

Appointment of the External Auditor

Report by the Director-General

1. In accordance with Regulation 14.1 of the Financial Regulations, the Health Assembly appoints an External Auditor, who shall be the “the Auditor-General (or an officer holding equivalent title or status) of a Member government”. The duration of the appointment is at the discretion of the Health Assembly. The present External Auditor, who is the Comptroller and Auditor-General of India, was appointed by the Fifty-sixth World Health Assembly and given a contract from 1 January 2004 to 31 December 2007. A new appointment is therefore required with effect from 1 January 2008. Previous practice has been to appoint the External Auditor for two financial periods. In the present case, this would cover the financial periods 2008–2009 and 2010–2011.
2. 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. The Health Assembly made its selection, like the governing bodies of other organizations of the United Nations Common system, by secret ballot, in the same way as any election under Rules 80 and 81 of the Rules of Procedure of the World Health Assembly. This was the practice followed by the Fifty-second and Fifty-sixth World Health Assemblies.
3. In accordance with the practice referred to in paragraph 2 and existing in some other organizations of the United Nations system, all Member States were invited, by circular letter C.L.37.2006 (Annex 1), dated 20 November 2006, to nominate a candidate for consideration by the Sixtieth World Health Assembly for the position of External Auditor of WHO for the financial periods 2008–2009 and 2010–2011. A deadline of 31 January 2007 was established for the receipt of nominations.
4. Nominations were received within the deadline from the governments of **India**, dated 23 January 2007 (Annex 2); **Indonesia**, dated 25 January 2007 (Annex 3); and the **Philippines**, dated 31 January 2007 (Annex 4). Annexes 2, 3 and 4 show the curriculum vitae, one page summary of the fees and the summary of the audit approach of India, Indonesia and the Philippines, respectively, in accordance with the requirements outlined in the Circular Letter of 20 November 2006. Copies of the complete applications from these Member States are available on request in the language of submission. These nominations are summarized in Annex 5. Nominations from two further Member States were received after the deadline, namely, from Ghana dated 6 February 2007 and received on 13 February 2007, and from Malaysia, dated 5 February 2007, received on 14 February 2007.

ACTION BY THE HEALTH ASSEMBLY

5. Since several proposals for the appointment as External Auditor have been received, the Sixtieth World Health Assembly may wish to proceed in the same manner as it has done in recent years, namely, to invite representatives of the concerned Member State to make a summary presentation of their proposal to assist in the selection decision, then to select the External Auditor by holding a secret ballot. Once the selection has been completed, the Health Assembly may wish to consider the following draft resolution:

The Sixtieth 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 2008–2009 and 2010–2011 and that he/she audits in accordance with the principles incorporated in Regulation XIV of the Financial Regulations 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 Comptroller and Auditor-General of India for the work he has performed for the Organization in his audit of the accounts for the financial periods 2004–2005 and 2006–2007.

Ref.: C.L.37.2006

Appointment of External Auditor of the World Health Organization for financial periods 2008–2009 and 2010–2011

The World Health Organization presents its compliments to Member States and has the honour to recall that, in May 2003 the Fifty-sixth World Health Assembly, by resolution WHA56.8, appointed the holder of the office of the Auditor-General of India to be the External Auditor of the World Health Organization (WHO) for the two financial periods 2004–2005 and 2006–2007. Accordingly, and with reference to Regulation 14.1 of WHO's Financial Regulations, it will be necessary for the Sixtieth World Health Assembly in May 2007, 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 2008–2009 and 2010–2011. 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 2008–2009 and 2010–2011. 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. Annex II lists the External Auditors of WHO appointed ... during the period 1948 to 2007, and Annex III provides background information ... including information on WHO's financial operations. Also enclosed is a copy of the 2004–2005 Financial Report.

Should a Member State wish to propose a candidate, the name of the candidate should reach the Organization no later than 31 January 2007, to allow time for the preparation of the submission to the Sixtieth World Health Assembly in May 2007.

... ENCLS: (4)

C.L.37.2006

The nomination should not exceed 6000 words, should not include photographs, and 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 specialties that can be of benefit to the Organization (not to exceed 600 words);
- (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. Please note that with effect from 2008, WHO will progressively introduce the International Public Sector Accounting Standards (IPSAS), replacing the United Nations System Accounting Standards;
- (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, 2008–2009 and 2010–2011;
- (d) **for each financial period (2008–2009 and 2010–2011)**, a proposed audit fee expressed in US 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) a summary (not to exceed 600 words) of **the audit approach**.

The Secretariat will undertake to translate the curriculum vitae mentioned in (a), the one page summary of the fees mentioned in (d) and the summary mentioned in (f) in the six official languages (Arabic, Chinese, English, French, Russian and Spanish) for submission to the Health Assembly.

The World Health Organization avails itself of this opportunity to renew to the Member States the assurance of its highest consideration.

GENEVA, 20 November 2006

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**EXTERNAL AUDITORS 1948 TO 2007**

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
1.1.1978 to 31.12.1981	4	Sir Douglas Henley	British
1.1.1982 to 31.12.1995	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 31.12.2003	8	Holder of the Office of Auditor-General of the Republic of South Africa	South African
1.1.2004 to 31.12.2007	4	Holder of the Office of Comptroller and Auditor-General of India	Indian

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 2004 – 31 December 2005” and the “Annex – Extrabudgetary Resources for Programme Activities”, documents A59/28 and A59/28 Add.1, all available on request or via the World Health Organization web site on:

http://www.who.int/gb/ebwha/pdf_files/WHA59/A59_28-en.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA59/A59_28Add1-en.pdf

In addition, document A56/31 and A56/31 Part 1–8, dated 10 April 2003, entitled “Appointment of the External Auditor”, provides the bids submitted for the two financial periods 2004–2005 and 2006–2007. This is available on request or via the World Health Organization, web site on:

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part2.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part3.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part5.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part6.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part7.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part8.pdf

http://www.who.int/gb/ebwha/pdf_files/WHA56/ea5631part9.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, DC (see also paragraph 6 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. A separate audit on APOC is required and a copy of the latest audit financial statement is available on request.

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 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 audited financial statements for UNAIDS is available on request.

5. The International Computing Centre (ICC)

The External Auditor of the World Health Organization is required also to perform a separate audit on ICC. A copy of the latest available audited financial statements for ICC is available on request.

6. The Regional Office for the Americas

The Pan American Health Organization (PAHO), whose headquarters are located in Washington, DC, 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.

7. Internal Oversight Services (IOS)

The World Health Organization maintains an office of internal oversight services which at present comprises a director and eleven professional staff. 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.

8. External audit fee

The all-inclusive World Health Organization external audit fee paid for 2004–2005 was US\$ 790 000.

9. Project Audits

The External Auditor could be requested to perform audits on certain projects for which an additional fee would be agreed upon with the Secretariat.

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

**Curriculum Vitae of Mr. Vijayendra N. Kaul
Comptroller and Auditor General of India**

Mr. VIJAYENDRA N. KAUL (born 07.01.1943) has a Masters Degree in History, from St. Stephens' College, Delhi. He entered the Indian Administrative Service in 1965. He took over as the Comptroller and Auditor General of India on 15 March 2002.

Mr. Kaul has wide experience of working in Senior positions under both- the Federal and the Provincial Government. His main area of expertise is International Trade and Finance. As an International Civil Servant, Mr. Kaul was seconded to the United Nations in 1991 and served for seven years as Advisor, Trade Policy for Asia-Pacific Region, UN-ESCAP at Bangkok with jurisdiction over the Asia-Pacific Region. Mr. Kaul is also a fellow of the Economic Development Institute, World Bank and of the ODC University of Manchester, U.K.

National and International Activities of the Comptroller and Auditor General of India

National Activities:

The Comptroller and Auditor General (CAG) of India is the constitutionally created Supreme Audit Institution (SAI) of the country. He ensures that diverse authorities under the government act in all financial matters in accordance with the Constitution and the laws and rules framed under it. The Constitution of India fully secures his independent functioning. The CAG is responsible for auditing the accounts of the all the departments and offices of the Federal and Provincial government and related activities including:

- Over 1600 state owned public commercial enterprises
- Over 350 non-commercial autonomous bodies and authorities
- Over 4800 substantially financed bodies and authorities
- Over 3000 large and medium sized Local bodies responsible for municipal activities.

In the health sector he audits expenditure, spanning a wide variety of schemes and projects, of more than US \$ 3.6 billion annually.

The scope of audit conducted by the CAG covers:

- Financial audit: includes attest functions of the financial statements;
- Compliance audit: includes audit against appropriation and assessing compliance with applicable rules and regulations. and
- Performance audit: includes assessing whether Government programmes, projects and schemes have achieved the desired objectives at optimum cost, covering the aspects of economy, efficiency and effectiveness.

International Activities:

The CAG of India has wide spread experience in conducting international audits and plays a prominent role, both at the Asian and the international level. The CAG has been appointed External Auditor of International Agencies such as the International Centre for Genetic Engineering and Biotechnology (ICGEB), Trieste and the Organization for Prohibition of Chemical Weapons (OPCW), The Hague. He is also responsible for the External Audit of the International Maritime Organization (IMO), London and World Tourism Organization (WTO), Madrid, the Food and Agriculture Organization (WHO), Rome and World Health Organization, Geneva.

He is a member of the UN Panel of External Auditors and the Governing Board of the International Organization of Supreme Audit Institutions (INTOSAI); India is also the chair of the INTOSAI Standing Committee on IT Audit. He is a member of INTOSAI Professional Standards Committee, Working Group on Privatisation and Environmental Auditing and Task Force on Audit of International Institutions. He has made significant contributions to the INTOSAI Development Initiative. He is also the Secretary General of the Asian Organization of Supreme Audit Institutions (ASOSAI). He is a member of the Global Working Group, a select group of Auditors General that has come together to address current and emerging audit issues of concern.

The Comptroller and Auditor General of India was a member of the Board of Auditors of the United Nations for six years from July 1993 to June 1999.

Audit Fee

We have assessed WHO's level of operations at Headquarters, including the audits of UNAIDS, IARC, ICC, TDR & the APOC and at its Regional Offices/ country office. Based on this we have computed an audit fee of US\$ 860,422/- for the biennium 2008-2009 and US\$ 860,422/- for the biennium 2010-2011. This fee covers our proposed audit operations at the levels mentioned in the section related to the estimation of Auditor Work Months.

The fee quoted is based on the full recovery of costs incurred on audit and includes all traveling, secretarial and other ancillary costs as well as living expenses/per diem of the external Audit Staff. We understand that WHO will provide facilities such as office accommodation, telecommunications, photocopying and office supplies free of cost to the auditors and hence these have not been built into our costs.

Summary of the audit approach

The audits undertaken by Comptroller and Auditor General (CAG) of India would cover all the three aspects of Audit, i.e. Financial. Compliance and Performance audit.

The risk based planning process for the audit would involve prioritization of audit areas with reference to outlays, topical relevance as well as any specific areas indicated by the Health Assembly in terms of Financial Regulation 14.5. To determine the nature and extent of substantive audit testing both at Headquarters and in Regional Offices we would also take into account the evaluation of the internal control environment, including internal audit and oversight services and the extent of reliance thereon. An audit plan will be drawn up for each unit/area of audit outlining the scope and objectives of the particular audit assignment, the areas of concern to audit, time frames for various activities and the exact job specification for each member of the audit team. Progress against the plan will be monitored in each case to ensure that the audit task is completed in an efficient and effective manner.

Audit fieldwork will be conducted at the Headquarters of WHO (Geneva) and its field offices. The CAG would place one Senior Audit Director designated as Director of External Audit (WHO) on a regular basis at Geneva. Audit teams to assist him would be sent from India for interim audits during the biennium and at the biennium end for final audits. Audit teams will be deputed annually for audit of APOC. We would cover WHO's Regional Offices at Copenhagen (Denmark), Manila (Philippines), New Delhi (India), Cairo (Egypt), Harare (Zimbabwe) and Brazzaville (Congo). In addition we will conduct the audit of Joint United Nations Programme on UNAIDS at Geneva, the International Agency for Research on Cancer (IARC) at Lyons, the International Computing Centre (ICC) at Geneva, Special programme on Research & Training in Tropical Diseases (TDR) at Geneva and African Programme for Onchocerciasis Control (APOC) at Ouagadougou, Burkina Faso. We would also closely coordinate with the Pan American Health Organization. Audit fieldwork will be performed to obtain assurance regarding the accuracy of the financial statements, compliance with rules, regulations, the intentions of the Governing Bodies, the adequacy of internal financial controls, and the economy, efficiency and effectiveness of the operations. This would involve collection of paper based and electronic evidence, analysis of trends and variations, interviews with key auditee staff etc. Support in the use of IT audit methods and statistical techniques will also be provided by our core team of experts in these areas.

The CAG of India would perform the audit of WHO in full compliance with the WHO Financial Regulations and the Additional Terms of Reference governing the audit of WHO and will take complete cognizance of the Organization's accounting principles and practices, the United Nations System Accounting Standards, the applicable International Public Sector Accounting Standards (IPSAS) and the International Standards for Auditing (ISA) issued by the International Federation of Accountants.

While reporting the results of audit we will comply with all the requirements as stated in Financial Regulations 14.8 and 14.9 and in paras 5-10 of the Additional Terms of Reference governing the External Audit of the WHO whereby:

- Preliminary audit findings will be brought to the notice of the WHO Director General for comments and observations;
- After taking into consideration the responses received from the Director General, as appropriate, the report of the external auditor will be transmitted through the Executive Board to World Health Assembly.

We will, while communicating audit findings make constructive recommendations wherever appropriate and adequate opportunity will be afforded to the management to respond to matters under observation.

2. Curriculum Vitae of Dr. Anwar Nasution, The Chairman of the Audit Board of the Republic of Indonesia

As from his appointment as the Chairman of the Audit Board of the Republic of Indonesia (literally known as BPK-RI: *Badan Pemeriksa Keuangan Republik Indonesia*) in October 2004, Dr. Anwar Nasution has been bringing about significant improvement in building up the capacity and capability of the institution. On the basis of the Strategic Plan that Dr Nasution introduced, the number of BPK-RI's representative offices has been increased to 17 up from 7, and the number of employees has grown by 25% to 3,500 up from 2,800, during his first two years of services. With improved capacity and greater capability, BPK RI under Dr. Nasution's leadership has made significant contributions in promoting good governance practices in Indonesia. There are four significant roles that has been achieved by BPK-RI during his leadership, which are improving the activities for the eradication of Corruption, Collusion and Nepotism, improving transparency and accountability of state finance, assisting the government in implementing the Package of Three Laws on State Finance of 2003-2004, and assisting the government in conducting institutional reform, including restructuring State Owned Enterprises and public service entities.

In 2004, he became Member of steering committee in Working Group of Environmental Audit. He has been serving as Vice Chairman of INTOSAI Task Force on Accountability for and Audit of Disaster Related Aid since 2005.

Dr. Anwar Nasution's distinguished track-record started as from his graduation from the Faculty of Economics, University of Indonesia in 1968 at the age of 26. (He was born on August 5, 1942) He then attained Master in Public Administration from the Kennedy School of Government, Harvard University – Massachusetts, USA in 1973. In 1982 he earned Ph. D in Economics from Tufts University, Medford, Massachusetts, USA. He specialized in the fields of Applied Macroeconomic Theory, Monetary Economics and International Economics.

Concurrently, Dr. Anwar Nasution is a professor of economics at the University of Indonesia and was the Dean of the Faculty of Economics in 1988-2001. He was the Sasakawa Distinguished Professor for the Chair in Development Economics at the UNU/WIDER Institute in Helsinki and Adjunct Professor in Economics at the Universities of Helsinki and Tampere in 1995-1996. He was a visiting Research Associate at NBER in Cambridge, Massachusetts, USA, IDE in Tokyo, Research School of Pacific Studies, ANU in Canberra, Australia, and Kyoto University. He was a consultant to UN-ESCAP, UN-ECLAC, US-AID, ADB, the World Bank, IMF and MITI of Japan. He is a member of several economic associations such as the International Advisory Group of Finance Forum of the Pacific Economic Cooperation Council (PECC), the Asian Economic Panel, the Center for Pacific Basin Monetary and Economic Studies of San Francisco, International Associate Member of the Ministry of Finance of Japan, the American Economic Association, American Committee on Asian Economic Studies (ACAES), the vice chairman of the Indonesian Economists Association and Country Director of East Asia Economic Association.

Professor Nasution holds editorial positions in the Bulletin of Indonesian Economic Studies (BIES) published by the Australian University, Canberra, the Journal of Asian Economic Studies (published by ACAES) and Journal of Asian Economics. His research works have been published in many economic journals and by a number of publishers, such as ISEAS of Singapore, RoutledgeCurzon, University of Chicago Press, University of Michigan Press, Praeger, Maruzen, McMillan and Lynne Rienner Publishers, OECD and Oxford University Press.

In 1985-1994, he was an economic advisor to the Minister for Cooperatives of Indonesia. In 1982-1983, was an economic consultant of Bank Indonesia, the central bank of Indonesia, in which later on in July 1999-2004 was appointed as Senior Deputy Governor of the Indonesian Central Bank.

5. Audit Approach, Methodology and Standards

5.1. Summary of Audit approach

The audit objective is to express auditor's opinion on the financial statement of World Health Organization (WHO), the African Program for Onchorcerciasis Control (APOC), the International Agency for Research on Cancer (IARC), the International Computing Centre (ICC), and Joint United Nations Program on HIV/AIDs (UNAIDS) for year 2008 – 2009 and 2010 – 2011. The audit also provides information about internal control, compliance with the rules and regulations, the budgetary provision, provisions of contracts and agreements which relate to financial transactions, systems, and processes.

To achieve the audit objective and to allocate its resources efficiently, BPK-RI will apply risk based audit approach in performing audit on WHO, APOC, IARC, ICC, UNAIDS. In this approach, BPK-RI will focus on the major risk areas within WHO and its regional offices, APOC, IARC, ICC and UNAIDS and develops audit programs that allocate a larger portion of audit resources to high-risk areas. The inherent risks would be considered based on the organization's strategic plan, its main objectives, its program and funds involved. Subsequently, the combination risks would be concluded after the internal control reviews are completed.

In compliance with international standard, BPK-RI also has a specific responsibility in respect to fraud. The audit procedures are arranged to identify risk of wasteful or improper expenditure of the Organization's money or other assets, fraud and corruption and address the issues to the management of WHO. More over, in the audit plan, BPK-RI will maximize the inputs out of the work of entities' internal audit.

Regarding to WHO's plan to progressively introduce the International Public Sector Accounting Standards (IPSAS) in 2008, replacing the United Nations System Accounting Standards, BPK-RI would also like to do some reviews pertaining management's readiness in adopting IPSAS. BPK-RI believes that the risk of

misstatement in presenting financial transactions on financial statement would increase during the transition of the IPSAS adoption.

In addition, BPK-RI will employ Computer Assisted Audit Techniques (CAATs) to enhance its audit quality as well as audit efficiency.

5.2. Audit Methodology

The audit will be conducted in four main phases consisting of the identification and prioritization of risks, the determination of residual risk, the reduction of residual risk to acceptable level and the reporting of audit result to entities. These are achieved through the following:

- Understanding entities' operations
- Assessing entities' risk management strategies and controls
- Managing residual risks
- Informing entities of audit results through appropriate report

5.2.1. Understanding entities' operations

We will obtain the understanding of entities' risk management processes for its strategies, framework of operations, operational performance and information process framework, in order to identify and prioritize the error and fraud risks that impact the audit. The environment in which entities operate, the information required to monitor changes in the environment, and the process or activities integral to the entities' success in meeting their objectives are the key factors to understand the entities' risks.

5.2.2. Assessment of risk management strategies and controls

We will obtain an understanding of the existing internal control designed by entities' management and assess its adequacy to minimize potential misstatement of the financial statement. We will then evaluate the effectiveness of the internal control to determine the extent to which reliance can be placed upon it in the conduct of substantive tests.

5.2.3. Management of residual risks

We will use a risk reduction approach that is efficient and effective to minimize residual audit risk to an acceptable level. This includes the design and execution of necessary audit procedures and substantive testing to obtain evidence in support of transactions and balances. We will allocate more resources to areas of high audit risks previously known through the risk assessment.

5.2.4. The results of audit

We will immediately communicate to the management the conditions that have been observed even before completion of the audit, such as incompliance to laws and regulations, deficiencies, weaknesses and ineffectiveness of the internal control that affect the organization's ability to record, process, summarize and report financial data. The final report will be issued after discussing with entities' top management.

5.3. Audit Standards

BPK-RI established The Government Auditing Standards in 1995 as its main auditing standard adopted from the US Government Accountability Office's yellow book. Currently, the auditing standard is being revised to accommodate the development of the international auditing standards.

We would perform the audit in conformity with generally accepted common auditing standards and in accordance with the WHO Financial Regulations and Additional Terms of Reference Governing the External Audit of WHO. The generally accepted common auditing standards consist of:

- The Common Auditing Standards of the Panel of External Auditors of the United Nations;
- The Audit Standards of the International Organization of Supreme Audit Institutions;
- The Auditing Standards of the International Federation of Accountants.

5.4. The Audit Teams

The chairman of BPK-RI would place an officer as the Director of External Audit of WHO during the audit process at Geneva. The Director of External Audit (WHO) would report directly to the Chairman of BPK-RI.

Audit team will be assigned for interim audit during the biennium and final audit at the end of the biennium. During audit on WHO, BPK-RI also plans to visit some of its regional offices selected based on the risk assessment. In every phase of the audit, BPK-RI will employ its selected auditors ranging from Senior Auditor, Supervisor to Manager.

7. Audit Fees

We propose an audit fee of US\$ 897,000 for the 2008 – 2009 and US\$ 942,000 for the 2010 – 2011.

The fee quoted are based on the full recovery of the costs incurred on audit and included all traveling expenses, secretarial and other ancillary costs as well as living expense/per diem of the auditors sent for audit work. We understand that WHO will provide facilities such as office accommodations, telecommunications, photocopying and office supplies free of charge to the auditors and hence these have not been built into our costs.

CURRICULUM VITAE

OF

GUILLERMO N. CARAGUE
CHAIRMAN, COMMISSION ON AUDIT
Republic of the Philippines

PERSONAL DATA

Date of birth – 10 August 1939
Country of birth – Philippines

PROFESSION

Lawyer and Certified Public Accountant

EDUCATION

- 1990 *Doctor of Technology (Honoris Causa)*
 Technological University of the Philippines
- 1989 *Doctor of Philosophy in Institutional Development
 and Management (Honoris Causa)*
 Isabela State University
- 1988 *Doctor of Management (Honoris Causa)*
 Polytechnic University of the Philippines
- 1982 *Stanford Executive Program*
 Stanford University, U.S.A.
- 1971 *Management Development Program*
 Asian Institute of Management
- 1968 *Bachelor of Laws*
 Ateneo de Manila University
- 1960 *Bachelor of Business Administration*
 University of the East

PROFESSIONAL EXPERIENCE

A. National

Government of the Republic of the Philippines

- 2001-present *Chairman*²
Commission on Audit
- 1993-1999 *Member*
Monetary Board, and Board of Liquidators
Central Bank of the Philippines
- 1987-1992 *Secretary (Minister)*
Department (Ministry) of Budget and Management
- Member*
Monetary Board, Central Bank of the Philippines
- Board Member*
National Economic and Development Authority (NEDA)
- Presidential Cabinet Officer* for Regional Development
Region III
- Chairman (1991-1992)*
Mt. Pinatubo Rehabilitation Task Force
- Chairman of the Board (1991-1992)*
Technology and Livelihood Resource Center (TLRC)
- 1986-1987 *Undersecretary (Deputy Minister)*
Department of Budget and Management

Private Sector

- 1979-1986 *Partner*, Sycip, Gorres, Velayo & Co. (SGV)
- 1976-1979 *Manager*, SGV
- 1976 *Special Lecturer*, University of the Philippines (UP)
Institute of Small Scale Industries
- 1971 & 1978 *Special Lecturer*, UP Law Center

² Term of office: seven years, 02 February 2001 to 01 February 2008

1963-1973 *Faculty Member*, University of the East
1960-1963 *Staff Auditor*, SGV

B. International

2001-present *Member*, United Nations Board of Auditors (UNBOA)
Chairman, UNBOA (2001, 2005-2006)

Member, Panel of External Auditors of the United Nations, the
Specialized Agencies, and the International Atomic Energy
Agency
Chairman, Panel of External Auditors (2006)

Member, Asian Organization of Supreme Audit Institutions
(ASOSAI)
Chairman, ASOSAI (2003-2006)

Member, International Organization of Supreme Audit
Institutions (INTOSAI)

Mr. Guillermo N. Carague was also an international partner of Arthur Andersen.

He has handled various consultancy engagements for the government and private companies, as well as for multinational agencies like the World Bank and the Asian Development Bank (ADB), both in the Philippines and in other countries.

His professional experience also covers project development, financial management, organizational and institutional development, strategic and long-term planning, management information systems, and personnel benefit programs, among others.

HIGHLIGHTS OF NATIONAL AND INTERNATIONAL ACTIVITIES

Mr. Guillermo N. Carague as incumbent COA Chairman provides executive management and overall direction to the organization which continues to make its mark in the accounting and auditing milieu.

National activities

- Annual comprehensive audit of all government agencies (i.e. 268 national government agencies, 59 local government units, and 125 government-owned and/or controlled corporations, or a total of 452).

- Special audits, such as government-wide and sectoral performance/value-for-money audits (GWSPA) and fraud audits, averaging five to six audits annually, each audit involving about seven to eight government agencies.
- Audit of UNDP-assisted projects contracted by the UNDP Country Office in the Philippines.
- Crafting of a new government accounting system (replacing the half-century old one) and development of an integrated application software for the new system.

International activities

- Annual and biennial audits of various UN agencies, offices, missions, funds and programmes.³
- Activities of the INTOSAI and ASOSAI such as participating in multi-national trainings and providing training to auditors from other SAIs.
- Participation in/hosting of sessions/meetings/conferences of the UNBOA, Panel of External Auditors, INTOSAI, ASOSAI, Representatives of Internal Audit Services (RIAS), and Tripartite Committee of Oversight Bodies of the UN.
- Update/revision of the UNBOA Audit Manual.

PROFESSIONAL MEMBERSHIPS

Integrated Bar of the Philippines (IBP)
 Philippine Institute of Certified Public Accountants (PICPA)
 Management Association of the Philippines (MAP)

³ Present audit portfolio includes the UN Peacekeeping Missions, UN Children's Fund (UNICEF), UN University (UNU), International Criminal Tribunals for the Former Yugoslavia and for Rwanda (ICTY & ICTR), UN Framework Convention on Climate Change (UNFCCC), UN Convention to Combat Desertification (UNCCD), UN Institute for Training and Research (UNITAR), and UN Escrow (Iraq) Account. Previous clients included, *inter alia*, the UN Headquarters, UN Office at Nairobi (UNON), UN Human Settlements Programme (UNHSP/UN-HABITAT), UN Environment Programme (UNEP), UNEP-Global Environment Facility (GEF), UN Special Political Missions, Economic Commission for Latin America and the Caribbean (ECLAC), Economic and Social Commission for Asia and the Pacific (ESCAP), and International Civil Service Commission (ICSC).

3. AUDIT APPROACH, PROCEDURES AND STANDARDS

Audit approach

In the application of our risk-based audit approach, we shall follow this process framework involving the principal activities carried out in each of the following components:

1. *Understand the operations of WHO to identify and prioritize risks* – we shall understand the business of WHO in the context of reviewing its strategy, operations, performance and information framework to identify, source and prioritize the key information and information processing risks that impact the audit of the financial statements, and the management risks associated with the economic, efficient and effective use of WHO resources.
2. *Assess WHO risk management strategies and controls* – we shall evaluate how WHO management controls the more significant and likely information and information processing risks (as identified and prioritized in the previous component) and resource management risks. The evaluation shall involve the identification of risk controls, evaluation of the control design and recommend measures if the design is ineffective, test the effectiveness of risk controls and recommend measures to improve the risk controls if found ineffective. The assessment of WHO risk controls shall provide a basis for extensive reliance on their risk control processes and developing value added insights on improving those processes. The results shall provide us a higher degree of ongoing assurance on the processes that produce the results reported in the financial statements and other managerial reports.
3. *Manage residual audit risk to reduce residual audit risk to an acceptable level* – we shall determine and pass judgment as to whether the auditee’s risk control processes are effective in reducing the identified risk to an acceptable level or, to the contrary, if deficiencies exist in those control processes resulting in residual audit risk. We shall evaluate WHO’s analyses and actions on risks identified, and perform risk reduction procedures, *inter alia*, testing WHO financial transactions or account analyses, testing reconstruction of account activity and balance, and recommend measures for the improvement of WHO’s information and information processing systems. Testing of controls shall encompass evaluation of general and applications controls in a computer-based information systems environment.
4. *Communicate value delivered and measure satisfaction* – we shall prepare and issue the auditors’ report (management letter in interim audits and long-form report at the end of financial year) detailing the results (both financial and value-for-money) of our audit. The report shall also include the status of implementation of our previous audit recommendations and its impact on

WHO's objectives, as part of our monitoring and evaluation component of communicating results.

As components of our value-for-money audit process, we shall identify operational problem areas and cause(s) of problems and formulate realistic, practical solutions to these problems; locate opportunities for eliminating waste and inefficiency; assist the WHO Secretariat in identifying or developing criteria for measuring achievement of organizational goals and objectives; assess management information and control systems; provide additional channel of communication between operating levels and top management by conveying operational concerns to management in instances where such concerns are not being communicated on an ongoing basis; and provide an independent and objective evaluation of operations by not only pointing out those areas in need of improvement but also those that are being performed well.

Audit procedures

Guided by our risk-based audit approach, we shall undertake the most comprehensive audit procedures as demanded of us by the standards of the Panel and the generally accepted international standards on auditing. The audit procedures shall anchor on the WHO assertions on its financial statements, *inter alia*, (i) existence or occurrence; (ii) completeness; (iii) rights and obligations; (iv) valuation or allocation; and (v) presentation and disclosure. Likewise, the audit procedures to be applied in our value-for-money audits shall support the assertions of WHO in the management of its resources, i.e. economy, efficiency and effectiveness. Dependent on the assessment of the residual audit risks, our risk reduction audit procedures generally include:

1. confirmation – requesting a third party to affirm the accuracy of items per records maintained by the client;
2. physical examination or count – to gather physical evidence;
3. vouching – examination of supporting documents of transactions;
4. tracing – tracking of documents to accounting records;
5. re-performance or re-calculation – reviewing the work done by the WHO's staff to check its accuracy;
6. observation – witnessing the activities of the WHO's staff;
7. reconciliation – determining agreement of related records;
8. inquiry – asking questions to facilitate the performance of subsequent audit procedures;
9. inspection and scanning – critical or meticulous examination of forms and documents to determine proper treatment in the accounting records and the financial statements;
10. analytical review procedures – study of relationships, correlation of ratios, trends, and review on financial statements; and
11. test of cut-off – to determine completeness.

Standards

In the context of public interest and support to strengthen the worldwide accountancy profession, we adhere to high-quality professional standards.

Auditing standards

We conduct our audits (i.e. comprehensive audit – financial, compliance, regularity and value-for-money audits) benchmarking with the generally accepted auditing standards (GAAS), conformably to the International Standards on Auditing (ISA), the Common Auditing Standards and other auditing guidelines of the Panel of External Auditors; auditing standards of the INTOSAI; such other auditing standards that may be relevant to the audit of WHO.

Accounting standards

In light of the WHO's planned progressive introduction of the International Public Sector Accounting Standards (IPSAS) with effect from 2008, we shall apply the IPSAS and WHO Financial Regulations and Rules as benchmarks in our audit. While IPSAS adoption will be in progress, we will also benchmark with the UN system accounting standards (UNSAS), and other accounting standards of professional accounting bodies (for example, International Financial Reporting Standards, and the previously issued International Accounting Standards) as they affect our audit at WHO. This will hold true on accounting issues when either the IPSAS or WHO's Financial Regulations and Rules or UNSAS does not provide.

International best practices

We shall also benchmark with the relevant international standards and best practices in the context of value-for-money audits.

5. AUDIT FEE

The proposed audit fee for both regular programme activities and extra-budgetary funded activities is US\$832,490 for the financial period 2008-2009 and US\$883,285 for the financial period 2010-2011, or a total of US\$1,715,775.

The fee includes mainly the cost of daily subsistence allowance (DSA), proportion of salaries, insurance, medical, social charges and contingencies; travel costs; and other costs such as audit briefings/update seminars, secretarial and other ancillary costs.

	<u>2008-2009</u>	<u>2010-2011</u>	<u>Total</u>
DSA, etc.	\$657,490	\$673,285	\$1,330,775
Travel costs	151,000	189,000	340,000
Other costs	<u>24,000⁶</u>	<u>21,000</u>	<u>45,000</u>
Total	<u>\$832,490</u>	<u>\$883,285</u>	<u>\$1,715,775</u>

⁶ Costs for the learning curve explain the slightly higher 'other costs' for the first financial period.

ANNEX 5

SUMMARY TABLE OF NOMINATIONS

Nominating country	Name and title of nominated candidate	Financial period	Duration of auditing work	Proposed audit fees (US\$)
India	Mr Vijayendra N. Kaul, Comptroller and Auditor General of India	2008-2009 2010-2011	85 months 85 months	860 422 860 422
Indonesia	Dr Anwar Nasution, Chairman of the Audit Board of the Republic of Indonesia	2008-2009 2010-2011	87 months 87 months	897 000 942 000
Philippines	Mr Guillermo N. Carague, Chairman of the Commission on Audit of the Republic of the Philippines	2008-2009 2010-2011	73 months 70 months	832 490 883 285