

**AUDITOR-GENERAL**  
**REPUBLIC OF SOUTH AFRICA**

**PROPOSAL BY THE AUDITOR-GENERAL OF THE**  
**REPUBLIC OF SOUTH AFRICA FOR APPOINTMENT**  
**AS THE INDEPENDENT EXTERNAL AUDITOR TO THE**  
**WORLD HEALTH ORGANIZATION (WHO) FOR THE**  
**FINANCIAL PERIODS 2004-2005 AND 2006-2007**

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## 1. EXECUTIVE SUMMARY

The World Health Organization (WHO) has invited interested member states to nominate candidates to be considered for appointment as the external auditor for the financial periods 2004-2005 and 2006-2007.

The Auditor-General of South Africa is the incumbent external auditor in his second term in office. It is with respect that this proposal for reappointment is put forward, based on proven delivery.

We believe that our understanding of the external audit needs of WHO and its governing bodies is best demonstrated through your first-hand experience of our service. We also trust that our past support of the work of the WHO Secretariat bears testimony to our professionalism and commitment. However, we would like to elucidate our unique position to follow through our initiatives at WHO into the future on the one hand, while using this experience to make a difference in the developing world, on the other.

The Auditor-General, Mr Shauket Fakie, is recognised as a leader amongst his peers internationally and is well versed in transformation initiatives and modern systems. He is ideally placed to provide guidance and continuity.

As WHO moves forward in its efforts to focus on delivery, new and improved policies, systems and procedures will need to be developed in many areas such as results-based management, performance measurement, human resources, financial management, environmental policies and the implementation of generally accepted standards for internal audit. Our understanding of the issues and depth of expertise will enable us, through an independent external audit, to work hand in hand with WHO to achieve success in these areas.

The South African audit office is properly equipped to deliver on this undertaking through our strategic focus on delivering a world-class audit that fully meets the expectations of our stakeholders. The audit of WHO in turn contributes significantly to the development of staff in our office and to a better understanding of global administrative practices, knowledge which can again be shared with the rest of Africa.

Timely reporting will be an important feature and we will continue to emphasise a high level of interaction with the World Health Assembly and its organs through annual reporting of our audit findings and the extent of their implementation.

The audit will be thoroughly planned, executed and supervised using cutting-edge audit methodologies and tools. Effective communication with the Secretariat will be ensured through placing an audit manager in Geneva as well as through interaction with senior management.

The audit will be performed by a team of dedicated professionals with the required level of expertise and experience in auditing international organisations. The team will be fully representative of our diverse work force in respect of race and gender.

Due to the significant increase in extrabudgetary resources, we expect that limited additional audit resources will be required to complete the audit. However, due to our existing experience of auditing WHO, we are able to channel these into added-value work.

In conclusion, we believe that our proposal is deserving of consideration by the World Health Assembly and are looking forward to building on our experience of the past contract periods to provide an even better and more in-depth service to WHO.

## 2. THE AUDITOR-GENERAL OF SOUTH AFRICA, MR SHAUKET FAKIE

The position of the Auditor-General is enshrined in the Constitution of the Republic of South Africa as an institution supporting constitutional democracy. This and other arrangements, in terms of which the Auditor-General performs his functions, ensure complete independence. The Auditor-General is the external auditor of all national and provincial state departments and administrations, all municipalities and various other public entities and institutions.

Mr Shauket Fakie was appointed as the Auditor-General of South Africa for a seven-year term in December 1999. He has demonstrated his leadership in this role and his stature has grown rapidly. Internationally, he serves on the United Nations Board of Auditors, which he chaired in 2002, while he is also the incumbent auditor of WHO and the United Nations Industrial Development Organization. At a global level, his colleagues have demonstrated their support through his annual election as Chairman of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency since 2001.

At regional and sub-regional levels, South Africa serves, *inter alia*, on the Board of External Auditors of the African Union as well as the Board of External Auditors of the Southern African Development Community. It is through forums such as these that expertise gained through international audit appointments is shared with other countries in Africa, contributing to the overall development of the public audit profession on the continent.

Mr Fakie actively supports research and interaction and during the last three years has hosted, among other events, the Commonwealth Auditors-General Conference as well as the International Organization of Supreme Audit Institutions' (INTOSAI's) working groups on Environmental Auditing and International Auditing, in both of which his office actively participates.

Mr Fakie was appointed to the position of Auditor-General after serving for a period of some four years in the office in the positions of Provincial Auditor of the Province of Gauteng and Deputy Auditor-General. During his tenure there has been increasing interaction with and support for other supreme audit institutions in Africa, for example through the creation of a fully-fledged division for Africa projects.

Born in 1953, Mr Fakie qualified as a Chartered Accountant (South Africa) in 1986, after being awarded degrees in Commerce and Accounting Science by the University of South Africa.

His career has spanned more than 20 years in the auditing profession and a further nine years in commerce with reputable companies. His strengths were apparent with regard to transformation initiatives, strategic leadership, business process improvements and a commitment to world-class standards. This experience was gained both in South Africa and in Australia, where he

worked when his career development was impeded in his own country owing to discrimination on the basis of race during the apartheid years.

He is actively involved in the audit profession and has served on various committees of the South African Institute of Chartered Accountants, the Public Accountants' and Auditors' Board, as well as the Institute of Chartered Accountants in Australia. He is also a member of the Association for the Advancement of Black Accountants in South Africa, which aims at encouraging black entrants to the field of accounting.

Mr Fakie has demonstrated his personal commitment to WHO and its related bodies through his interaction with their governing organs. He has also personally visited WHO headquarters, regional and country offices and attended various governing body meetings. Through his keen personal interest in the audit, he has developed a sound understanding of WHO and the needs of its governing bodies and has provided strong leadership to his team.

The World Health Assembly may wish to consider Mr Fakie for appointment for a further term to pursue the initiatives he has so ably instituted.

### **3. WORKING WITH WHO – NOW AND INTO THE FUTURE**

We recognise the important role that communication with our stakeholders plays in ensuring an effective and efficient external audit process and in this regard, are committed to meaningful interaction at governing body level to foster good governance and accountability. This is pursued through regular interaction with top management and supported in turn through providing a technically excellent audit with outputs that fully meet the requirements and expectations of our stakeholders.

WHO has identified a significant change in international health and in the understanding of the causes and consequences of ill-health. As WHO continues to concentrate on its four strategic directions and six core functions, as set out in the General Programme of Work 2002-2005, it is striving to focus on delivery and on improving those indicators used to measure the extent to which expected results have been achieved. The shift to country level and to the African and European regions in particular, has been accompanied by the addition of health and the environment, as a separate priority.

Also aiming at continuous organisational improvement, the WHO administration is providing for the move to results-based management, the implementation of a global management system, the delivery of human resource services to meet current and future operational goals, more effective management of financial resources, the development of an environmental policy and the implementation of generally accepted standards for internal audit, to name but a few.

Each of these areas will necessitate the development and introduction of revised policies and procedures as well as the introduction of new integrated management and reporting information systems, all of which will have an impact on the auditing process. An in-depth understanding of the issues at hand will be required, which a newcomer to the organisation may take time to gain.

Our stakeholders will be well aware of the wide spectrum of our outputs aimed at contributing to the increased efficiency, effectiveness and economy in WHO's management of its resources, as well as improved governance structures. We have, for example, made significant recommendations for the improvement in treasury and cash management. Our computer audits of various information system policies and controls were found to be very useful to WHO in strengthening this environment. Our findings contributed constructively to the continuing process of implementing strategic budgeting and results-based management at all levels of the organisation.

We have also paid specific attention to corporate governance issues and have made recommendations relating to implementing a fraud prevention policy, a code of ethics and conduct as well as an environmental policy. A specialist review of the internal audit function highlighted a number of areas where

improvements might be made. We also assisted WHO in improving the presentation and disclosure of the financial statements.

As these key issues move into their development and implementation phases, we believe it is logical to take the depth of our understanding of these issues forward to assist WHO in achieving its goals.

Through our past experience on this audit, and our exposure on other international audits, we have built up a sound knowledge base of the operations of WHO and the UN system and we will seek to provide WHO with the benefit of this exposure. We can also offer WHO the least disruption in service provision due to our already extensive knowledge of the accounting systems and practices in place.

The current process of change within WHO requires an independent external auditor who is fully aware of, and has demonstrated the ability to deal with the demands of these developments on WHO and its people. WHO seeks to obtain an effective audit carried out to a high technical standard, with appropriate importance being given to value-for-money audits.

We would like to highlight the benefits to WHO should we be reappointed:

- Our experience and understanding of WHO will ensure a smooth continuation of audit processes, without disruption of normal work processes in the organisation to accommodate the need to bring a new audit service provider up to speed.
- The range of auditing services provided by our office ensures that any auditing need of WHO can be successfully attended to, both within the Secretariat and the various regions and countries.
- WHO will benefit from the economies of the consolidation of our international work, enabling regular visits to the various regions and countries which add to the success of the audit process.
- Our commitment to the development of audit capacity among Africans, especially those from disadvantaged communities, contributes to the international acceptance of WHO as a global role player concerned with upliftment of peoples across the world.

We believe we are in a unique position to meet WHO's expectations through our proven commitment to providing an excellent external audit service.



## **4. THE SOUTH AFRICAN AUDIT OFFICE**

### **4.1 Background**

The South African audit office has the capacity and competency to carry out the audit of WHO and we are confident of our ability to meet the highest expectations of WHO stakeholders.

Our mission is to provide independent and objective quality audit and related value-added services in the management of resources, thereby enhancing good governance in the public sector.

The Auditor-General of South Africa produces approximately 700 reports annually with the assistance of some 1350 full-time staff. Additional resources are provided by private audit firms and are pitched at some 20 per cent of our aggregate workload in order to provide professional interaction and ensure that we remain at the forefront of sophistication, while maintaining public sector expertise in the private sector. Our procurement of these additional resources, which is targeted toward previously disadvantaged small and medium firms, has the added advantage of providing flexibility in periods of peak demand to report timeously.

In addition to the progressive legislation upholding the independence of the Auditor-General and his office, a rigorous corporate governance framework has been implemented. A non-executive board carries out the overall supervision of the functioning of the office while the financial statements of the office are subject to external audit by a leading private audit firm. Management has also outsourced a strong internal audit and instituted control self-assessment tools.

In order to maintain a high quality service and accountability for our time and fees, we are structured on a commercial basis. This also ensures that we operate in a financially independent manner.

### **4.2 Strategic focus and impact**

Participation in international auditing assignments is of strategic importance to our office. In addition to enabling us to play a role in the international community, these audits, including the WHO audit, are of benefit in the greater African and South African context. It provides valuable exposure to staff, both from our office as well as from other supreme audit institutions in Africa, through our employee exchange and development programmes. Over time the desired outcome is to improve the quality of financial administration in South Africa and the continent as a whole.

The strategic direction of the office has been redefined and our Siyanqoba (“we are conquering”) strategy was adopted in July 2001 after wide

consultation with our stakeholders and other role players. This strategy identifies three critical focus areas, namely people, process and product, as the office moves toward achieving our vision.

### **People**

The primary goal of our people-driven initiatives is to sustain knowledge and intellectual capital through the alignment of people to our strategy, continuous learning and development, the retention of skills, employment equity and employee motivation.

Our office is a learning organisation and for that reason we place particular emphasis on the learning and development of our staff. A significant amount of time is devoted to training, both in the auditing and non-auditing fields. The office is also accredited with the South African Institute of Chartered Accountants and the Association of Chartered Certified Accountants to provide a complete training programme for learners wishing to become professional accountants, with the aim to build such capacity especially among members of previously disadvantaged communities, thereby contributing to the empowerment of youth in our country. In addition, positive contributions are made to the auditing and accounting professions through bridging programmes for historically disadvantaged students.

Also, the office has launched various initiatives, such as the Employee Wellness Programme and the AIDS Awareness Campaign to provide support for staff.

### **Process**

The primary theme relating to this dimension is the establishment and maintenance of effective management information processes through the effective utilisation of information technology, effective risk management and internal control processes and effective knowledge sharing.

In order for the office to deliver a leading audit service through the use of electronic working papers and sophisticated audit tools, notebook computers are issued to all audit staff.

The office has recently implemented an enterprise resource planning system to assist with financial and human resource management. This system places the office in a position to have online access to up-to-date business information and will add to its ability to function as a leader in the corporate governance arena.

A sophisticated communication infrastructure has been implemented to ensure reliable and cost-effective communication between headquarters, regional and international offices. The use of electronic communication systems is promoted to improve performance in terms of productivity, timeliness and professionalism, making the office well-placed to extend its reach internationally. Remote access to core business systems and the electronic mailing system are also available to staff.

## **Product**

Specific goals relating to all product-led initiatives are quality improvement and control and delivering a value-added product through the process of continuous research and development, competitive services, timely reporting, as well as independent and balanced reporting.

All the audits performed by the office must comply with the International Federation of Accountants' (IFAC's) auditing standards, incorporating generally accepted government auditing standards as issued by INTOSAI. Contributions are also extended to the setting of these standards through commentary on all exposure drafts, studies and guidelines issued by these bodies.

Quality assurance in the office is performed at three levels: the normal review process on each individual file performed by the different supervisory levels during the audit; reviews performed by our internal quality control unit; and external independent reviews performed by the South African Public Accountants' and Auditors' Board.

A centralised tracking system is used by senior management to monitor the progress of audits and to control the timely completion of reports.

The office is committed to continuous research and development of best practice auditing and reporting standards. Application of our streamlined audit approach, which integrates aspects of value-for-money auditing with regularity auditing, has improved audit efficiencies with increased audit coverage in key areas.

### **4.3 Africa projects**

In line with the strategic intent of our office to make a contribution to the continued development of the African continent, the office has continued to pursue the development of the African public financial management sector through its Africa Projects Programme.

These are projects that assist with the development of the 22 English-speaking SAIs on the African continent, by playing an active role in the management and administration of the African Organization of Supreme Audit Institutions (English-speaking) and the Southern African Development Community of Supreme Audit Institutions.

As part of this initiative we have also organised and hosted a number of events, which have included technical working group meetings, training courses and a fellowship exchange programme involving auditors from other African countries to provide an opportunity to transfer learning and share experience.

#### **4.4 Auditing services**

Our office can offer a broad range of auditing expertise. Through our integrated audit approach, WHO will benefit from a multidisciplinary audit service. A summary of the services offered is set out below:

##### **Regularity auditing**

The regularity audit enables the auditor to express an opinion on the fair presentation of an entity's financial statements (financial accountability), as well as to audit the entity's compliance with laws, regulations and other directives (compliance audit). The office has been accredited by the South African Institute of Chartered Accountants and by the Association of Chartered Certified Accountants.

##### **Performance auditing**

Performance auditing seeks to evaluate the measures implemented by management to ensure that the desired outputs and outcomes are achieved efficiently, economically and effectively. Through our participation in international forums and recruitment of staff with wide-ranging areas of expertise, we ensure that our performance auditing methodologies are in line with international best practice.

##### **Information systems auditing**

Information systems auditing plays an integral role in delivering a quality audit. This specialist function, which employs a number of Certified Information System Auditors, provides support in identifying and evaluating computer related risks and controls. This includes the evaluation of new systems and providing assistance in the use of computer interrogation packages.

##### **Forensic auditing**

Economic crime is an increasing worldwide phenomenon. The role of forensic auditing is to facilitate the prevention, detection and investigation of economic crime in the public sector. Our forensic auditors have the appropriate expertise and specialist training in performing these investigations.

##### **Sustainable development**

Sustainable development of the environment has become a key issue worldwide. Formally referred to as environmental auditing, it is from an external audit perspective still in its infancy, and our office has played a prominent role in the Working Group on Environmental Auditing of INTOSAI and other regional working groups to develop guidelines and share experiences. We are currently performing a transversal sustainable development audit of medical waste, as a benchmark study in South Africa.

##### **International auditing**

In recognition of the complex and specialised nature of performing audits of international organisations, we have created a separate division responsible for our relatively small, but prestigious portfolio of international clients. This division participates in multilateral research and enables us to pool our expertise in respect of international organisations.

## **5. AUDITING WHO**

### **5.1 Overall audit approach**

Our approach to auditing WHO is designed to meet the requirements as set out in Regulation XIV of the Financial Regulations and the Additional Terms of Reference Governing the External Audit, which are set out in the annex thereto. In accordance with these terms of reference, we are required to express an opinion on the financial statements for the financial period and report on the financial operations and various other matters set out therein. In addition, the mandate provides the opportunity to add value to the accountability process in order to assist WHO in achieving its objectives efficiently, economically and effectively.

A comprehensive audit approach, which integrates financial, compliance and value-added aspects, will be followed to achieve this mandate. Using our existing knowledge of WHO's operations and preliminary planning procedures, an initial risk assessment will be performed. The extent of testing to be performed will be based on the level of risk identified as well as the level of reliance that can be placed on the internal control environment.

Through this process of balancing risk, we ensure that our efforts are concentrated on those areas of higher risk, whilst providing adequate assurance on other material areas on which an audit opinion is expressed. The work performed by internal audit will be evaluated and relied upon to the extent possible in the formulation of our audit procedures.

The audit process will consist of a combination of:

- an evaluation of management controls;
- testing of key controls;
- testing of general and application computer controls;
- substantive analytical review procedures; and
- testing of details of transactions and balances.

In addition to the regularity audit, a high priority will be placed on adding value. Areas where it would be appropriate and cost-effective for external audit to perform such work will be identified taking into account current developments in the organisation, the priorities of stakeholders and the development of international trends and best practices.

The audit will be performed in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (UN Panel of External Auditors), of all of which, our office has in-depth knowledge and understanding. These standards also recognise the standards issued by INTOSAI and the International Standards on Auditing issued by IFAC.

We appreciate the importance of WHO's regional and country activities and will visit each regional office at least once during each financial period. In addition, a number of country offices will be visited during the financial period to provide further perspective to the audit process.

We will seek to continue placing reliance on the work of the external auditor of the Pan American Health Organization to ensure that there is no unnecessary duplication of audit effort.

The latest available audit tools will be used. All team members will make use of notebook computers to compile our electronic working papers. Extensive use will be made of computer-assisted audit techniques and statistical sampling to contribute to a more efficient audit process.

In order to complete the audit within the required timeframes and to reduce external audit activity during the Secretariat's busiest times, visits will be planned throughout each financial period in consultation with the Secretariat.

We are privileged in having prior audit experience of WHO. Through our intimate knowledge of the business and existing audit processes, we believe we are ideally placed to provide a professional, efficient and effective external audit.

## **5.2 Information gathering and liaison**

At the functional level, continuous and effective communication with WHO will be facilitated by placing an audit manager at WHO headquarters. More formal communication with the Secretariat will take place through the mechanism of the Audit Steering Committee. At this Committee, which is composed of Directors from the Secretariat and senior members of the external audit team, we will continue the existing practice of providing information on our audit scheduling, the overall audit approach and the focus of our work, with particular reference to areas of value-added work.

Advance notice and the specific information requirements for each particular part of the audit will be communicated through the agreed channels to the responsible person. Through close interaction with the Secretariat, adequate notice will be provided of non-routine information sought for audit purposes.

We will liaise directly with the Office of Internal Audit and Oversight to coordinate our activities and to ensure efficiencies are achieved where possible.

### **5.3 Reporting our results**

All audit queries and observations will be issued immediately after the work is undertaken and thoroughly discussed with management. The final findings and related recommendations will subsequently be included in management letters issued to the relevant Executive Director or Regional Director after each audit visit.

We will continue to monitor the implementation of our audit recommendations and compile a report to the governing bodies on the status in this regard.

In the interest of timely and full reporting, an interim external audit report will be issued to the World Health Assembly on the audit work completed in respect of the first year of each financial period. The interim report will not, however, include an audit opinion on the interim financial statements.

The final audit will be carried out at the end of each financial period on the accounts as contemplated in Financial Regulation XIII. After appropriate review and revision, an audit report on the aforementioned accounts will be issued as required by Regulation 14.8. Any issues that must be reported to the World Health Assembly that have not been included in a previous report to management will, as required by the Financial Regulations, be discussed with management and the Director-General prior to publication.

### **5.4 Communication and corporate governance**

We have, since our initial appointment, pursued a high level of interaction with the World Health Assembly and its organs. In this regard, we have welcomed the increased dialogue made possible through the Audit Committee, which was constituted with a view to promoting accountability and transparency in WHO's financial operations and the maintenance of effective controls. We will continue to support effective communication with Member States through our active participation in relevant corporate governance structures and through the timely reporting of our audit results to the World Health Assembly.

### **5.5 Cooperation with the incoming auditor**

On completion of the appointment, we will afford the incoming auditor our fullest cooperation. In this regard, the requirements and further guidance of the United Nations Panel of External Auditors will be followed to ensure a smooth handover and continuity in important audit issues.

## **6. STAFFING THE AUDIT**

### **6.1 The audit team**

The Auditor-General and his Deputy will personally lead the proposed audit team. An executive manager assisted by an audit manager resident in Geneva will be responsible for the management of the audit while the functional team will be led by audit managers. The aforementioned role players are all South African chartered accountants who have gained considerable experience on the WHO audit to date.

Field auditors will appropriately assist them in performing the audit assignments and it will not be necessary to recruit additional staff to service WHO, although specialist skills may be contracted in if specific expertise is required.

### **6.2 Profile of the leaders**

The Auditor-General, Mr Shauket Fakie, will oversee the audit in general and report to the World Health Assembly. In performing his assignment, he will be supported by the following senior managers:

#### **Mr Terence Nombembe, CA (SA) Deputy Auditor-General and Chief Executive Officer**

Mr Terence Nombembe qualified as a chartered accountant after completing his traineeship at KPMG. He has wide private sector accounting and auditing experience, which developed further into the area of market research and general management, while working for an international oil company in its Southern African operations. Mr Nombembe went on to found a black audit firm in South Africa and is familiar in all respects with practice management.

The South African audit office was fortunate to recruit him at a stage when structural change had taken place, but business process re-engineering was in its infancy. He has made it his vision to provide world-class independent public sector audits on the one hand, coupled with stakeholder satisfaction on the other. Internally he has been responsible for numerous changes to support this endeavour, such as results-based management, the balanced scorecard approach to people management, the introduction of an enterprise resource planning system, control self-assessment and the like.

Despite his top management role, Mr Nombembe has retained his strengths in the technical aspects of accounting and auditing and in this regard, represents South Africa on the Public Sector Committee of the International Federation of Accountants.



He also serves as a member of the Accounting Standards Board, an entity established by the Minister of Finance in South Africa to set generally recognised accounting practices for all government departments and public entities in South Africa.

**Mr Clarence Benjamin, CA (SA)  
Corporate Executive Manager**

Mr Clarence Benjamin, a chartered accountant, has considerable private sector experience in the profession. After joining the office in 1995, he assumed responsibility for the reporting function to the South African Parliament, where he has demonstrated his abilities in dealing with many contentious reports, improving governance and accountability and assisting ministries and members of parliament.

He has recently been appointed as the corporate head of the centres of excellence in the office. These centres are responsible for implementing best practice in respect of regularity, performance, forensic, information systems and other spheres of auditing, as well as for quality control, Africa support projects and international auditing. This affords our international auditing division a unique position in our structure where it enjoys a high level of technical support and integration.

**Mr Graham Randall, CA(SA)  
Executive Manager: International**

Mr Randall is a chartered accountant and also holds a Magister Commercii in government finance and auditing.

He played an integral part in establishing performance auditing as a discipline in the office in 1987 and subsequently in the establishment of environmental auditing in the nineties.

Mr Randall's responsibility as executive manager includes managing the international audit portfolio of the office, finalising the audits, communicating with the respective governing bodies and maintaining a hands-on presence in the country and regional offices of all international auditees.

He has continually supported research and development and currently represents the office on the INTOSAI working group on International Auditing.

**Ms Jeanette Englund, CA(SA)  
Audit Manager: International**

Ms Englund is a chartered accountant who in addition to her extensive experience as a regularity auditor, has also performed computer and performance related audits. She has served as a quality controller and trainer.

Ms Englund is currently the audit manager for WHO and is permanently stationed in Geneva. She has gained extensive exposure to every aspect of WHO's operations through her involvement in the audit over the past five years. She also represents the South African audit office on the technical group of the United Nations Panel of External Auditors.

Her knowledge of the United Nations system, together with her experience in the different disciplines of auditing, places her in a prime position to provide the team with the necessary guidance in respect of the changing environment of WHO.

### **6.3 Team members**

Team members are drawn from a pool consisting of our office's most successful staff members, who have been carefully selected and endorsed by their respective managers from a large number of applicants. In fact, being selected to work on the WHO audit has become a sought-after incentive for our auditors, who are keen to expand their understanding of the world of international auditing.

The pool currently includes a majority of well-qualified staff members with several years' exposure to the WHO and our other international audits and is diverse in respect of gender, race and geographical distribution in our country. The wealth of experience within this pool also enables the inclusion of promising newcomers, by ensuring that knowledge transfer can occur without any disruption in client service. In addition to our highly capable audit team, it is possible to contract in specialists when required.

As part of the initiative to enhance the audit capacity of SAI's in Africa, we have launched a programme for selected staff members from other African audit offices to gain international exposure as members of our international audit teams.

Through our international pool mechanism, together with the opportunities to contract in skills, we are able to ensure that a team with the required skills and competencies staffs each part of the audit assignment.

## **7. RESOURCE APPLICATION**

### **7.1 Estimated time requirement**

Based on our experience of WHO's present audit requirements, we estimate that approximately 90 auditor-work-months will be required for each of the financial periods 2004-2005 and 2006-2007.

It is envisaged that we would dedicate approximately 60 auditor-work-months to regularity auditing, 18 to information system audits and the remaining 12 to value-added and specialist reviews. We expect to spend at least 25 per cent of our time in the regions and countries. WHO will benefit from the economies of the consolidation of our international work, without which, the extent of the proposed visits to country offices would not have been viable within the proposed audit fee.

### **7.2 Defining the products**

In addition to the audit opinion and report on the biennial consolidated accounts of WHO, the separate audits of the following related entities and programmes are required and included in the audit fee below:

- The International Agency for Research on Cancer
- The Joint United Nations Programme on HIV/AIDS
- The Trust Fund for the Special Programme for Research and Training in Tropical Diseases
- The African Programme for Onchocerciasis Control

### **7.3 Proposed audit fee**

Based on our experience of your requirements, operations and the scope of the work, the audit fee proposed for both regular and extrabudgetary funded activities is US\$ 845 000 each for the 2004-2005 and 2006-2007 financial periods.

The above-mentioned fee includes all travelling, secretarial and other ancillary costs as well as the living expenses of our staff in Geneva. Office accommodation, telecommunication and photocopying facilities are not included in this fee as we understand that, in line with existing practice, these will be provided by WHO.

The modest increase in the audit fee of 2.4 per cent is largely attributable to the increase in work associated with the rise in extrabudgetary contributions, which are budgeted to increase by some 37 per cent in 2004-2005.

In our experience uneconomical audit fees jeopardise the quality and value of an audit over time. Accordingly, it is not our practice to set an unrealistic fee level in order to retain even such a prestigious audit as WHO.

#### **7.4 Billing procedures**

It is proposed that we continue with the current billing procedure whereby a progress claim is forwarded every three months in arrears to WHO.

## **8. CONCLUSION**

We trust that this proposal document contains all the information requested and that we have demonstrated the following:

- a clear understanding of the requirements of WHO;
- our professional knowledge, experience and expertise;
- our concrete contributions to various matters during the current audit;
- our ability to continue to add value to WHO and to make a difference;
- quality of service and products at a fair and reasonable price; and
- the benefit to WHO if we should be reappointed.

We are eager to remain the independent external auditors of WHO and are committed to serve with distinction.