For this reason, the nomination should not exceed 6000 words and the format and printout should be one suitable for reproduction, i.e. two sharp black and white originals (laser printer quality, not photocopies) should be provided on pages not larger than A4 (21 x 29.7 cm, 8.3" x 11.7") with margins not less than 2 cm (0.8") on each side/top and bottom. Photographs and certain types of graphic presentations with shading do not reproduce well and should be avoided.

The World Health Organization renews the Member States the assurance of its highest consideration.

GENEVA, 4 September 2002

THE WORLD HEALTH ORGANIZATION
EXTRACT FROM FINANCIAL REGULATIONS

Regulation XIV – External Audit

- 14.1 External Auditor(s), each of whom shall be the Auditor-General (or officer holding equivalent title or status) of a Member government, shall be appointed by the Health Assembly, in the manner decided by the Assembly. External Auditor(s) appointed may be removed only by the Assembly.
- 14.2 Subject to any special direction of the Health Assembly, each audit which the External Auditor(s) performs/performs shall be conducted in conformity with generally accepted common auditing standards and in accordance with the Additional Terms of Reference set out in the Appendix to these Regulations.
- 14.3 The External Auditor(s) may make observations 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(s) shall be completely independent and solely responsible for the conduct of the audit.
- 14.5 The Health Assembly may request the External Auditor(s) to perform certain specific examinations and issue separate reports on the results.
- 14.6 The Director-General shall provide the External Auditor(s) 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(s) 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(s), is technically qualified.
- 14.8 The External Auditor(s) shall issue a report on the audit of the biennium financial report prepared by the Director-General pursuant to Regulation XIII. The report shall include such information as he/she/they deem(s) necessary in regard to Regulation 14.3 and the Additional Terms of Reference.
- 14.9 The report(s) of the External Auditor(s) shall be transmitted through the Executive Board, together with the audited financial report, to the Health Assembly not later than 1 May following the end of the financial period to which the final accounts relate. The Executive Board shall examine the interim and biennium financial reports and the audit report(s) and shall forward them to the Health Assembly with such comments as it deems necessary.

APPENDIX**ADDITIONAL TERMS OF REFERENCE
GOVERNING THE EXTERNAL AUDIT
OF THE WORLD HEALTH ORGANIZATION**

1. The External Auditor(s) shall perform such audit of the accounts of the World Health Organization, including all Trust Funds and special accounts, as deemed necessary in order to satisfy himself/herself/themselves:

- (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;
- (c) that the securities and moneys on deposit and on hand have been verified by the certificates received direct from the Organization's depositories or by actual count;
- (d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;
- (e) that procedures satisfactory to the External Auditor(s) have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The External Auditor(s) shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretariat and may proceed to such detailed examination and verification as he/she/they choose(s) of all financial records including those relating to supplies and equipment.

3. The External Auditor(s) and staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor(s), necessary for the performance of the audit. Information classified as privileged and which the Secretariat agrees is required by the External Auditor(s) for the purposes of the audit, and information classified as confidential, shall be made available on application. The External Auditor(s) and staff 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(s) may draw the attention of the Health Assembly to any denial of information classified as privileged which, in his/her/their opinion, was required for the purpose of the audit.

4. The External Auditor(s) shall have no power to disallow items in the accounts but shall draw to the attention of the Director-General 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-General.

5. The External Auditor(s) shall express and sign 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(s);
- (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 period and the results of the operations for the 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 period;
- (f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
- (g) the date of the opinion;
- (h) the External Auditor's(s') name and position;
- (i) the place where the report has been signed;
- (j) should it be necessary, a reference to the report of the External Auditor(s) on the financial statements.

6. The report of the External Auditor(s) to the Health Assembly on the financial operations of the 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 obligation exists and which have not been recorded or reflected in the financial statements;
 - (iv) expenditures 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 Health Assembly such as:
 - (i) cases of fraud or presumptive fraud;
 - (ii) wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) expenditure 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) expenditure not in accordance with the intention of the Health Assembly, after making allowance for duly authorized transfers within the budget;
 - (vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
 - (vii) expenditure not in conformity with the authority that governs it;
- (d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records.

In addition, the report may contain reference to:

- (e) transactions accounted for in a previous financial period, concerning which further information has been obtained, or transactions in a later financial period concerning which it seems desirable that the Health Assembly should have early knowledge.

7. The External Auditor(s) may make such observations with respect to his/her/their findings resulting from the audit and such comments on the financial report as he/she/they deem(s) appropriate to the Health Assembly or to the Director-General.

8. Whenever the External Auditor's(s') scope of audit is restricted, or insufficient evidence is available, the External Auditor's(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(s) include criticism in any report without first affording the Director-General an adequate opportunity of explanation on the matter under observation.

10. The External Auditor(s) is/are not required to mention any matter referred to in the foregoing which is considered immaterial.

THE WORLD HEALTH ORGANIZATION
AUDIT COMMITTEE TERMS OF REFERENCE

Functions

In order to assist the Board in its functions with respect to audit matters provided for in the Financial Regulations and Financial Rules, and otherwise with performing its functions under Article 28 of the Constitution; and with a view to promoting accountability and transparency in the Organization's financial operations and the maintenance of effective financial controls; the Audit Committee shall:

- (1) review the detailed audit plans of the Internal and External Auditors, as well as any reports of the Auditors on the scope of their respective audits during the preceding year or financial period;
- (2) review the reports of the External Auditor on the financial accounts of the Organization;
- (3) review any other reports submitted by the External Auditor;
- (4) review any audit reports of the Internal Auditor submitted by the Director-General pursuant to Financial Rule 117.4(d);
- (5) review the reports of the Joint Inspection Unit;
- (6) consider the Secretariat's responses to the reports referred to in paragraphs (2) to (5) above, including the Secretariat's implementation of any recommendations contained in such reports;
- (7) make recommendations to the Executive Board, in coordination with ABFC when appropriate, on any matter set forth in paragraphs (1) to (6) above, as it may consider appropriate.

Periodicity of meetings

The Committee will meet twice annually, before the January session of the Board and the Health Assembly.

Membership

Membership is composed of six members, selected from among Board members or their alternates, one from each of the WHO regions, plus the Chairman or a Vice-Chairman of the Board, ex officio. Candidatures for the Audit Committee should be backed up by standard curricula vitae, highlighting the candidates' background in financial, audit and managerial matters.

THE WORLD HEALTH ORGANIZATION**EXTERNAL AUDITORS 1948 TO 2003**

Period	No. of years	Name	Nationality
1.9.1948 to 31.12.1966	18	Mr Uno Brunskog	Swedish
1.1.1967 to 31.12.1973	7	Mr Lars Breie	Norwegian
1.1.1974 to 31.12.1977	4	Mr Lars Lindmark	Swedish
1978 to 1981	4	Sir Douglas Henley	British
1982 to 1995	14	Holder of the Office of Comptroller and Auditor-General of the United Kingdom of Great Britain and Northern Ireland	British
1.1.1996 to 31.12.1999	4	Holder of the Office of Auditor-General of the Republic of South Africa	South African
1.1.2000 to 31.12.2003	4	Holder of the Office of Auditor-General of the Republic of South Africa	South African

THE WORLD HEALTH ORGANIZATION

APPOINTMENT OF EXTERNAL AUDITOR

Background Information

1. General audit approach expected

The World Health Organization 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.

2. Nature of audit assignment

2.1 An appreciation of the magnitude of the financial operations of the World Health Organization, and thus of the nature of the audit, may be obtained from the detailed financial report headed "Financial Report and Audited Financial Statements for the Financial Period 1 January 2000 – 31 December 2001" and the "Annex – Extrabudgetary Resources for Programme Activities", documents A55/25, A55/25 Corr.1 and A55/25 Add.1, all available on request or via the World Health Organization web site on:

www.who.int/gb/EB_WHA/PDF/WHA55/ea5525.pdf
www.who.int/gb/EB_WHA/PDF/WHA55/ea5525c1.pdf
www.who.int/gb/EB_WHA/PDF/WHA55/ea5525a1.pdf

In addition, document A52/19, dated 26 March 1999, entitled "Appointment of the External Auditor", provides the bids submitted for the two financial periods 2000-2001 and 2002-2003. This is available on request or via the World Health Organization web site on:

www.who.int/gb/EB_WHA/PDF/WHA52/ew19.pdf

2.2 Main centres of financial activity are the World Health Organization headquarters of Geneva, Switzerland, the six regional offices located at Cairo, Brazzaville, (with satellite operations in Harare), Copenhagen, Manila, New Delhi and Washington, D.C. (see also paragraph 5 below), and the African Programme for Onchocerciasis Control (APOC) in Ouagadougou. The six regional offices and APOC prepare monthly financial statements for review and consolidation at WHO headquarters, Geneva. The World Health Organization also has a presence in over one hundred and fifty countries through a representative or liaison office, as well as resident staff and projects in other locations, where expenditure is incurred locally.

3. The International Agency for Research on Cancer (IARC)

In accordance with Article VI, paragraph 6.2, of the IARC Financial Regulations, the External Auditor of the World Health Organization is required to act also as the External Auditor of IARC in Lyons, France. Therefore, the candidate nominated for appointment as External Auditor of WHO should be prepared to undertake also the audit of IARC. A copy of the latest available audited financial statements for IARC is available on request.

4. Joint United Nations Programme on HIV/AIDS (UNAIDS)

The Memorandum of Understanding that governs the establishment of UNAIDS notes that WHO shall provide administration for UNAIDS. In accordance with this principle, the External Auditor of the World Health

Organization is required to act as the External Auditor of UNAIDS. Therefore, the candidate nominated should be prepared to undertake also the audit of UNAIDS. A copy of the latest available audited financial statements for UNAIDS is available on request.

5. The Regional Office for the Americas

The Pan American Health Organization (PAHO), whose headquarters are located in Washington, D.C., also serves as the Regional Office for the World Health Organization in the Americas. PAHO appoints its own External Auditor who may be the same as that appointed by WHO, or who may be another, in which case close collaboration is required between the two auditors.

6. Internal audit and oversight (IAO)

The World Health Organization maintains an office of internal audit and oversight which at present comprises a director and eight professional staff (two of whom are located in Washington, D.C.). The internal auditors are staff members of the World Health Organization and the director reports directly to the Director-General. The main responsibility of the unit, as stated in Regulation XII of the WHO Financial Regulations, is to provide an effective review, evaluation and monitoring of the adequacy and effectiveness of the Organization's overall systems for internal control. Various other types of reviews are carried out. The internal and external auditors are expected to coordinate their work to avoid duplication and promote efficiency in audit.

7. External audit fee

The all-inclusive World Health Organization external audit fee paid for 2000-2001 was US\$ 825 000.

8. In summary, this invitation to submit names of candidates for consideration for appointment as External Auditor relates only to the World Health Organization, IARC and UNAIDS.