



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



136th SESSION OF THE EXECUTIVE COMMITTEE

Buenos Aires, Argentina, 20-24 June 2005

Provisional Agenda Item 3.4

CE136/24 (Eng.)
3 June 2005
ORIGINAL: ENGLISH

UPDATE ON THE IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR'S SPECIAL REPORT, SEPTEMBER 2004

I. Background

1. In 2004, as a result of anonymous allegations concerning certain irregularities in the governance and management of PAHO, the Director of PAHO requested an independent investigation within the mandate, authority, and responsibilities of the current External Auditor of PAHO, the National Audit Office of the United Kingdom of Great Britain and Northern Ireland, for the purpose of reporting to management and the Directing Council.

2. The External Auditor presented his Report to the 45th Directing Council in September of 2004 (Financial Report of the Director and Report of the External Auditor 2002-2003: Special Report of the External Auditor into Anonymous Allegations, Document CD45/29), which contained a number of recommendations as to how to improve governance and management in the Organization, focusing on the following areas:

- Ethical standards and codes of conduct,
- Recruitment of employees and consultants,
- Complaints procedures,
- Management of external relationships, and
- Information technology security.

3. After considering the Report, the Directing Council assigned the Executive Committee the task of taking the measures necessary to monitor the implementation of the recommendations of the External Auditor's Report.

4. At its September 2004 Session, the Executive Committee stressed the need to implement all the recommendations in the Report and to develop instruments and mechanisms to guarantee transparency in all the Organization's practices and procedures. It requested that the Director of Administration, together with Legal Counsel and the Area Manager for Human Resources Management, develop a plan of action and timetable with specific steps to be taken in the implementation of the recommendations of the Special Report.

5. The Executive Committee further requested that the Secretariat of PAHO report to the Subcommittee on Planning and Programming (SPP) in March 2005, regarding the all the areas highlighted in the Report and two additional ones listed below:

- Internal audit procedures, and
- Selection of an ombudsperson.

6. In order to fulfill the duties entrusted to it, the Members of the Executive Committee assigned the current and immediate past presidents of the Executive Committee (the representatives of the United States of America and Dominica) to work with PAHO staff to monitor and evaluate progress made by the Secretariat in addressing the recommendations contained in the External Auditor's Report 2004 and requested that they report to the Committee Members on a timely basis.

7. During the 39th Session of the Subcommittee on Planning and Programming in March 2005, the Director of Administration provided an update on the Secretariat's progress in implementing the recommendations made in the External Auditor's Report. In summary, the SPP expressed satisfaction with the progress made to date, noting the importance of implementing ethical guidelines into the practice and culture of the Organization—both at Headquarters and in the field offices—as an essential element to strengthen management and leadership and to protect the well-deserved reputation of the Organization.

8. The present document summarizes the process followed by the Secretariat in implementing the External Auditor's recommendations and discusses the overall progress made to date in addressing the concerns raised in each of the areas included in the External Auditor's Report.

II. Process

9. Beginning in October 2004 to May 2005, the Director of Administration and Legal Counsel met three times with the President of the Executive Committee, Mr. William Steiger, together with the Minister from Dominica, Hon. Herbert Sabaroche, who participated by telephone, to keep them apprised on the progress of PAHO's work. During these discussions the Executive Committee representatives identified a number of areas in which the PAHO Secretariat had already taken steps to begin to implement the recommendations and others in which the Secretariat still must take action to address the concerns raised. Where appropriate, this group agreed upon a general timeline for actions to occur. The President of the Executive Committee, Mr. Steiger, shared the records of these meetings with the Executive Committee Members.

10. Early in the process the Director of Administration, Legal Counsel, Area Manager for Human Resources Management, and Area Manager for Information Technology met to develop a detailed plan of action and timetable. This team determined that PAHO would benefit from the advice of outside experts in the field of ethics and governance. After considering a number of different proposals, in February 2005, the Organization contracted the Ethics Resource Center (ERC) of Washington, D.C., a nonprofit organization of recognized experience in the field of ethics, training, and communication strategies, and in conducting organizational assessments. Specifically, the ERC undertook to:

- Review the existing PAHO governance systems;
- Propose a draft PAHO Ethical Framework, as a supplement to the International Civil Service Commission's Standards of Conduct for the International Civil Service;
- Recommend types of procedures and internal systems for use in addressing complaints and allegations of misconduct;
- Draft recommendations for the development of declaration of interest forms designed to manage and detect ethical problems, including conflict of interest, nepotism, and the appearance of self-dealing;
- Recommend general guidelines regarding the protocols for the methodology used during investigations and in reporting on investigations;
- Provide examples of policies and procedures drawn from international best practices and relevant examples from other public international organizations as well as the private sector; and

- Draft recommendations for a training and communications strategy.
11. These deliverables were to be made in four phases between February and June 2005. PAHO has drawn extensively from ERC's input in formulating its response to the External Auditor's recommendations, as discussed in Section III below.
12. In March 2005, the Director launched PAHO's Road Map for Institutional Transformation. This Road Map highlighted 11 key initiatives, focusing on corporate priorities designed to modernize several organizational processes and improve how the Organization meets the twenty-first century expectations of its Member States. The recommendations of the External Auditor's Report are an integral part of one of the 11 initiatives, entitled "Standards for Accountability and Transparency." The Legal Counsel of PAHO has been designated as Team Leader for this critical initiative, which will be supported by a team of staff members from various functions and locations of the Organization.

III. Progress on the External Auditor's Recommendations*

13. **Ethical Standards and Codes of Conduct:** The External Auditor's Report recommended that PAHO develop a framework of ethical principles for the conduct of the Organization's business and the guidance of staff. In accordance with this recommendation, and in collaboration with the Ethics Resource Center, PAHO is developing a Framework for Ethical Principles (principles-based framework) which will be supplemented by a PAHO-specific Code of Conduct (rules-based framework). The PAHO Secretariat is in the process of reviewing and revising these two documents, within the Road Map Initiative for Standards for Accountability and Transparency. The Framework for Ethical Principles and the PAHO-specific Code of Conduct will be finalized in time for presentation to the Directing Council in September 2005. Once adopted by the PAHO Director, all staff will be required to confirm that they have received, read, and are complying with these documents.

14. In addition to the Framework for Ethical Principles and the Code of Conduct mentioned above, the PAHO Secretariat has proposed the introduction of important modifications to the Staff Rules and Regulations (presented to the Executive Committee in full detail under Document CE136/22) in order to ensure that the corresponding ethical notions and standards of conduct are also fully reflected in the PAHO Staff Rules and Regulations. In particular, PAHO is proposing important changes in the following areas:

- The rules encompassing the Organization's basic standards of conduct will be expanded to include reference to the International Civil Service Commission

* Additional materials for the information of the Executive Committee Members will be made available in the meeting room.

- Standards of Conduct for the International Civil Service and to PAHO's principles and policies regarding ethical conduct in the Organization.
- The conflict of interest provisions and disclosure requirements in the Rules will be expanded to include additional family members.
 - The definition of misconduct will be clarified and expanded.
 - The range of disciplinary measures for staff who fail to observe the standards of conduct will also be expanded.
15. Additionally, as recommended by the External Auditor's Report and pending the final results of the Standards for Accountability and Transparency Initiative, PAHO has instituted WHO's Declaration of Interest Disclosure Program by requiring all staff in sensitive positions (such as senior management positions, procurement, finance, and human resources) to report annually on any interest in or association with an entity with which such staff is required to have official dealings on behalf of the Organization. The final program of Declaration of Interests specific to PAHO, which will be designed to manage and detect ethical problems, lack of objectivity, conflict of interests, nepotism, etc., should also be in place by September 2005.
16. **Recruitment of Employees and Consultants:** The External Auditor's Report recommended that the Organization maintain an up-to-date list of accredited short-term consultants (STCs) and short-term professionals (STPs) based on a clear policy for assessing their expertise, competence, and suitability for employment, and that all STCs and STPs should be recruited on the basis of open competition in all but the most exceptional circumstances. PAHO has carefully considered these recommendations and is in the process of implementing a more open and competitive selection process for the recruitment of temporary staff and consultants.
17. The selection processes that have been proposed by the Area of Human Resources Management incorporate on the one hand the necessity of ensuring a more competitive and transparent selection process, while on the other hand affording some flexibility to permit the Organization to carry out its mandate in an effective and timely manner. Combined with improved selection procedures, proposals have also been developed to ensure that the deliverables expected from all temporary contracts are more clearly delineated and that the performance of temporary personnel is better monitored and evaluated. These proposals are currently being reviewed by management and will be discussed with the Staff Association in order to ensure that they meet the needs and demands of the Organization and its Member States.
18. The External Auditors also recommended the development of a database or roster for temporary staff. This recommendation has been initiated and discussions have taken

place on the establishment of an expertise locator specific to the Organization. It is expected that a fully functional and interactive roster will be implemented by year-end.

19. It should be noted that, as part of the above-mentioned Road Map for Institutional Transformation, PAHO has also begun an initiative to develop and implement a Human Resources Strategy for the Organization. Among the many topics of this initiative will be a review of all contract mechanisms, recruitment and hiring processes, and conditions of service.

20. **Complaints Procedures:** PAHO practices conform to WHO Manual procedures with respect to the reporting of fraud or presumptive fraud, and losses of cash or property. Such cases are to be reported immediately to the Director of Administration, the Area Manager for Human Resources Management, the Area Manager for Financial Management and Reports, and the Chief of Internal Oversight Services. These officials, together with the Legal Counsel, decide on the methods and responsibilities for investigating, handling, and reporting each case. Detailed records of the investigations, including the corrective action to remedy any control weakness, and any disciplinary action taken at the office where the loss occurred, are kept in the Area of Financial Management and Reports. The External Auditor is routinely informed of all such cases.

21. As noted in the External Auditor's Report, however, these procedures are not generally known to staff. Furthermore, the Organization lacks an adequate mechanism for staff to report allegations of misconduct or corruption or other unethical behavior. Such a mechanism must provide not only for independent, professional investigation, but also ironclad protection from any form of retaliation against the complainant. PAHO has canvassed international organizations' practices and found a very wide range of mechanisms for dealing with such complaints. PAHO is currently in the process of examining the appropriate model for the Organization, and has included recommendations for this area as a deliverable in the contract with the Ethics Resource Center. These recommendations will become an integral part of the Standards for Accountability and Transparency Initiative.

22. **Management of External Relationships:** As recommended by the External Auditors, PAHO has developed draft Guidelines on Collaboration with Private Enterprises. These guidelines will help evaluate the suitability of the Organization's potential collaboration with third parties, including private companies and nongovernmental organizations, with particular attention to avoiding potential conflicts of interest.

23. **Information Technology Security:** The Organization conducted a comprehensive network security assessment several years ago. The resulting recommendations focused on the need for a comprehensive business continuity plan, an information and

security awareness program, and improved policies and procedures. As a result of the External Auditor's work, the Director has approved the establishment of an Information Security Officer post. The post was advertised and the qualifying applicants will be interviewed in early June. The new Information Security Officer will focus on educating all staff on our responsibility for the security of PAHO's network and information, on developing policies and guidelines for e-mail and security management, and on monitoring the network to prevent intrusion from nonauthorized users.

24. **Internal Audit**: In 2004 PAHO reached an agreement with WHO's Office of Internal Oversight Services and Oversight to provide internal audit services for PAHO. Under the agreement, an internal audit team was established at PAHO to provide a consolidated internal audit of PAHO and AMRO. The chief of the office reports to WHO's Coordinator of Internal Audits as first-level supervisor, and jointly to WHO's Director of Internal Oversight Services and the Director of PAHO as second-level supervisors. The annual audit plan is decided jointly by the WHO Director of Internal Oversight Services and the Director of PAHO. PAHO's new Chief of Internal Oversight Services was recruited and took up his duties in PAHO in September 2004. There is an agreed-upon audit plan for 2005, and the audit process is under way. The Internal Oversight Services office in PAHO is fully staffed.

25. **Ombudsperson**: In 1999 the function of Ombudsperson at PAHO was established on a trial basis. In 2003, the current Director of PAHO established a permanent post for the Ombudsperson and extended its mandate to the country offices. The Organization conducted an extensive search for an Ombudsperson in 2003 and 2004. The Ombudsmen for the Inter-American Development Bank and the World Bank were members of the interview committee for the post, as was a representative of the Staff Association. In the end it was decided that none of the candidates was eminently qualified for the position, and the Director instructed that the post be readvertised. The grade of the post was reclassified to P5 with a five-year term, in an effort to attract the highest quality candidates. Given the length of time that the post has been vacant, and the time yet required to recruit and fill the post at its new grade, the Director requested the Area of Human Resources Management to identify an individual with appropriate experience to fill the post on a temporary basis immediately.

26. In order to identify a suitable candidate for the temporary assignment, the Organization contacted a number of individuals who were current or former ombudspersons of international organizations as well as ombudspersons at various U.S. and international ombudsman associations and universities. As a result, a well-qualified, bilingual individual from Colombia was identified to carry out the functions of the post on a temporary basis. This person has relevant work experience as an ombudsperson and teaching experience in dispute resolution at the university level. He was selected in

consultation with the PAHO Staff Association and commenced his temporary assignment on 9 May 2005.

27. The post itself was advertised on 7 March 2005 and had a closing date of 30 April 2005. In response to the vacancy announcement, 104 candidates applied for the post. A preliminary screening has been carried out and a number of qualified candidates will soon be invited for interview. It is expected that the selection process will be completed by the end of August 2005.

Conclusion

28. PAHO is committed to implementing the External Auditor's recommendations and has invested a substantial amount of time, effort, and resources in considering how best to implement these recommendations. For internal purposes this work has been fully incorporated into the process of institutional change in the form of the Road Map for Institutional Transformation. The Secretariat looks forward to providing a detailed assessment of its work in all the areas covered in the External Auditor's Report with specific deliverables at the September meeting of the Directing Council.

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