

WORLD HEALTH ORGANIZATION

(WHO)

Offer of Services
as External Auditor

submitted by the
German Supreme Audit Institution
Bundesrechnungshof



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ACurriculum Vitae and Details of the National and International Activities

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Date and place of birth: 20 May 1946 in Olpe, Germany

Civil status: married

1952 - 1967	School education with university entrance qualification
1967 - 1969	Military Service with promotion to Officer
1969 - 1979	Law studies at the University of Bonn followed by Junior barrister education
1979	University degree in law
1979 – 1981	Federal Managing Director of the Medium-Sized Businesses Association
1975 - 1999	Speaker of the Christian-Democratic Party in matters of Finance - and Budget Policies Member of the Municipal Council of the City of Bonn
1981 - 2002	Practice of a lawyer
1998 - 2002	Member of the German Federal Parliament Amongst others: Member of the Public Accounts Committee Member of the Education and Research Committee Member of the Investigation Committee on donations to political parties
as from 2002	Vice-President of the German Supreme Audit Institution (German SAI) External Auditor of UNIDO

ACurriculum Vitae and Details of the National and International Activities

International Background:

Norbert Hauser's national activities cover the full range of external audit missions at federal departments and agencies and the relationship with Parliament. **International activities** include audit responsibilities regarding international organizations and permanent working contacts with supreme audit institutions of foreign countries, with a recent focus on technical support to Middle and Eastern European countries. Most recently Norbert Hauser was **appointed External Auditor** of the United Nations Industrial Development Organization - **UNIDO**. This mandate ended on 30 June 2002.

Norbert Hauser is founder and chairman of the **German-Spanish-Society**.

B**Introduction - Purpose of this Presentation**

The purpose of this presentation is to offer the Services of the German Supreme Audit Institution as External Auditor of the World Health Organization (WHO)

This paper is designed to illustrate why the German Supreme Audit Institution (German SAI) considers itself a suitable candidate for the office of the WHO External Auditor. It outlines the Bundesrechnungshof's role as Germany's Supreme Audit Institution, its broad range of national and international audit experience, its highly professional staff resources, and its proposed strategy for fulfilling the WHO's audit mandate.

Historical Background and Current Role

Government audit in Germany can look back at a track record of over 280 years. When Prussian King Frederic William I established the Prussian General Chamber of Accounts in 1714, this was the starting point for the development of independent government auditing in Germany. Today, the German SAI has the status of a supreme federal authority. It is equal in rank to a federal government department. It is an independent institution of government audit, subject only to the law. It is not part of the federal government and is not subject to any instructions from either the Executive Branch or the Legislature.

Our staff totals some 1500. We have 9 audit divisions, 53 audit units and 9 regional audit offices. Administrative functions are carried out by a presidential division (comparable to a General Secretary). Our Auditors all hold a university or other higher education degree. In some cases, the respective degrees have been awarded on the basis of training within the public administration. The professional qualifications found within our human resource pool range from public administration and law via various engineering specialties to economics, management and computer science. The staff assigned to the audit of international organization all have excellent knowledge and skills in accounting issues. Most of them have participated in the audit of UN organizations (our most recent assignment as External Auditor of United Nations Industrial Development Organization - UNIDO - in Vienna ended on 30 June 2002 only). All Auditors have a record of several years of practical working experience in at least one government department or agency. This highly proficient workforce provides the German SAI with a sound basis for auditing international organizations.

National Audit Mandate

The German SAI's audit mandate covers

- federal financial management,
- federal trading funds,
- public bodies incorporated under federal law,
- social security institutions incorporated under federal law or state law, and
- the management of federal government shareholdings in private sector enterprises.

Reporting

The German SAI submits annual reports on its audit findings to both chambers of the federal legislature and to the federal government. In addition to annual reporting, we may at any time report on matters of particular significance.

Advisory Function

We also conduct audits of administrative decisions that have not yet had a financial impact. That is a very far reaching regulation and enables us to step into certain issues with a performance audit at a very early stage. Thus we are used to checking government expenditure **before** the money is actually spent. We use the audit findings as a basis for advising government departments and agencies, and also Parliament, on decisions to be taken, notably in connection with budgeting. This advisory function has become increasingly important over the past decade.

Audit Criteria

Performance Audit

In Germany, the emphasis of government auditing has shifted over time. Formerly, the work of government Auditors focused on ex post financial audit work. The additional audit criterion of **performance** was imposed by statute decades ago, so that performance audit is now a key focus in our work.

Auditors do not only look into the figures of an account or into individual revenue or expenditure items but also into the underlying **operations** and **programmes**. This operational audit of the Federal Government's overall financial management increases **timeliness** and **topicality**. It addresses entirely new audit fields. It includes examinations into the **structure**, **operations** and **human resources management** of departments and agencies. Audit work also focuses on **programme evaluations**, **effectiveness audits**, **efficiency audits** and **risk analyses**. We use the audit findings generated as a basis for advising Parliament and the Government. In many reports, the German SAI presents the lessons learned from earlier audit missions to provide an insight into current issues and problems of financial management.

Financial Audit

Performance audit is supplemented by the audit of **regularity and compliance**, where government operations are checked against supporting documents, applicable statutory provisions, rules and regulations. Essential part of Financial Audit is the certification of the Federation's accounts.

Timely Audit

The German SAI's **timely audit approach** seeks to develop audit findings helping to enhance future action rather than merely criticising past deficiencies.

Our Track Record as External Auditor of International Organizations***Wealth of Experience Gained in the Audit of the United Nations***

The German SAI's President served as one of the three members of the United Nations Board of Auditors from 1989 to 1992. 17 Auditors assisted him in performing the relevant missions. The audit mandate covered the examinations of the annual accounts and financial management of the **United Nations** and some UN organisations, eg. the **United Nations Development Programme (UNDP)**, the **United Nations Fund for Population Activities (UNFPA)**, the **International Trade Centre (ITC)**, and the **United Nations Relief and Works Agency (UNRWA)**. The audit missions involved the collection of evidence at field offices and at UN development project located worldwide.

From 1994 to 2002 the German SAI's President also audited the UN specialized agency of **UNIDO**. This audit mandate was handed over at the end of June 2002 to our successors from the Republic of South Africa in the cooperative manner required by the Panel of External Auditors. We appreciate if members of the Board of Governors or the General Conference contacted UNIDO Management and/or members of UNIDO's Programme and Budget Committee for the assessment of the German SAI's performance in the past eight years.

Other International Audit Missions

German Auditors have been involved in the audit of a wide array of international projects. In recent years, the German SAI has participated eg, in the audits of the **Organization for Economic Cooperation and Development (OECD)**, the **European Organization for the Safety of Air Navigation (EUROCONTROL)**, the **European Space Agency (ESA)**, the **Western European Union (WEU)**, the **European Organization for Nuclear Research (CERN)**, the **European Centre for Medium-Term Weather Forecasting (ECMWF)**, the **European Organization for the Exploitation of Meteorological Satellites (EUMETSAT)**, the **Franco-German Research Centre St. Louis (ISL)**, the **European Patent Office**, and the **Franco-German and Polish-German youth foundations**. Moreover, staff of the German SAI is seconded to the **International Board of Auditors for NATO** and to the **European Communities Court of Auditors**.

Membership in INTOSAI/EUROSAI

The German SAI is a member of the **International Organization of Supreme Audit Institutions (INTOSAI)**, to which the supreme audit institutions of most UN member countries are affiliated. We hosted INTOSAI's 13th World Congress held in Berlin in 1989, with participants from more than 130 nations and international organizations. The German SAI's President served as **Chairman of INTOSAI's Governing Board** from 1989 to 1992.

In addition, the German SAI is a member of INTOSAI's European regional working group, the **European Organization of Supreme Audit Institutions (EUROSAI)**. Our office will host the VIth EUROSAI Congress in Bonn in 2005 and our President will subsequently serve as EUROSAI's chairman.

International Cooperation

By tradition, we provide support to developing government audit systems in other countries, i.e. by means of multinational cooperation projects.

Meeting WHO's Audit Requirements

In its audit of WHO, we will make available the experience and expertise gained through its national and international audit work. This includes technical issues as well as performance audits in all areas of the WHO's operations. Finally, we have got vast experience in the audit of all financial issues like cash management or the implementation of the EURO. Further we have actively taken part in the successful and cost saving implementation a new commercial accounting software in UNIDO. The Director of Finance will be able to provide details.

Our Audit Approach

We will conduct the audit in accordance with best audit practice.

We will plan, prepare, conduct and report on the audit exercises in compliance with internationally accepted standards. Our Auditors will be guided in their audit work by a cooperative attitude towards WHO's management, Audit Committee and internal Auditors.

Areas of special experience in UN Organizations

The assignment in the Board of Auditors we held from 1989 to 1992 was a good way to familiarize with the special nature of UN Organizations. In our most recent audit of UNIDO we addressed - besides financial audit - the following areas of key interest:

- the serious financial problems UNIDO was facing as the consequence of the withdrawal of one member state from UNIDO during the biennium, leaving behind a considerable balance of unpaid assessed contributions,
- the downsizing exercise from more than 1,200 staff members to about 700,
- financial issues such as cash management and investments,
- UNIDO's field operations at headquarters and in 6 field missions to UNIDO projects in Asia, South America and Africa,
- the implementation of a new commercial accounting software
- the introduction of the EURO,
- cases of fraud or presumptive fraud,
- personnel management issues,
- procurement procedures and
- the introduction of special accounts for the Regular Programme for Technical Co-operation.

We will be happy to provide more information on these audit missions. As to the last issue mentioned above, the German team was actively involved in the decision making procedure of the member states. The audit team took part in a major member state meeting to provide advice designed to help bring about an appropriate decision for UNIDO. It is worth mentioning that, after four years of discussions, the decision to implement the respective special account was made only one week after the consultation of the Auditors.

Our Audit strategy for the WHO

Staff

We will provide an internationally experienced team of Auditors, mainly drawn from among German SAI staff, who have participated in the UN audits. The team will be led by a Director of External Audit and an Audit Manager chosen by the German SAI's President. At least one of them will be Geneva-based. The team will be able to work in German, English and French. Whenever necessary, the audit team will draw on the vast specialized knowledge and skills in the fields of personnel management, EDP and cost benefit analysis. Some auditors have worked in private sector audit companies. We are also able to meet WHO's technical and political requirements by assigning staff to the audit with excellent experience in the national performance audits of national Health Organizations and their policies including health insurance affairs. Medical expertise can be subcontracted when needed. Part of the audit work could be offered to Auditors General from developing countries.

Financial Audit

The financial audit mainly aims at assessing whether financial statements fairly present the financial position at the end of a financial period, and whether the financial statements have been prepared in accordance with the relevant accounting guidelines and policies, applied on the basis consistent with that of the preceding financial period.

The financial audit will be based on analytical audit procedures. This includes detailed scrutiny of the financial statements, and sample testing of transactions and vouchers.

Our financial audit is supported by a commercial audit software called "IDEA" that was designed by the Canadian Institute of Chartered Accountants and runs under Microsoft WINDOWS. In addition to being extremely fast and flexible, it is also able to make queries that search through the entire data of an organization. After downloading the General Ledger onto our laptops the whole team has acquired the relevant skills and experience in working with the software.

We can sort data, make individual queries, group accounts together, compare data, find gaps in the booking entries, identify double entries, or make spot checks in accordance with generally accepted statistical procedures to obligatory voucher auditing. In brief, all that needs to be done by a Certified Public Accountant at year end is supported by the software.

For our UN audit, we also use the software to generate the Financial Statements from the General Ledger. We reconcile the accounts and follow the necessary accounting entries the Organization has to execute. The final step is to clarify the differences. This enables us to assess whether the accounting entries are accurate, whether the financial Statements have been produced on the basis of reliable data, and whether the Statements fairly reflect the financial activities of the WHO.

Performance Audit

The first step in conducting a performance audit is to gain an idea of the audit subject by carrying out a task analysis. Areas of high financial impact and high risk for the Organization are identified. As a result of discussions with responsible officials and the collection of audit evidence on the premises of functional and programme management units, additional audit subjects may emerge.

Performance audits cover the whole range of WHO's activities. We will measure these against the criteria economy, efficiency and effectiveness. To make our own

audits as efficient as possible, we will consider asking for support of Auditors General of developing countries, when special examinations in the Fields of operations are necessary.

In the first year of each biennium our main focus will be on Performance audits, whereas the second year's main issue will be the audit of the Financial Statements. The overall ratio between Performance and Financial Audit will be about half and half.

As the audit costs in each of the two years of the biennium do not substantially differ, we can offer our service for the same fee in both years (see chapter E).

Internal Audit and Oversight

We plan to establish close working relations with the Internal Control Units. In order to avoid double work we will - to the extent possible - use the information provided by these units. As to the financial audit of certain funds, the External Auditor may rely on the audit work carried out by Internal Audit.

Audit Standards

We will carry out the audit of the WHO in accordance with internationally accepted audit standards, especially those of the Panel of External Auditors of the United Nations, which were tailored to the special circumstances of UN Organizations. Those are based on the INTOSAI standards, with reference to the standards of the International Federation of Accountants (IFAC).

For financial audit work we will apply the United Nations System Accounting Standards (UNSAS) as adopted by the Panel of External Auditors of the United Nations.

D

Audit Approach and Staff

Reporting

At the end of a financial period, we will submit a report to the Health Assembly in accordance with Financial Regulation 14.8 and the additional terms of reference governing external audit of the WHO. During a biennium, any findings of special significance generated in the course of our financial and performance audits will be reported. In that context we very much welcome the existence of an Audit Committee in WHO, because this perfectly reflects the situation we have in the German Parliament. We keep close contact with Parliament's Public Accounts Committee (a sub-committee of the Appropriations Committee), where all our audit findings are discussed in detail. Apart from that we use to inform the Committee of performance audit findings that arise during the year and have to be dealt with urgently.

Before we report to WHO's legislative body we will, of course, inform management of any relevant data found, thus providing advice on how to enhance WHO's daily mission performance and giving management the opportunity to comment on the audit findings generated.

E Proposed Audit Fee and Estimates of Auditor Work Months for the Financial

Periods 2004-2005 and 2006-2007

(a)	No. of man months (b)	Man-monthly rate US\$ (c)	Maximum costs per job title US\$ (d)	No. of countries to visit (e)	Travel cost US\$ (f)	Others US\$ (g)	TOTAL US\$ i=(d+f+g)
SERVICES AT HQ							
Schrenk, Director of External Audit	1,5	11.550	17.325		6.550		23.875
Teamleader	10	9.850	98.500		18.950		117.450
1 (Senior Auditor)	2	7.850	15.700		6.550		22.250
2 (Senior Auditor)	1,5	7.850	11.775		6.550		18.325
3 (Senior Auditor)	2	7.850	15.700		5.150		20.850
4 (Auditor)	2	6.450	12.900		8.550		21.450
5 (Auditor)	2	6.450	12.900		8.550		21.450
6 (Auditor)	2	6.450	12.900		5.150		18.050
7 (Auditor)	2	6.450	12.900		8.550		21.450
8 (Auditor)	1	6.450	6.450		5.150		11.600
9 (Auditor)	2	6.450	12.900		8.550		21.450
Others (general admin. costs)						8.000	8.000
SUB-TOTAL	28						326.200
SERVICES IN THE REGIONAL/COUNTRY OFFICES							
Teamleader	1	9.850	9.850		8.150		18.000
1 (Senior Auditor)	0,5	7.850	3.925	2	6.150		10.075
2 (Senior Auditor)	0,5	7.850	3.925	2	6.150		10.075
6 (Auditor)	1	6.450	6.450	2	8.150		14.600
8 (Auditor)	1	6.450	6.450		8.150		14.600
to be subcontracted	1					10.000	10.000
to be subcontracted	1					10.000	10.000
SUB-TOTAL	6						87.350
GRAND TOTAL per year	34						413.550

Explanatory Notes:

The above figures reflect the estimates for one year. The personnel costs are based on the average costs for the respective career grade and year of service applicable to German public service officers.

According to the table shown above the German SAI, Bundesrechnungshof, considers the following external audit fees as reasonable:

Financial period	US \$
2004-2005:	827.000

**E Proposed Audit Fee and Estimates of Auditor Work Months for the
Financial**
Periods 2004-2005 and 2006-2007

2006-2007:	840.000 ¹⁾
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¹ Zero real growth on rough estimate of 1,5 percent of inflation

F Indication on Requests for Information of the Outgoing Auditor and Assurance on Cooperation with an Incoming Auditor

The German SAI agrees to the „**Guidelines for hand over to successor auditor**“ adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency on its forty-third regular session in December 2002:

„Additional guidance for hand-over arrangements“

In the event of an audit assignment being transferred from one External Auditor to another, ensuring a smooth hand-over is the joint responsibility of the predecessor and successor auditors. Once officially appointed, the successor auditor initiates contact with the predecessor auditor to organize hand-over arrangements. The Organization is kept informed of these arrangements.

The predecessor auditor shares information with the successor auditor, at least, on the following:

- audit approach and strategy;
- audit areas covered during past financial periods and programme of work for the current financial period;
- important decisions taken on audit matters;
- communications to audit committees, or other committees with equivalent authority, regarding fraud and illegal acts by the Organization, if any;
- disagreements with the Organization as to accounting principles, auditing procedures and other significant matters, if any; and
- unresolved audit matters and any other matters that could have an important impact on future audits, if any.

A formal hand-over is organized between the predecessor and successor auditors at a time mutually agreed. As audit background information, the successor auditor is provided with the following documents, at least:

- management letters and, if applicable, audit observations issued and replies received thereto;
- lists recapitulating audit areas covered and field offices visited, if any; and
- relevant documentation on unresolved audit matters or matters that could have an important impact on future audits, if any.

The predecessor auditor is also encouraged to provide access to working papers for specific requests.

A formal record of the hand-over is prepared and kept on file by both the predecessor and successor auditors. It lists notably the documents handed over and the key information provided orally.“

F Indication on Requests for Information of the Outgoing Auditor and Assurance on Cooperation with an Incoming Auditor

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Other Information

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