

OEA/Ser. S
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BOARD OF EXTERNAL AUDITORS
OF THE ORGANIZATION OF AMERICAN STATES

RULES OF PROCEDURES

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THE BOARD OF EXTERNAL AUDITORS
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CONSIDERING:

1. That the Board of External Auditors of the Organization of American States on 30 June 1976 adopted its Rules of Procedures (JAE Doc. 2); and
2. That over the years, for various reasons, the Rules of Procedures required changes;

RESOLVES:

To adopt the following:

RULES OF PROCEDURES

which supersede those adopted in 1976.

GENERAL OBJECTIVES

Art. 1 In carrying out its duties and responsibilities, the Board has adopted the following general objectives to guide its operations:

- a. To promote the continued development of accounting and financial reporting procedures to provide support to members of the General Assembly, the Permanent Council, the Inter-American Council for Education, Science, and Culture, and the Inter-American Economic and Social Council, as well as officials and employees of the General Secretariat and thus facilitate the discharge of their duties and responsibilities.
- b. To address to the OAS reports and recommendations --growing out of the audit work that will-- contribute to achieve greater efficiency, effectiveness and economy in the conduct of the Organization's affairs.
- c. To ensure the conduct of all external audit operations in such a way that the Board meets the responsibilities assigned to it keeping to a minimum the operating costs and the demands it makes on the time and effort of the officials and employees of the OAS.

- d. Ensure the performance of the audit function in accordance with generally accepted auditing standards, the General Standards to Govern the Operations of the General Secretariat and other regulations in force assuring the conduct of all labors by technically and professionally qualified auditors.

INTERNAL ORGANIZATION OF THE BOARD

- Art. 2 The Board shall have its headquarters in the headquarters city of the OAS.
- Art. 3 The Board shall elect its Chairman from among its members.
- Art. 4 The Chairman of the Board shall remain in office for the entire term of his appointment; however, if he resigns from his official position with the member country and is replaced, the Board shall elect a new Chairman, whose term of office shall be the same as that for which he was appointed.
- Art. 5 The Chairman shall cease to hold office:
- a. Through resignation of the chairmanship, accepted by the other members;
 - b. Through resignation of his membership on the Board of External Auditors, accepted by the Permanent Council; and,
 - c. Through resignation or other termination of his official position in his country.
- Art. 6 The Chairman has the following duties:
- a. To convoke the meetings of the Board;
 - b. To preside over the meetings; and,
 - c. To carry out the decisions of the Board and to sign all correspondence. However, all audit reports shall be signed by the three members of the Board.

Art. 7 The meetings of the Board shall normally be held at headquarters, in conference and office space and with the resources provided to it by the General Secretariat for the most efficient performance of its work. At the call of the Chairman, however, the Board may meet at other locations. Meetings shall be called by the Chairman who shall communicate the calling to the General Secretariat in sufficient time for forwarding travel fares and expenses. Actions of the Board will be taken by a majority of votes. When the Board is in recess it may, however, take decisions and reach agreements by means of correspondence between its members and where there is an agreement of two of them through the correspondence received by the Chairman, he shall communicate those decisions as an agreement of the Board to any appropriate person. In the next subsequent meeting decision made by correspondence shall be included in the minutes of the first session.

Art. 8 When the Board is in recess, its files may be placed in the custody of the Inspector General of the General Secretariat, who shall be entrusted to keep them secure and free from access by persons not authorized by the Board.

AUDIT RESPONSIBILITY

- Art. 9 The Board is responsible for the external auditing of the following funds of the OAS, as well as any others subsequently created by the General Assembly or the Permanent Council:
- Regular Fund
 - Special Development Assistance Fund
 - Special Multilateral Fund of the Inter-American Council for Education, Science and Culture
 - Special Account for Culture
 - Mar del Plata Account
 - Retirement and Pension Fund
 - Rowe Memorial Benefit Fund
 - Leo S. Rowe Pan American Fund
 - Inter-American Defense Board (IADB)
- Art. 10 In making its audits, the Board will comply with the mandates contained in the General Standards to Govern the Operations of the General Secretariat, (see Annex I).
- Art. 11 The Board will also comply with Resolution N° 124 of the Permanent Council (see Annex II) and any other applicable provisions that may be issued in the future by the General Assembly or the Permanent Council.
- Art. 12 The Board will take whatever measures it considers necessary to insure that all external and internal audit work is performed by technically and professionally qualified auditors whether they be auditors or firms of auditors contracted as such or audit staff members of their respective Supreme Audit Institutions.

GENERAL AUDIT PROCEDURES

- Art. 13 The accounts, financial transactions, and financial statements of the funds of the OAS for which the Board has audit responsibility shall be audited annually and a report on such audit submitted to the Permanent Council.
- Art. 14 The annual audit shall be made in accordance with generally accepted auditing standards (see Annex III) and the external auditing requirements prescribed in Chapter VII of the General Standards to Govern the Operations of the General Secretariat of the OAS (see Annex I).
- Art. 15 The audit shall specifically include all necessary audit procedures to enable the Board, as required by Article 102 of the General Standards, to certify:
- a. That the annual financial statements presented by the Secretary General agree with the books, records, documents, and vouchers of the General Secretariat;
 - b. That the transactions reflected in the financial statements are in accordance with the General Standards, the Budgetary and Financial Rules, and other applicable provisions;
 - c. That the securities and cash on deposit have been checked by means of certifications from the depositories.

ries of the General Secretariat and the cash on hand has been checked by actually counting it to the extent that the Board deems appropriate, applying generally accepted auditing standards.

Audit of Financial Statements and Supporting Records

Art. 16 The Board will satisfy itself as to the fairness of the financial statements of OAS in accordance with generally accepted accounting principles the General Standards, and the Budgetary and Financial Rules consistently applied by obtaining sufficient supporting evidence through the examination of accounting records and supporting corroborative material, general observation, inquiry, confirmations and application of other professional auditing techniques.

This examination will include but not necessarily be limited to:

- a. Verification of the financial statements to the organization's main accounts, supplemented by analyses and tests of the latter with subsidiary ledgers, books of original entry, vouchers, contracts, purchase orders and other original documents.
- b. Ascertaining whether expenditures are in accord with budgetary provisions, and whether appropriate regulations and directives have been observed.
- c. Verification of securities and cash recorded in the organization's books as being on deposit by certificates received directly from the depositories and appropriate reconciliations.

Audit of Operations

Art. 17 The Board will in addition to conducting the examination of the financial statements and supporting records may conduct, when considered necessary, concurrently with such examination or independently thereof, operational audits for the purpose of reviewing the efficiency, effectiveness and economy in the use of human, material and financial resources and determining whether desired results are effectively achieved by duly approved programs or activities. Such audits shall be conducted in accordance with generally accepted auditing standards. The reports resultant therefrom shall contain comments, conclusions and recommendations for improvements in the areas of operations selected for examination. Such areas shall be determined based upon the Board's consideration of the areas where maximum benefits may be derived through selective review and examination directed toward programs or activities believed to be critical or problematical.

Evaluation of Internal Controls

Art. 18 In devising the audit work to be undertaken by the Board and its representatives the Board will take into consideration not only the nature and scale of the organization's expenditures but also the scale, effectiveness and reliability of the accounting and administrative procedures, as well as the financial and administrative internal controls. Systems of internal control, including internal audit, will be reviewed and evaluated in order to determine:

- a. The degree of reliance that can be placed upon them.
- b. The corresponding extent of testing that needs to be performed by the Board or its representatives.

Art. 19 The review will include an appraisal of procedures for safeguarding assets by means of an adequate division of functions and a clear definition of relevant duties between those responsible for the operations, custody, accounting, and internal audit to:

- a. Assure that assets and resources are used in accordance with directives issued.
- b. Assure that all transactions are accounted for accurately and properly.

Relation to Office of the Inspector General

- Art. 20 The Board will keep itself fully informed of the work of the Office of the Inspector General and fully consider the nature, extent, and effectiveness of internal audit work in determining the scope of its audit.
- Art. 21 To the fullest extent possible, the Board will use the results of the internal audit work to minimize the amount of detailed auditing it does to carry out its functions.
- Art. 22 In its relations with the Office of the Inspector General, the Board will assess the effectiveness, efficiency, usefulness, professional quality and observance of professional standards of the internal audit work and make suggestions or recommendations for improvements in performance or scope of audit work. It may also make recommendations for the internal examination of special problems or questions that come to the Board's attention.

Compliance

Art. 23 The audit procedures of the Board will include testing financial transactions for compliance with the General Standards, the financial regulations, and other applicable provisions of OAS as shown in Article 15 of these Rules including ascertaining:

Whether expenditures are in accord with the provisions authorizing them.

Whether expenditures exceed the amount of appropriations, taking into account the changes resulting from transfers duly authorized in the General Assembly resolution approving the budget.

Art. 24 In determining compliance with applicable legal and other requirements, the Board shall call to the attention of the Secretary General, for appropriate explanation or action, any transaction about whose legality or correctness it has doubts. If needed, the Board shall call upon the Secretariat for Legal Affairs of the General Secretariat for assistance in reviewing the legality of transactions questioned.

Reasonableness of Expenditures

- Art. 25 In addition to testing the accuracy of the accounting for expenditures and compliance with applicable requirements, the Board's audit will place special emphasis in identifying wasteful, excessive or unnecessary expenditures.
- Art. 26 The Board will be alert at all times to the possibility of fraud in the handling of the resources of the OAS and to possible weaknesses in the systems of internal check and control which could permit fraud to occur and not be detected.
- Art. 27 Working papers prepared by the Board in connection with its audit work shall remain the property of the Board irrespective of the change in members.
- Art. 28 Working papers prepared by an outside auditor or firm of auditors who may be engaged by the Board will remain the property of the outside auditors, but shall be subject to inspection at any time by members of the Board upon request.

ACCESS TO RECORDS

Art. 29 Article 101 of the General Standards provides:

"The external auditors shall have access at all times to the books, records, documents, and vouchers that in their opinion are necessary to the audit."

Art. 30 If the Board of External Auditors or its representatives are refused access to records deemed necessary for the audits and the matter cannot be resolved in any other way, the problem shall be immediately communicated to the Permanent Council for resolution including the appropriate disciplinary action.

SERVICES OF INDEPENDENT AUDITORS

- Art. 31 CP/Res. 124 (164/75) of the Permanent Council authorizes the Board to use, if necessary, the services of any reputable auditor or firm of auditors, or of any individual, including persons in their respective national offices, who, in their judgement, are technically well-qualified. It is the policy of the Board to assure the OAS that all audit work, regardless of who performs it, shall be done by technically and professionally qualified auditors.
- Art. 32 In the event that the Board decides to use the services of any auditor or firm of auditors, it shall, through appropriate means, first ascertain their technical capability, qualifications of personnel, reputation, and their consistent observance of generally accepted auditing standards in work performed for other clients.
- Art. 33 Once a decision has been reached on the auditor or firm or auditors, the Board shall provide them with clear and precise terms of reference for the conduct of the work in addition to the content of these rules of procedure and of the resolutions on external auditing adopted by the General Assembly and by the Permanent Council. This material shall be set forth in a written document, signed by the Chairman of the Board and by the auditor or firm of auditors selected.

The fees shall be determined after consultation with the Office of the Treasurer of the General Secretariat of the OAS. However, in no case shall the amount of such fees be a controlling factor in the selection of the auditor or firm of auditors.

Art. 34 The auditor or firm of auditors selected shall present their findings to the Board through a verbal presentation and a written report. The Board will incorporate their report in its annual report to the Permanent Council or in such special reports as may be appropriate.

Art. 35 If the Board decides to do the work itself, or any part of it, using technically and professionally qualified auditors of the Supreme Audit Institutions of the member countries of which the members of the Board are nationals, all particulars, including number of technically and professionally qualified auditors to be used from each country, estimated work time, period or periods of work at headquarters, and other details shall be set forth in a written document signed by Board members, and made available to the Office of the Treasurer so that it may estimate the costs of necessary travel and per diem expenses. The names of such auditors shall be communicated

by the Chairman to the Office of the Treasurer of the General Secretariat for determination of reimbursement to their Supreme Audit Institution of the costs of their services and the payment of travel fares and expenses required where necessary.

Art. 36 "Technically and professionally qualified auditors" for performing any auditing activities under these rules, includes auditors who:

- (1) meet the legal, professional and/or educational qualifications required in their country of residence;
- (2) have acquired a satisfactory degree of practical experience in conducting audits according to generally accepted auditing standards as is commensurate with the degree of responsibility to be assumed in the course of the audit work scheduled to be performed; and,
- (3) have demonstrated technical and professional competence in the performance of prior audits conducted for their firm, office or clients.

AUDIT REPORTS

Art. 37 The Board will submit its annual report to the Permanent Council on the external auditing for each fiscal year which it has performed or arranged for.

Art. 38 The annual report will contain:

- a. A summarized statement of the scope of the audit work performed.
- b. The Board's opinion on the financial statements of the several funds of the OAS as prepared by the General Secretariat. As required by Article 102 of General Assembly resolution AG/RES. 123, the Board is to certify:
 - . That the annual accounts presented by the Secretary General agree with the records, documents, and vouchers of the General Secretariat;
 - . That the transactions reflected in the financial statements are in accord with the General Standards, the financial regulations, and other applicable provisions;
 - . That the securities and cash on deposit have been checked by means of certifications from the depositories of the General Secretariat and the cash on hand has been checked by actually counting it to the extent the Board of External Auditors deems appropriate, applying generally accepted standards of auditing.
- c. Information on matters affecting the completeness or accuracy of the accounts and financial statements, including where appropriate:

- . Information necessary to properly understand the financial statements.
 - . Any amounts which ought to have been received and recorded but which have not been brought to account.
 - . Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements.
 - . Expenditures not properly substantiated.
 - . Whether proper books of accounts have been kept and where in the presentation of the statements there are deviations of a material nature from generally accepted accounting principles or the General Standards.
- d. Comments and conclusions on the effectiveness of internal financial control, internal fiscal regulations, the accounting system, internal auditing, control procedures, and, the financial consequences of the administrative actions of the General Secretariat.
- e. Comments and conclusions on any serious deficiency or irregularity that the Board may have found in performing its work (after first informing the Secretary General about them in order to give him the opportunity to explain or correct them).
- f. Information on any other matters which, in the Board's judgement, should be brought to the attention of the General Assembly or the Permanent Council, among them:

- . Wasteful or improper expenditure of funds, notwithstanding the reasonableness of the accounting;
- . Cases of fraud or presumptive fraud;
- . Expenditures likely to lead to further outlays on a large scale;
- . Expenditures that are not in accord with the provisions authorizing them, or excessive expenditures.
- . Expenditures that exceed the amount of appropriations, taking into account the changes resulting from transfers duly authorized in the General Assembly resolution approving the budget;
- . Any deficiency in the general system governing the handling of income and expenditures or of supplies and equipment, and the corresponding administrative services.

Art. 39 If the Board, on the basis of its audit work, has reservations as to the completeness and accuracy or the fairness of the financial statements or on any part of them, it may qualify its audit opinion. When it does qualify its opinion, the report shall clearly explain the basis for the Board's reservations.

Art. 40 There may be occasions when its reservations are of such magnitude that it can express no opinion, or it must express an adverse opinion. These reservations may result if:

- a. The scope of the audit has been severely restricted.
- b. Proper books of account have not been maintained and the evidence available is completely inadequate to support an opinion.

- c. The General Secretariat cannot properly substantiate recorded transactions.
- d. Internal checks and controls are so inadequate that they cannot be compensated for by extended external audit.

Art. 41 If any such circumstances arise during its work, the Board will immediately bring them to the notice of the Permanent Council or the General Assembly.

Art. 42 When compiling its report, the Board will take into consideration anything having a material effect on the financial statements, whether it occurs or comes to notice before or after the year end. Important further information on previous years' transactions should also be included in the audit report.

Art. 43 The annual report, as to the matters referred to in Article 102 of the General Standards (see Article 38, part b), to the Permanent Council, will be signed by the three members of the Board of External Auditors. Any one member shall explain his particular viewpoint in the event of a discrepancy in the analysis of the facts on which the Board must report.

- Art. 44 The Board shall submit its annual report to the Permanent Council by June 30th of the year succeeding the year under examination.
- Art. 45 At any time the Board shall call to the attention of the Permanent Council, for the purposes of article 91.b of the Charter of the Organization^{1/}, any fact that it has observed in the performance of its duties that in its judgement may constitute a violation or non-observance of the standards governing the operations of the General Secretariat.
- Art. 46 The Board may also submit special reports on other specific subjects to the Permanent Council when the subject matter is judged by the Board to be important enough to justify such special reporting.

1/ Article 91.b of the Charter of the OAS provides that the Permanent Council shall:

"Watch over the observance of the standards governing the operations of the General Secretariat and, when the General Assembly is not in session, adopt provisions of a regulatory nature that enable the General Secretariat to carry out its administrative functions;"

Art. 47 All audit reports of the Board will be referred in draft form to the Secretary General for his comments and will be discussed with him or with officials designated by him before placing them in final form for submission to the Permanent Council or the General Assembly. To make the reports as informative and useful as possible, the comments of the Secretary General will be included when the Board determines such treatment to be desirable.

The Secretary General would be expected to provide his comments within two weeks of receiving the Board's draft report. The objective of the Board is to review the Secretary General's comments at its second meeting each year.

GENERAL PROVISIONS

Art. 48 The members of the Board shall act in the performance of their duties with complete independence in relation to all the organs and agencies of the OAS, but they shall carry out the mandates of the General Assembly and the specific requests of the Permanent Council.

Art. 49 The Board may request the Permanent Council to establish any provisions that will facilitate its work.

Approved

Chairman

Approved

Approved

Member

Member