

# FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR

1 JANUARY 2021 – 31 DECEMBER 2021

**PAHO**



Pan American  
Health  
Organization



World Health  
Organization  
REGIONAL OFFICE FOR THE  
Americas

**FINANCIAL  
REPORT  
  
OF THE  
DIRECTOR  
AND  
REPORT OF  
THE EXTERNAL  
AUDITOR**

**1 January 2021 – 31 December 2021**

**Washington, D.C, 2021**



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## CONTENTS

<b>DIRECTOR'S COMMENTS</b>	1
----------------------------	---

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### **FINANCIAL REPORT AND AUDITED FINANCIAL STATEMENTS**

Certification of the Financial Statements for the year ended 31 December 2021	17
Statement on Internal Control	18
Opinion of the External Auditor	27

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### **FINANCIAL STATEMENTS**

Statement of Financial Position	30
Statement of Financial Performance	31
Statement of Changes in Net Assets	32
Cash Flow Statement	33
Statement of Comparison of Budget and Actual Amounts	34
Notes to the Financial Statements	35

---

<b>REPORT OF THE EXTERNAL AUDITOR</b>	80
---------------------------------------	----

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### **UNAUDITED ANNEX**

Segmented Information of the Financial Performance	1
Assessed Contributions	6
Procurement Mechanisms	7
Voluntary Contributions	12
Regional Office of the Americas (AMRO) World Health Organization	40
Other Centers	41

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The Annex with Unaudited Information for the year ended 31 December 2021 is available on the Governing Bodies web portal at: [Annex](#)

## ***DIRECTOR'S COMMENTS***



In accordance with Financial Regulation 14.9 of the Pan American Health Organization (PAHO), I have the honor to present the Financial Report of the Pan American Health Organization for the financial reporting period 1 January 2021 through 31 December 2021.

The Financial Statements and Notes to the Financial Statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and PAHO's Financial Regulations and Financial Rules.

Although PAHO has adopted an annual financial reporting period as stipulated in Financial Regulation 2.2, the budgetary period remains a biennium (Financial Regulation 2.1). Therefore, for the purposes of actual vs. budget comparisons in the Director's Comments, the annual budget figures represent one half of the 2020-2021 Biennial Program Budget as an approximation of annual budgetary figures.

### ***1. Main technical achievements and challenges from 2021***

During 2020-2021, PAHO was able to maintain a very high level of performance, despite the combined challenges of a financial crisis for most of 2020 that created financial uncertainty and backlog in implementation rates, and the effects of the COVID-19 pandemic. The Organization implemented a total of US \$673 million of the Program Budget during the biennium, US \$127 million (or 23.2%) more than 2018-2019. In base programs, it maintained about the same level of implementation as the previous biennium, at US \$443 million or 93% of available funds as of 31 December 2021. While the overall financing of the PAHO Program Budget was positive in 2020-21, uneven funding levels at outcome level, relative to their approved budget levels, remains a concern<sup>1</sup>.

PAHO has continued to follow a **prudent financial management approach** in light of the Region's severe economic contraction for the past two years, as well as a deterioration in the rate of collection of assessed contributions (AC) to the Organization, and challenging resourcing scenarios at WHO. Cost containment measures affected the delivery of technical cooperation to countries during most part of 2020 and the beginning of 2021. The cost-containment measures were designed to improve the cash-flow situation of the Organization while maintaining its core operational capacity. These measures included reductions in funds for activities and short-term staff and a reduced Human Resources Plan for 2020-2021 through a freeze on all vacant positions. Although most of the measures were relaxed in early 2021, it created financial uncertainty and a backlog in implementation for technical and enabling entities, which in part explains a budget surplus for the 2020-21 exercise.

Despite the financial uncertainty and the disruption brought by the COVID-19 pandemic, thanks to the adaptive measures put in place by senior management, collaboration among all entities across PAHO, increase in funds in 2021, and advocacy with

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<sup>1</sup> A more detailed review of PAHO's achievements and performance of the PAHO Program Budget 2020-2021 will be included in the Annual Report of the Director and the 2020-2021 End-of-Biennium Assessment Report to PAHO Governing Bodies in 2022.



Member States, the Organization was able to mitigate the severe effects of the financial crisis, maintain continuity in responding to its mandates with impressive achievements and building resilience for the future.

PAHO has remained an **authoritative voice for health in the Region, providing political, strategic, and technical guidance**, leading the response to the COVID-19 pandemic at the highest levels of national governments, non-state actors, WHO, and the UN and Inter-American Systems. In addition to addressing the demands for an effective response to the pandemic, the Organization continued to respond to ongoing technical cooperation commitments to protect hard earned public health gains in the Americas.

PAHO's unique position as the leading agency within the Inter-American System in the COVID-19 response has helped to intensify efforts to address the impact of the pandemic and the equitable access to COVID-19 vaccines, ensuring an agile response system for Member States, while simultaneously advocating for key foundational investments in public health in the Region. This has been made possible through efforts to gather strategic intelligence, increase PAHO's influence, and harness new partnership opportunities, especially through the leadership of country offices.

Performing under difficult circumstances caused by the pandemic, PAHO has proven to be a **resilient** organization and is now more than ever before at the **forefront of public health** in the Region. PAHO presented policy options to Member States in key areas to pave the way toward the Region's recovery, protect gains, and build back stronger even in fragile economies; foster the Region's self-sufficiency in vaccines and other health technologies; propose initiatives for faster procurement of quality and affordable COVID-19 vaccines through the PAHO Revolving Fund; issue a call for heightened attention on the Region's scientific and technological areas; and, to address the significant collateral damage of the pandemic on priority health programs, people living in conditions of poverty and vulnerability, and on mental health.

Despite the complexity of the context, PAHO has **positioned itself at the highest political level**, remaining relevant and fit for purpose for its Member States. Using its strategic and technical leadership position, PAHO was able to influence leaders to not only respond to the emergency, but also to further advance the work of the Organization. The footprint and reach of the Organization have grown significantly during the last two years as PAHO responded to COVID-19, other emergencies, and ongoing commitments in the PAHO Strategic Plan 2020-2025. Through its technical cooperation, PAHO continues to be a **catalyst, honest broker, and convener** to improve the health and well-being of the peoples of the Americas, in collaboration with Member States and partners. Some of the highlights include:

- **PAHO maintained an organization-wide response to support all countries and territories in the Region to address and mitigate the impact of the COVID-19 pandemic.** Working through the regional Incident Management Support Team (IMST) and country incident management teams, PAHO provided direct emergency response to countries, in alignment with the World Health Organization COVID-19 Strategic Preparedness and Response Plan. A major effort of the Organization during the first half of 2021 was focused on supporting countries in the rollout of the COVID-19 vaccination. This built upon support provided during the last semester of 2020 to prepare the countries for the introduction of the COVID-19 vaccines, as institutions worldwide raced against time to leverage novel and existing technologies to produce safe and effective vaccines.
- PAHO supported the establishment of a regional COVID-19 Sequencing Network involving 26 laboratories across all subregions, including six regional reference labs (Brazil, Chile, Mexico, Panama, Trinidad and Tobago, and United States of America) and 12 in-country sequencing labs (one in each of the following countries: Argentina, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Paraguay, Peru, and Uruguay, and two in Brazil). In addition to sustaining collaboration to support regular COVID-19 diagnosis and testing, implementation of screening protocols to detect variants of concern early has been particularly useful: material for the screening of the Omicron variant was delivered to at least 20 different countries. To date, 42 countries and territories have submitted sequences to the Global Initiative on Sharing All Influenza Data (GISAID), an initiative promotes the rapid sharing of data from all influenza viruses and the coronavirus causing COVID-19. Over 261,000 sequences of SARS-CoV-2 have been submitted to the GISAID platform from Latin American and Caribbean Member States.
- As part of PAHO's technical cooperation platform, the PAHO Revolving Fund **facilitated access to vaccines, syringes, and cold chain equipment, with US\$1.03 billion in procurement value for 41 countries and territories in the Americas.**

The pandemic continued to impact the international logistics of vaccines and related supplies, making it necessary for PAHO to intensify efforts to work closely with manufacturers and to find alternative delivery options. Despite these challenges the Revolving Fund was able to secure the timely delivery of required vaccines for the immunization programs of the region.

- Extra efforts continued to be made through PAHO's collective response to support country preparedness for the anticipated introduction of the new **COVID-19 vaccines**, without overlooking the special requirements to mitigate the risks of potential outbreaks of measles and yellow fever and ensuring the availability of strategic vaccines such as influenza. Leveraging over four decades of experience in vaccine procurement, the Revolving Fund, as part of the COVAX facility, supplied 64.8 million COVID-19 vaccine doses to 31 countries, of which 22.2 million doses were donated by United States of America, Spain, Canada, France, Germany, Japan, Sweden, Norway, and Denmark. To complement efforts by the COVAX Facility, in August 2021 PAHO launched an initiative to further increase access to COVID-19 vaccines, including long term agreements with three manufacturers.
- In addition to the COVID-19 pandemic response, 17 countries and territories (Antigua and Barbuda, Bahamas, Bolivia, Brazil, Colombia, Ecuador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Peru, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Venezuela) received support from PAHO to deliver life-saving operations during concurrent ungraded health emergencies in 2021. All 123 events that were reported by 46 countries and territories during this period had a risk assessment completed within 72 hours of detection. In addition, nine countries actively monitored migratory movements at entry points and ensured readiness to potential health emergency caused by sudden mass migrations (Brazil, Chile, Colombia, El Salvador, Guatemala, Honduras, Mexico, Panama, and Peru). As part of these efforts, the countries expanded their COVID-19 epidemiological surveillance, emergency mental healthcare, and psychosocial support capacities, as well as available surge health services.
- Member States were continuously updated by PAHO on the epidemiological and operational situation through 340 situation reports, 245 daily summaries and 36 epidemiological alerts; updates were disseminated up until 21 December 2021. Weekly reports were published with SARS-CoV-2 surveillance indicators, as well as those related to influenza and other respiratory viruses. Daily updates have been shared using the PAHO website since the onset of the pandemic.
- The PAHO Inter-American Health Assistance Network (IHHAN) was expanded with newly established health reserve centers in Dominican Republic and Ecuador. The reserve center in Dominican Republic was supplied with strategic pre-positioned stock for emergency response donated by PAHO's standby partners, and in Ecuador with PAHO's own resources. IHHAN allowed for rapid mobilization of life-saving health commodities in response to the Haiti Earthquake in August 2021.
- Emergency preparedness tools to strengthen the capacity of the countries to respond to emergencies were developed and implemented in Bolivia, Chile, Ecuador, Nicaragua, Paraguay, and Peru. This included the development and/or updating of Emergency Response Plans, the implementation of the Emergency and Disaster Preparedness Index, the Strategic Tool for Assessing Risks, with the objective of determining and prioritizing risks and guiding emergency response planning in health.
- Forty-seven safer and greener health facilities (Smart) are now providing health care across seven countries in the Caribbean (Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, and St. Vincent and the Grenadines). Another six health facilities are currently being retrofitted and an additional five have completed the design phase. Because of their strategic location, improved functionality, and ability to safely guarantee the cold chain to store the vaccines, several retrofitted smart health facilities (Vieux Fort in St. Lucia, Diamond in Guyana, Grand Bay in Dominica, Port Elizabeth and Chateaubelair in St. Vincent and the Grenadines, and Princess Royal Hospital and Hillsborough Health Centre in Grenada) were used as respiratory clinics to support the COVID-19 vaccination campaigns. Many other project facilities were used by people who sought care or who displayed signs and symptoms of COVID-19. Individuals were triaged, isolated, and cared for, followed by a referral for a higher level of care to another health center or hospital, as necessary.
- PAHO Member States adopted the **Strategy on Resilient Health Systems** to support recovery of health systems and recuperation of lost public health gains, the first strategy to be launched by any WHO Regional Office and an important reference document for the Summit of the Americas. Building on lessons learned from the pandemic, including systemic deficiencies as well as innovations and actions adopted by countries with support from PAHO, the new strategy calls on countries to develop concrete actions in health systems, increase investment to sustain transformation, and strengthen

linkages between health, the economy and social sectors.

- To ensure that the Region becomes less dependent on imports of medical products during public health emergencies, PAHO launched a **Strategy to Increase Manufacturing Capacity** as well as the **Regional Platform to advance the Manufacturing of COVID-19 Vaccines and Other Health Technologies in the Americas**. This collaborative platform convenes public and private stakeholders and will foster research and incentivize development and manufacturing of essential and strategic health technologies in the Americas. PAHO supported the selection of two major technology transfer and development projects for the development of mRNA vaccines in the Americas and worked jointly with the Coalition for Epidemic Preparedness Innovations on the assessment of vaccine manufacturing capacity in some countries.
- The COVID-19 Regulatory Network held over 30 meetings with senior officials and technical professionals within National Regulatory Authorities and Advanced Market Commitment countries to support the **deployment of new diagnostics, medicines, and vaccines** critical for the control and management of COVID-19. Twenty-five countries received support for the deployment and emergency use of WHO prequalified vaccines. Version 2 of the dashboard on Pharmacovigilance for COVID-19 vaccines was developed and launched in December 2021. PAHO worked to ensure uninterrupted supply of essential medicines and health technologies for priority programs, resulting in a threefold increase in the size of procurement through the Strategic Fund during 2020-21.
- PAHO has continued to strengthen its positioning around the theme of the **convergence of health and the economy**, leading the development of the second ECLAC/PAHO report, launched in October 2021, on the protracted nature of the health crisis and its impact on health and social development. Scenarios and key recommendations across health, the economy, labor, and social protection were provided, with follow-up advocacy ongoing with countries and partner organizations. An analysis of the macro-fiscal situation and its possible effects on public investment in health was carried out with finance ministries in a number of countries, highlighting the importance of supporting public budgets to address emerging needs in relation to the health emergency, social requirements, and the economy, noting the decrease in collection of taxes as a result of the decrease in economic activity.
- PAHO supported the rapid growth, adaptation and use of the **PAHO Virtual Campus for Public Health** for 'virtualization' of PAHO's emergency work and delivery of technical cooperation, delivering more than 24 COVID-19 related courses to one million health workers throughout the Americas. The Campus has on average incorporated 40,000 new health workers into PAHO's educational platform every month over the last two years. An internal governance mechanism has been established in support of the Campus, as well as a strategy developed to support its future growth in support of PAHO's technical cooperation in the future.
- The **Latin American Center of Perinatology, Women, and Reproductive Health** developed five courses hosted on the Virtual Campus to strengthen country capacity on: i) Competency-Based Education (2,900 participants enrolled from 46 countries); ii) Retinopathy of Prematurity (1,700 participants from 50 countries); iii) Maternal and Perinatal Death Surveillance and Response (22,000 participants from 99 countries); iv) Contraception Immediate Post Obstetric event (16,000 participants from 42 countries); and v) Family Planning (17,000 participants from 70 countries).
- PAHO celebrated the 19th **Vaccination Week of the Americas** with the participation of 43 countries and territories. The objective was to vaccinate almost 100 million people with vaccines that are part of the routine immunization programs, as well as against COVID-19.
- The **Decade of Healthy Aging** was launched in the Region with an inter-agency mechanism in place to promote, coordinate, and implement the Americas' response to population aging and health inequities. Led by PAHO, this mechanism will increase collaboration, participation and communication among UN agencies and the Inter-American agencies. It will also provide an opportunity to generate transformative change through inter-sectorial and multi-partnership initiatives that are responsive to the needs of current and future older populations.
- PAHO strengthened the **health system response to sexual violence** through high-level dialogue and engagement in seven priority countries (Argentina, Bolivia, Dominican Republic, Ecuador, Honduras, Paraguay, and Peru). Experiences and learning were exchanged, including on post-rape care in the context of COVID-19, which has increased demands for support. National health authorities identified priorities for strengthening the health system response to violence



against women and girls. Supported by seed funding, six countries advanced with concrete activities at the country level.

- New knowledge was generated on the **links between NCDs and COVID-19**, and technical guidance and educational materials were provided to health providers, including information on service adaptations to ensure continuity of care for persons with NCDs, use of telemedicine and digital health to minimize disruption in NCD services, and prioritization of cancer services and provision of palliative care during COVID-19. A series of high-level webinars were held with senior government officials showcasing effective and innovative NCD and mental health care strategies, and how these areas have been incorporated into health system transformations during COVID-19. Factsheets were also developed and widely disseminated to the public to provide authoritative advice on managing NCDs during the COVID-19 pandemic.
- PAHO hosted monthly **tele-mentoring sessions with primary care providers and public health specialists**, through the Extension for Community Health Outcomes (ECHO) platform with broad participation from clinicians throughout the Region. Clinical and programmatic topics on palliative care were covered, including the demands on palliative care services during COVID-19. On cervical cancer, authorities working in immunizations, screening, treatment, and cervical cancer program management were engaged to disseminate knowledge and support elimination plans.
- The **Hearts Initiative** continued implementation, with 306 new health centers in five countries joining the initiative in 2021, bringing the total to 1,045 primary care centers. Technical tools were also developed, including: i) Hypertension Clinical Pathway, based on the 2021 WHO Guideline for the pharmacological treatment of hypertension in adults; ii) Regulatory Pathway to the Exclusive Use of Validated Blood Pressure Measuring Devices; iii) cardiovascular risk calculator that estimates the possible 10-year risk of myocardial infarction, stroke, or cardiovascular death. In addition, a series of very well attended webinars, technical meetings and workshops were sponsored, including a new virtual course on hypertension control drivers for primary care teams.
- An innovative approach to continue **NCD surveillance** during the COVID-19 pandemic was developed, using mobile phone surveys. These surveys were implemented in five countries (Antigua and Barbuda, Belize, Bolivia, Honduras, and Paraguay), and data was generated on how people with NCDs have been affected by COVID-19. In anticipation of new NCD surveys in the post-COVID-19 era, technical assistance has been provided to several countries to plan future STEPs surveys.
- With the ongoing **impact of the pandemic on mental health**, especially among vulnerable groups, support for the development and implementation of mental health policies, plans, laws, and capacity building has been intensified throughout the Region. A series of communication activities has managed to bring visibility to a topic that had been neglected before the pandemic. Thirty-four countries and territories now have a mental health policy or plan approved by the government, with emphasis on the development of community-based mental health care, and 22 countries have described mental health as being a part of their COVID-19 response plans. The integration of mental health services into primary care through the mhGAP program has continued, and providers from 34 countries/territories participated in mhGAP training initiatives.
- A new report on **suicide** was published, and five countries (Argentina, Costa Rica, Guyana, Suriname, and Trinidad and Tobago) are implementing suicide prevention activities with support from PAHO, including a situation assessment, development of plans, and improving surveillance mechanisms.
- In response to widespread dissemination of misinformation on alcohol, exponential increases in sales and disruptions in alcohol treatment, **Pahola**<sup>2</sup> was created to provide alternatives to support people who wish to stop or reduce their drinking. Pahola is PAHO's first digital health specialist and the only digital health worker in the world focusing on alcohol. Pahola can interact in English, Portuguese, and Spanish with anyone interested in talking about their alcohol consumption, assessing their risk, reducing or stopping alcohol, and seeking resources for treatment and recovery. Since its launch in November 2021, more than 6,500 people have started a session with Pahola.
- An 18-month project is providing technical support to Colombia, Costa Rica, Dominican Republic, Ecuador, Guyana, Jamaica, Panama, and Paraguay to improve national capacity to develop and implement health and social responses for

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<sup>2</sup> [PAHO's first digital health specialist on alcohol use - PAHO/WHO | Pan American Health Organization Pahola - PAHO/WHO | Pan American Health Organization](#)

**substance-use related problems.** The project supports PAHO's work to strengthen public health approaches to address substance use problems and will foster greater collaboration between PAHO and other relevant partners, such as the Inter-American Drug Abuse Control Commission (CICAD) of the Organization of American States, UNODC, the Colombo Plan, and the Ibero-American Network of Non-Governmental Organizations Working on Drug Dependence (RIOD).

- National assessments of **rehabilitation and assistive technology services** implementing PAHO/WHO tools have taken place in Bolivia, Dominican Republic, and El Salvador. These assessments have laid the foundation for the development of new plans and policies and integrated learning on the impact of the pandemic on rehabilitation services and implications for building back better. Two important regional forums have been established: a rehabilitation leadership roundtable with the focal points for rehabilitation in 12 countries and a Disability Community of Practice. The area of disability and rehabilitation has developed a plan on the rehabilitation needs due to long-COVID.
- The Mexican Congress approved a bill to amend their **tobacco control** law and establish 100% smoke-free environments in public places and workplaces, and a total ban on tobacco advertising, promotion, and sponsorship in line with the major demand-reduction measures in the WHO Framework Convention on Tobacco Control (FCTC). Together with WHO, PAHO presented evidence to the Congress supporting the amendment of the bill and countering opposing arguments and facilitated a joint communication by UN agencies to encourage the approval of the bill, as well as a letter from the WHO Director General to the President of Mexico in November 2021.
- **Front of Package Labeling (FOPL) and food marketing and school food environment regulations** advanced, with Mexico and Uruguay joining Chile, Ecuador, and Peru in implementing FOPL to discourage the consumption of ultra-processed and processed products that are high in sugar, fats, and salt. Argentina approved a healthy eating law, incorporating the highest recommended standards for FOPL and food marketing and school food environment regulations.
- Updated regional **sodium reduction** targets in key food categories to prevent cardiovascular disease were reviewed with expert researchers, public authorities, and civil society representatives from within and outside the Region. The revised targets were launched and technical support for implementation is ongoing in Argentina, Bolivia, Costa Rica, Panama, and Peru. A virtual learning program on social marketing focused on NCD risk factors has reached more than 11,000 participants. Participants were supported in the development and implementation of social marketing campaign strategies.
- Up-to-date technical guidance on **breastfeeding** during the COVID-19 pandemic was provided, including on implementing the Baby-Friendly Hospital Initiative (BFHI), taking into account the COVID-19 pandemic and involving the regional BFHI networks. Support for countries on the adoption of the International Code of Marketing of Breast-milk Substitutes into national legislation was sustained.
- Under the framework of the **Elimination Initiative**, Dominica and El Salvador were certified by WHO for the elimination of mother-to-child Transmission of HIV and syphilis and the elimination of malaria, respectively. With Dominica's achievement, the country joined seven other Caribbean countries that have received the dual validation. El Salvador's certification follows more than 50 years of commitment by the Salvadoran government. Of all the countries with endemic malaria, as of late 2021, nine have taken up the challenge to eliminate the disease by 2025 and have been able to maintain malaria case investigation during the pandemic with the support of PAHO. The Regional Plan of Action for Malaria Elimination 2021-2025 was also finalized and is aligned with the WHO Global Technical Strategy for Malaria Update. Malaria elimination has the strong support of PAHO and key partners, such as the Regional Elimination Malaria Initiative led by the Inter-American Development Bank, as well as USAID and the Global Fund.
- In collaboration with UNAIDS, civil society, and other partners, PAHO continued to support the implementation of the Master Plan to strengthen the **response to HIV, TB, and malaria from a public health perspective in Venezuela**. In addition to the US\$ 11.7 million mobilized for supporting procurement of medicines and diagnostics for HIV and TB for 2020-21, and the US\$ 19.8 million malaria grant for 2020-22 from the Global Fund, an additional US\$ 12 million to procure HIV and TB drugs and commodities has been negotiated and approved in 2021 by the Global Fund Strategic Committee.

- The **Agenda for the Americas on Health, Environment, and Climate Change 2021-2030**, the **Andean Plan on Health and Climate Change 2020-2025** (in collaboration with ORAS/CONHU), and the **Air Quality Guidelines** (in collaboration with UNEP) were launched. Honduras, Panama, Paraguay, and Peru launched roadmaps for the elimination of polluting fuels for cooking. At the COP-26, eleven countries of the region committed to build climate-resilient and low-carbon health systems.
- The COVID-19 pandemic has fueled the ongoing **antimicrobial resistance (AMR)** global crisis due to the increase in the use of antibiotics to treat COVID-19 patients, disruptions to infection prevention and control practices in overwhelmed health systems, and diversion of human and financial resources. Thanks to the well-established PAHO Latin American and Caribbean Network for Antimicrobial Resistance Surveillance network (ReLAVRA+ by its Spanish acronym), countries were able to successfully detect the emergence of extensively antimicrobial-resistant microorganisms. PAHO worked with countries to strengthen infection prevention and control (IPC) practices, to promote the appropriate use of antimicrobials, and to build the capacities of food analysis laboratories for the detection of AMR through the Inter American Network of Food Analysis Laboratories (INFAL).
- Member States approved two regional policies including the **Roadmap for the Digital Transformation of the Health Sector in the Region of the Americas**, and **Policy on the Application of Data Science in Public Health Using Artificial Intelligence and Other Emerging Technologies**, becoming the first WHO Region to accelerate innovative processes for the digital transformation of the health sector. In support of policy implementation, a comprehensive digital transformation toolkit was developed. These initiatives will position the Organization as the leading public health agency in the age of digital interdependence.
- Aiming to position the Organization as an authoritative source of quality health data in the Americas, PAHO implemented the first ever data governance policy in the history of the Organization. Three critical corporate platforms were launched: **Health in the Americas**, including material dating back to the first edition in 1954 up to the latest analysis on potentially avoidable premature mortality; **Core Indicators**, with more than 200 updated indicators and time series covering data since 1995; and the **SDG 3 Monitoring Portal**, which includes a regional dashboard, country profiles, up-to-date evidence on policies and guidelines, and specific methodological tools to track progress on the SDG 3 indicators and inequalities at the regional, national, and subnational levels.
- With the pandemic's profound impact on the lives and livelihoods of people in the Region, **PAHO has called for the expansion of social protection** to meet the health needs and demands of civil society and tackle social exclusion in health. PAHO supported financial protection measurements through the standardization of databases to allow the calculations of catastrophic and impoverishing spending. PAHO further launched the publication "Financial Protection in Health in the Region of the Americas", which provides an analysis of catastrophic health expenditure based on a standardized methodology.
- To strengthen the response of health systems in a post-COVID-19 context, a project under the **Special Initiative on Social Determinants for Health Equity** was launched to promote policies and practices that address the social determinants of health for advancing health equity.
- PAHO continued to advance **ethnic equality** considerations in the pandemic response through high-level meetings with indigenous peoples and afro-descendant populations in the Region. PAHO has also worked to address the impact of the pandemic for Roma populations. PAHO continued to advance **gender equality** considerations in the pandemic response through ongoing tailored dialogue with grassroots women's organizations (such as the Latin-American and Caribbean Network for Women's Health) and high-level advocacy for women's participation and leadership in building back better and more equitable health systems. To facilitate **analyses of inequalities**, PAHO worked with WHO to introduce a new indicator on analyses of health inequities during the COVID-19 pandemic in the Monitoring and Evaluation Framework of the 2021 COVID-19 Strategic Preparedness and Response Plan.

In support of these achievements and to advance the priorities of Member States, PAHO strengthened and expanded **strategic alliances and partnerships**, such as the aforementioned initiative with ECLAC. PAHO continued to leverage its key position and role within the COVID-19 response to maintain strategic and high-level engagement with traditional donors, further expand its partner base for both emergency and non-emergency technical cooperation as well as solidify recently established partnerships with international financial institutions (IFIs), philanthropic organizations, foundations, private sector, and civil society. An additional US \$270 million were mobilized or pledged by donors to support PAHO's regional COVID-19 response strategy in 2021,

including US\$139.4 million from IFIs for procurement (PPEs, therapeutics, and vaccines), for a total of over US \$530 million raised for COVID-19 response efforts in the Americas since the beginning of pandemic. An additional US \$34.75 million was mobilized in 2021 to support other emergency response operations as well as strengthen emergency preparedness, readiness, and risk reduction throughout the Region. PAHO also pursued new and existing agreements with partners, representing a diverse group of foundations, public charities, academia, and development agencies.

The Organization achieved **consistently high visibility as an unrivaled and leading technical authority and newsmaker on COVID-19** globally and across the Region through weekly COVID-19 press conferences, media outreach, and hundreds of interviews by spokespersons in headquarters and country offices. Innovative communication approaches shared with non-traditional partners allowed PAHO to expand its outreach into non-traditional audiences. PAHO has found ways to make the most of the visibility it has earned from the response to COVID-19 and extend it to other health areas and audiences.

During 2021, the **toll of the response to the COVID-19 pandemic** and disruption caused by the pandemic affected the capacity of the Organization and most countries to undertake planned activities. The diversion of resources required for a timely and efficient response to the pandemic also put a strain on the capacity of the Organization to respond to other ongoing demands for technical cooperation. The politicization of the COVID-19 response has affected PAHO's response in some countries. The competing demands faced both by country offices and national authorities, both of which have been primarily focused on the COVID-19 pandemic response, have affected the timeliness of the response and implementation of other corporate initiatives that required close collaboration with Member States.

In addition, PAHO continues to contend with the **impact of disasters, disease outbreaks, and social and political unrest** outside of the COVID-19 emergency, as well as the **impact of migration on health systems**. There are also other **ongoing challenges**, many of which were recurring long before the pandemic, such as changing national and regional priorities, limited institutional capacity at national level, absence of, or insufficient, intersectoral action, low levels of political commitment to address priority areas, gaps in coverage and quality of care, insufficient progress in addressing the determinants of health and reducing risk factors, national economic issues, attrition and inadequate succession planning that limit the availability of qualified health personnel, and weaknesses in information systems and/or insufficient data for evidence-based decision making.

Despite these challenges, PAHO has been successful in identifying and designing alternative strategies and methodologies to support Member States in achieving results. The pandemic response has provided a unique opportunity to encourage national authorities to enhance and strengthen their capacities. The improvement of **interprogrammatic work** and the implementation of **new modalities of technical cooperation** have been recognized as contributing factors to achieving greater levels of implementation. Interprogrammatic work enabled an integrated approach in responding to Member State demands during the pandemic. The coordinated activities in PAHO's IMST, including country offices and technical and enabling departments, were key to the successful delivery of timely and efficient responses for technical cooperation.

The joint work of IT and Administration in **improving connectivity and cybernetic security and upgrading the computer technology and applications** even before the onset of the pandemic prepared the Organization for this situation, allowing it to continue operating in a fully remote fashion. **Teleworking** has provided positive lessons learned and opportunities for increased employee productivity and satisfaction, coupled with strengthening a country focus approach with more frequent interactions that were enabled through greater connectivity. Nevertheless, the expediency of virtual exchanges still needs to be complemented with face-to-face encounters once COVID-19 restrictions are lifted. PAHO's high level advocacy and policy dialogue activities were affected since face-to-face bilateral meetings in Governing Bodies meetings were cancelled, and visits of the Director to countries and visits of national authorities to HQ were postponed.

## 2. Total Revenue

Main components of PAHO Revenue <sup>1</sup>		(\$million)	
	2021	2020	
Program Budget	362.4	338.7	
Procurement Funds	1,348.9	936.2	
National Voluntary Contributions	75.0	57.2	
Other Special Funds <sup>2</sup>	8.1	8.0	
<b>TOTAL</b>	<b>1,794.4</b>	<b>1,340.1</b>	

<sup>1</sup> There are presentational differences for revenue as compared to Note 15 of the financial statements.

<sup>2</sup> In 2021: Other Special Funds include the Tax Equalization Fund (\$8.1 million). In 2020: Tax Equalization Fund (\$8.1 million) and PALTEX (-\$0.2 million) and Provision for Termination and Repatriation Entitlements Fund (\$0.1 million).

Detail: Program and Budget Revenue		(\$million)	
	2021	2020	
Assessed Contributions <sup>1</sup>	97.2	97.2	
PAHO Voluntary Contributions	91.7	73.9	
WHO Voluntary Contributions	93.0	104.0	
Other WHO Funds <sup>2</sup>	42.6	50.2	
Program Support Costs <sup>3</sup>	37.5	16.8	
Miscellaneous Revenue <sup>4</sup>	(6.4)	15.7	
Other <sup>5</sup>	6.8	(19.1)	
<b>TOTAL REVENUE</b>	<b>362.4</b>	<b>338.7</b>	

<sup>1</sup> Net of Tax Equalization.

<sup>2</sup> In 2021: Other WHO Funds include WHO Assessed Contributions (\$38.6 million) and WHO Special Account for Servicing Costs (\$4.0 million). In 2020: \$46.6 million and \$3.6 million, respectively.

<sup>3</sup> In 2021: Program Support Costs include program support costs for Voluntary Contributions (\$11.8 million), Procurement Service Charge (\$23.1 million), and other (\$2.6 million). In 2020: Program Support Costs include program support costs for Voluntary Contributions (\$8.9 million), Procurement Service Charge (\$11.0 million), and other (\$-3.1 million).

<sup>4</sup> In 2021: Interest earned (\$8.4 million), valuation losses including unrealized portfolio market valuation losses of \$11.7 million (-\$14.0 million), other revenue (-\$0.8 million). In 2020: interest earned (\$11.2 million), valuation gains (\$4.9 million), other revenue (-\$0.4 million).

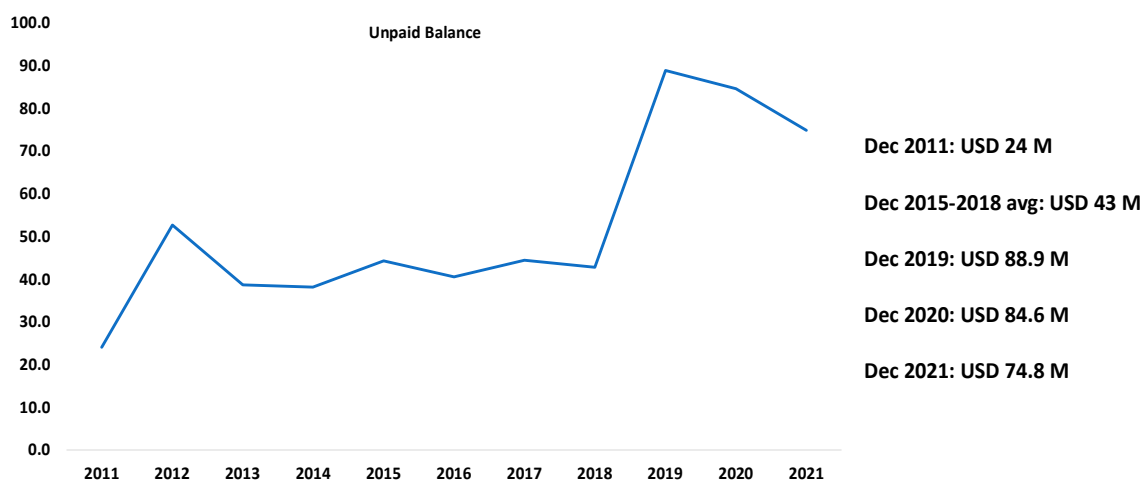
<sup>5</sup> Includes a \$3.2 million decrease of the allowance for doubtful accounts in 2021.

## 3. PAHO Assessed Contributions and Budgeted Miscellaneous Revenue

Revenue of \$105.3 million from PAHO Assessed Contributions and Tax Equalization assessments was recorded in full on 1 January 2021, the date it became due and payable. The cash receipts of current and prior years' Assessed Contributions in 2021 including Tax Equalization Fund assessments totaled \$42.1 million and \$73.0 million, respectively. In 2021, the rate of collection of current year Assessed Contributions including Tax Equalization assessments remained the same at 40%. During 2021, PAHO received payments towards current and prior years' Assessed Contributions from thirty-two Member States. Twenty-two Member States paid their 2021 assessments in full, nine Member States made partial payments toward their 2021 assessments, and eleven Member States made no payment toward their 2021 assessments.

## Assessed Contributions Balance Due at year-end

In millions USD



The Organization has experienced a deterioration in the rate of receipt of Assessed Contributions over the past 10 years. The unpaid balance of contributions has increased from \$24.0 million in 2011 to \$84.6 million in 2020. Total Assessed Contributions payments outstanding, including amounts due for previous financial periods, decreased to \$74.8 million as of 31 December 2021. As a result of the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the available balance of the Working Capital Fund and other unrestricted internal sources.

Each year the Delegates to the Directing Council or the Pan American Sanitary Conference review at length the financial circumstances of those Member States who are in arrears in their Assessed Contributions and subject to Article 6.B of the PAHO Constitution. As of 31 December 2021, there was one Member State subject to Article 6.B. In addition, two Associate Members are in arrears of their contributions for amounts exceeding two full years.

Miscellaneous Revenue includes investment revenue earned on the funds administered by the Organization, investment fees associated with the portfolios, net currency exchange gains and losses, and other miscellaneous revenue. Unrealized gains or losses as a result of the market valuation of the portfolio are considered non-budgetary accounting items and, therefore, are not included in the calculation of Miscellaneous Revenue for budgetary purposes. Total Miscellaneous Revenue available for the Assessed Contribution budget for 2021 was \$5.3 million and is comprised of \$8.4 million in investment revenue, investment management fees of \$0.8 million, and \$2.3 million of currency exchange loss.

#### 4. 2020-2021 Biennial Surpluses

At the end of each budgetary period, PAHO defines its Budgetary Surplus and Revenue Surplus according to the Financial Regulations. Any balance of the funded Assessed Contributions and Budgeted Miscellaneous Revenue not committed by the end of the current budgetary period, or not authorized to be carried over into the subsequent budgetary period, is considered a Budgetary Surplus and shall be used to replenish the Working Capital Fund to its authorized level. Thereafter any balance will be transferred to surplus and made available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council. Any excess of revenue over the Budgeted Miscellaneous Revenue at the end of a budgetary period shall be considered a revenue surplus and shall be available for use in subsequent periods to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration.



PAHO Assessed Contributions and Miscellaneous Revenue: Financial Highlights (\$million)	Actual	Actual	Actual	Budgeted
	2020	2021	2020-2021	2020-2021
Net Assessed Contributions	97.2	97.2	194.4	194.2
Miscellaneous Revenue <sup>1</sup>	10.9	5.4	16.3	17.0
<b>Total Revenue</b>	<b>108.1</b>	<b>102.6</b>	<b>210.7</b>	<b>211.2</b>
Operating Expenses <sup>1</sup>	(64.3)	(121.9)	(186.2)	(186.2)
Financial Net Surplus / (Deficit) from Operations for 2020-2021	<b>43.8</b>	<b>(19.3)</b>	<b>24.5</b>	
<b>Budgetary Surplus</b>			<b>24.5</b>	
<b>Revenue Surplus</b>			-	

<sup>1</sup> Non-budgetary items are excluded, mainly depreciation, revaluation of properties, and unrealized gains and losses, and allowance for doubtful accounts.

## 5. Working Capital Fund and Internal Borrowing

As of 31 December 2021, the balance of the Organization's Working Capital Fund was \$50.0 million. The maximum authorized level of the Fund was increased from \$25.0 million to \$50.0 million by the Directing Council in Resolution CD58.R1. The Working Capital Fund received \$2.5 million from the Budgetary Surplus Fund as approved in Resolution CD58.R2 and \$1.3 million from the Revenue Surplus Fund, and \$21.3 million from the 2020-2021 biennium surplus.

Due to the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the \$28.7 million of the Working Capital Fund available prior to the addition of \$21.3 million from the 2020-2021 biennium surplus at year end, as well as an additional \$42.7 million in funds from other unrestricted internal sources.

## 6. WHO Assessed Contributions and Other WHO Funds

In 2021 the Organization continued to receive WHO funding for the Region of the Americas. \$135.6 million was received from WHO in 2021 (\$154.2 million in 2020) comprised of: \$38.6 million in Assessed Contributions and Miscellaneous Revenue (\$46.6 million in 2020); \$54.6 million in Voluntary Contributions Emergencies (\$92.3 million in 2020); \$26.2 million in Voluntary Contributions – Specified (\$11.7 million in 2020); \$12.2 million in Voluntary Contributions – Core (\$0 in 2020). In addition, the Organization received \$4.0 million in WHO Program Support Costs (\$3.6 million in 2020).

WHO Allocation	(\$million)	
	2021	2020
WHO Assessed Contributions and Miscellaneous Revenue	38.6	46.6
WHO Voluntary Contributions - Core	12.2	
WHO Voluntary Contributions - Specified	26.2	11.7
WHO Voluntary Contributions - Emergencies	54.6	92.3
WHO Program Support Costs	4.0	3.6
<b>TOTAL WHO ALLOCATION</b>	<b>135.6</b>	<b>154.2</b>

## 7. PAHO Voluntary Contributions

PAHO Voluntary Contributions are managed through (1) the Voluntary Contributions Fund and (2) the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund.

During 2021, PAHO's total implemented revenue from Voluntary Contributions reached \$91.6 million as compared to \$73.9 million in 2020, an increase of \$17.7 million. Deferred revenue totaled \$238.3 million as of 31 December 2021 as compared to \$176.2 million as of 31 December 2020, an increase of \$62.1 million. Deferred revenue increased in the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, from \$33.3 million in 2020 to \$82.9 million in 2021. Deferred revenue in the (non-emergency) Voluntary Contributions Fund increased from \$142.9 million in 2020 to \$155.4 million in 2021.

In 2021, the largest donors of implemented Voluntary Contributions were: the United States of America (\$45.1 million), Canada (\$12.9 million), Brazil (\$7.1 million), the European Commission (\$4.7 million), the United Kingdom (\$3.4 million). The largest donors for Emergency Preparedness and Disaster Relief were: Canada (\$40.6 million), the United States of America (\$15.9 million), the European Commission (\$7.1 million), and the Republic of Korea (\$4.5 million).

PAHO Voluntary Contributions		(\$million)	
	2021	2020	
Revenue - Voluntary Contributions	56.6	45.9	
Revenue - Emergency Preparedness and Disaster Relief	35.0	28.0	
<b>Total Revenue</b>	<b>91.6</b>	<b>73.9</b>	
Deferred Revenue - Voluntary Contributions	155.4	142.9	
Deferred Revenue - Emergency Preparedness and Disaster Relief	82.9	33.3	
<b>Total Deferred Revenue</b>	<b>238.3</b>	<b>176.2</b>	

## 8. National Voluntary Contributions

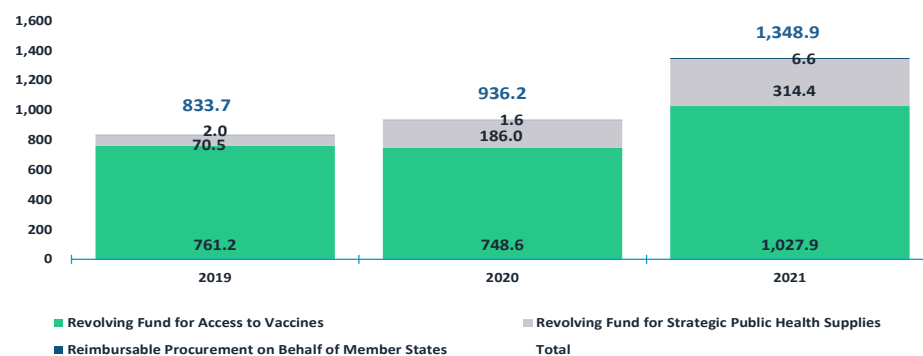
National Voluntary Contributions (NVC) are financial resources provided by governments exclusively for projects benefiting their countries. During 2021, PAHO implemented \$75.0 million (2020: \$57.2 million) in NVC, and the Deferred Revenue amounted to \$241.7 million (2020: \$243.9 million).

Revenue: National Voluntary Contributions		(\$million)	
	2021	2020	
Brazil	55.2	33.4	
Other Countries	19.8	23.8	
<b>TOTAL NVC</b>	<b>75.0</b>	<b>57.2</b>	

## 9. Procurement on Behalf of Member States

### Revenue from Procurement on behalf of Member States

in millions USD



Through extensive international bidding, PAHO is able to purchase vaccines, public health supplies and equipment on behalf of Member States and international institutions at affordable prices. During 2021, the total value of procurement on behalf of Member States increased to \$1,348.9 million from \$936.2 million in 2020. In 2019, prior to the COVID-19 pandemic the total value of procurement activities was \$833.7 million.

Revenue: Procurement Activities On Behalf of Member States		(\$million)	
	2021	2020	
Revolving Fund for Access to Vaccines	1,027.9	748.6	
Revolving Fund for Strategic Public Health Supplies	314.4	186.0	
Reimbursable Procurement	6.6	1.6	
<b>TOTAL</b>	<b>1,348.9</b>	<b>936.2</b>	

**The Revolving Fund for Access to Vaccines** was established in 1977 to facilitate timely access to vaccines of quality at lowest prices for national immunization programs in Member States. The revenue increased from \$761.2 million in 2019 to \$748.6 million in 2020 and to \$1,027.9 million in 2021.

In 2021, 41 countries and territories participated in the Fund. The 10 Member States with the largest procurement were Brazil, Colombia, Argentina, Peru, Guatemala, Venezuela, Ecuador, Bolivia, Paraguay and Panama, totaling 86% of the total procurement. The pandemic continued to impact the international logistics of vaccines and related supplies, making it necessary for PAHO to intensify efforts working closely with manufacturers and shipping companies. Despite these challenges the Revolving Fund was able to secure the timely delivery of the vaccination requirements for the immunization programs of the region. Extra efforts continued to be made through PAHO's collective response to support country preparedness for the anticipated introduction of the new COVID-19 vaccines, without overlooking the special requirements to mitigate the risks of potential outbreaks of measles and yellow fever, and ensuring the availability of strategic vaccines such as influenza.

By the end of 2021, the global market switched to a more stable and increased COVID-19 vaccine supply. This change in the market dynamics allowed the COVAX Facility to scale up its deliveries as well as to channel a high volume of donated doses to participating countries, particularly to those eligible for COVAX's Advance Market Commitment (AMC). PAHO's Revolving Fund supported countries in making the best decisions to maximize benefits from these donations based on their absorptive capacities as well as COVAX supply in the pipeline. The Revolving Fund also continued to update Member States on market dynamics and financial projections. In view of the surge in the demand for syringes for COVID-19 vaccine administration, PAHO expanded its

supply portfolio and issued block purchase orders to secure additional supply of these critical products for the Region. To complement the Facility’s efforts, PAHO launched its initiative to facilitate additional access to COVID-19 vaccines by Member States, which included entering into long term agreements with three suppliers

During 2021 64.8 million of COVID-19 vaccines were delivered to 31 countries for a total of \$230.4 million and \$0.6 million in COVID-19 related supplies excluding vaccines were also delivered. Of the 64.8 million vaccines, 22.2 million were donated by the following countries: United States of America 10.9 million, Spain 7.3 million, Canada 2.0 million, France 1.0 million, and other countries 1.0 million.

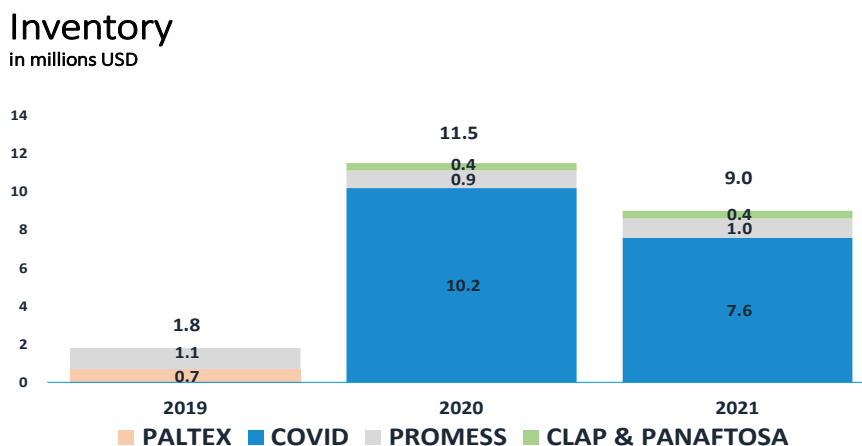
**The Regional Revolving Fund for Strategic Public Health Supplies** was created in 1999 to improve affordability and access to quality health care by facilitating the procurement of essential medicines and health supplies across the Americas region. As of 31 December 2021, 34 countries and 17 social security and public health institutions across Latin America and the Caribbean have signed participating agreements with the Strategic Fund, indicating increasingly strong Member State support for the mechanism. In 2021, 26 Member States received \$314.4 million worth of products through this mechanism, a very significant increase versus the \$186.0 million and \$70.5 million in 2020 and 2019, respectively.

In 2021, the Strategic Fund helped mitigate major disruptions to healthcare supply chains delivering \$143.3 million worth of COVID-19 diagnostic tests, personal protective equipment, laboratory and medical equipment, and ICU-critical medicines to 17 countries in the region. Additionally, this year marked critical progress in advancing other strategic priorities, such as expanded support for insulin, coordination for NCD treatments, groundbreaking partnerships with UN agencies and WHO-related non-state actors, and key research and technical publications to share best practices. Despite the complex pressures posed by the pandemic, as well as resource constraints, the Strategic Fund has kept up with heightened demand.

The overall monthly average use by Members States of the Revolving Funds’ Lines of Credit increased by \$8.9 million, in 2021 as compared to 2020, increasing from \$132.2 million to \$133.6 million for the Revolving Fund for Access to Vaccines, and increasing from \$15.7 million to \$23.2 million for the Regional Revolving Fund for Strategic Public Health Supplies.

The purchase of medical supplies, medical equipment, and literature through the **Reimbursable Procurement on Behalf of Member States** Fund was \$6.6 million. In 2021, three Member States used this Fund.

Due to the exceptional circumstance as a result of the pandemic, PAHO has established new inventories under Emergency Preparedness and Disaster Relief Fund to ensure the availability of COVID related supplies to Member States.



## 10. Expenses by Category

PAHO's total expenses, reflecting disbursements and accrued liabilities, increased to \$1,785.1 million in 2021 from \$1,336.2 million in 2020.

The primary PAHO expense categories are shown below in millions of United States dollars:

PAHO Expense Categories	(\$million)	
	2021	2020
Staff and Other Personnel Costs <sup>1</sup>	153.5	181.5
Supplies, Commodities, Materials <sup>2</sup>	1,382.6	967.5
Depreciation, Amortization, and Revaluation <sup>3</sup>	1.7	13.3
Contractual Services <sup>4</sup>	158.8	85.4
Travel	16.3	9.8
Transfers and Grants to Counterparts <sup>5</sup>	54.7	60.9
General Operating and Other Direct Costs	17.5	17.8
<b>Total PAHO Expenses</b>	<b>1,785.1</b>	<b>1,336.2</b>

<sup>1</sup> Includes: salary costs (\$0.8 million decrease vs. 2020), ASHI actuarial impact (\$26.7 million decrease vs. 2020), other staff costs not payroll related i.e. statutory and terminal entitlements (\$0.5 million decrease vs. 2020).

<sup>2</sup> Increase due to the response to the COVID-19 emergency.

<sup>3</sup> Year 2020 includes building revaluation of \$11.2 million.

<sup>4</sup> Increase (\$73.4 million vs 2020) mainly for professional services, consultants, technical writing.

<sup>5</sup> Decrease in Donations to third parties (\$19 million vs 2020) mainly for WHO Voluntary Contributions – Emergencies Fund and increase in Letters of Agreements (\$12.5 million vs 2020).

Contractual services have increased from \$85.4 million in 2020 to \$158.8 million in 2021 as shown in the following table.

Contractual Services	(\$million)	
	2021	2020
Professional services	52.5	18.0
Consultants	45.5	30.6
Technical writing	35.6	23.8
Building Services	14.1	7.1
Others	5.7	4.2
Meeting facilities	5.4	1.7
<b>Total Contractual Services</b>	<b>158.8</b>	<b>85.4</b>

## 11. Liquidity and Investments

The PAHO Investment Committee establishes and implements appropriate investment policies, reflecting best practices and prudent financial management. The Investment Committee regularly reviews the investment portfolio's performance, keeping in mind the primary objective of preserving the capital value of resources and maintaining adequate liquidity, while maximizing the yield on the portfolio.

As a result of the COVID-19 pandemic, the Organization has seen an increase in funds administered by the Organization primarily associated with the Procurement funds and Voluntary Contributions. Since these funds are for the support of the response to the pandemic, they are of necessity short-term in nature. However, US short term interest rates have been at or near 0% since

2020, reducing the options for investing excess liquidity. Therefore, Investment Revenue and Interest Earned decreased to \$8.4 million in 2021, as compared to \$11.2 million in 2020.

## **12. Preparation of Financial Statements**

The Organization has been able to work efficiently and effectively despite restrictions imposed by the pandemic. The financial impact of COVID-19 on performance has been disclosed within the relevant financial statement notes affected. The effect of the COVID-19 pandemic on the financial performance of PAHO in the coming years will depend on developments which cannot be reliably predicted.

The Financial Statements of the Organization were authorized for issue by the Director of the Pan American Sanitary Bureau (PASB) under the authority vested in her by the Pan American Sanitary Conference as stated in the Resolution CSP29.R10 in September 2017. The issuance approval is the date of the External Auditor's Report. No other authority has the power to amend the Financial Statements after issuance.



**Carissa F. Etienne**

**Director**

**Pan American Sanitary Bureau**



### **Certification of the Financial Statements for the year ended 31 December 2021.**

In accordance with the provisions of Regulation XIII of the Financial Regulations, attached are the Financial Statements for the year ended 31 December 2021. The financial statements, accounting policies and notes to the financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS). The Financial Statements and notes have been audited by the Organization's External Auditor, the National Audit Office whose opinion is included in this report.

The Financial Statements for the year ended 31 December 2021, together with the supporting notes to the statements have been reviewed and approved.



**Xavier Puente Chaudé**  
**Director**  
**Financial Resources Management**



**Carissa F. Etienne**  
**Director**  
**Pan American Sanitary Bureau**

06 May 2022

## *PAHO's 2021 Statement on Internal Control*

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### *Scope of responsibility*

As the Director of the Pan American Sanitary Bureau (PASB), I am responsible for providing Member States with reasonable assurance that the PASB is maintaining a sound system of internal control that supports the fulfillment of PAHO's mandate and objectives, while safeguarding the funds and assets administered by the PASB. This is in keeping with the responsibilities entrusted to me by the PAHO Constitution, the Governing Bodies, and the Financial Regulations of the Organization.

In the framework of Financial Regulation 12.1, which outlines the scope of my responsibilities<sup>1</sup>, I provide information on the status of the PASB internal control environment in fulfillment of the purpose of this report. In addition, the activities of the PASB are framed by the PAHO Strategic Plan 2020–2025<sup>2</sup>, which clearly states that accountability is a critical component of any well-functioning organization that implements a results-based management (RBM) approach.

Taking into account PAHO's constitutional mandate, the internal control system is informed by the Three Lines Model<sup>3</sup> and is linked at programmatic and transactional levels to the PASB Management Information System (PMIS). These linkages increase transparency and efficiency in the use of resources, focusing on strengthening corporate normative and compliance functions, and increasing efficiencies.

The importance of transparent and efficient internal control mechanisms in the Organization became even more significant with the severe health, social, and economic impacts of the COVID-19 pandemic<sup>4</sup> and associated disruptions of essential health services in PAHO Member States.

### *PAHO's operating environment*

The Organization operates through its Washington, D.C. headquarters, 27 country offices, and three specialized centers in the region. During the year, new country office representatives were selected and appointed in eight (8) countries: Argentina, Bahamas (also responsible for Turks & Caicos Islands), Ecuador, El Salvador, Guatemala, Jamaica (also responsible for Bermuda and the Cayman Islands), Peru, and Uruguay. Two (2) Subregional Program Directors were appointed for the Caribbean and South America subregions, respectively, while five (5) new administrators were selected for Barbados (also responsible for Eastern Caribbean independent states, the UK Overseas Territories in the Eastern Caribbean, and the French Departments in the Caribbean, as well as the Subregional Office for the Caribbean), Paraguay, Peru, Suriname, and Trinidad and Tobago (also responsible for the Dutch speaking islands in the Caribbean). All new staff were duly trained in internal controls to maintain the effective performance of their respective offices.

The contextual environment in which the Organization operated during 2021 is characterized by the COVID-19 pandemic emergency<sup>5</sup>. The course of the COVID-19 pandemic in the Americas remains highly uncertain. The surge in cases throughout South and Central America in the first half of 2021 was devastating and catalyzed the development of new response strategies, especially in the area of COVID-19 vaccine purchase and distribution. The availability of the vaccine was limited worldwide, and many countries, including those in Latin America and the Caribbean, faced inequities in access. At the same time, countries and

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<sup>1</sup> [The Regulation states](#) that “the Director shall establish and maintain an effective internal control structure with operating policies and procedures based on best industry practice, in order to: a) ensure efficient and effective financial administration, b) safeguard assets, c) accomplish the strategic objectives and goals in line with the mission of the Organization, and d) maintain an internal oversight function reporting to the Director.”

<sup>2</sup> [Strategic Plan of the Pan American Health Organization 2020-2025: Equity at the Heart of Health. Document OD359, Annex E, Accountability Mechanism. October 2019: Washington, D.C.; PAHO.](#)

<sup>3</sup> [The IIA's Three Lines Model](#)

<sup>4</sup> See document CD59/INF/1: [Update on COVID-19 in the Region of the Americas](#). 59th Directing Council/73rd Session of the Regional Committee of WHO for the Americas. Virtual Session, 20-24 September 2021.

<sup>5</sup> GIB-HQ-CO-Centers-21-1282. Extension of COVID-19 emergency and additional guidance. May 2021.

territories in the Region continued to report persistent disruptions of varying degrees in the provision of essential health services, highlighting difficulties in ensuring continuity of services, especially at the first level of care.

This situation indicates that control of the COVID-19 pandemic in the Region will continue to require a comprehensive response with sustained health services network capacities, sustained public health and social measures, targeted vaccination operations, and outbreak control actions, including early detection, investigation and isolation of cases, and tracing and quarantine of contacts. The pandemic and its effects are particularly challenging for PAHO Member States, many of which have limited resources, but these circumstances are also testing the core functions of the Organization on different fronts, including procurement, business continuity management, funding sustainability, and, as importantly, PAHO's capacity to implement the required levels of technical cooperation.

It is important to highlight that PASB has maintained the highest levels of accountability in the implementation of its Program Budget. The full range of the PASB activities implemented in response to COVID-19 can be found in two reports available on the PAHO website: 1) Pan American Health Organization Response to COVID-19 in the Americas: January-December 2020 and 2) Pan American Health Organization Response to COVID-19 in the Americas<sup>6</sup>: January-July 2021<sup>7</sup>. It is clear that these experiences related to the pandemic are reshaping the global health architecture and PASB is making every effort to evolve in the appropriate areas.

Health policy development has moved beyond the purview of just health ministries, with leadership exerted by heads of state and government due to the wide-ranging impact of COVID-19 on the societal, economic, and fiscal spheres, as well as on the most vulnerable groups. Efforts have been made to overcome tensions between the branches of national and state government, and across sectors (including the private sector), administrative levels, and the national political spectrum. Issues related to vaccines, including vaccination certificates, international travel<sup>8</sup>, regulations for tourism, education services, and specific workplace policies are now part of the highest political national agenda, in an effort to critically assess and learn from the response to COVID-19.

In this context, at the operational level PASB continued its technical cooperation using virtual tools, ensuring that the work on the pandemic did not eclipse other responsibilities to advance PAHO's commitments to the priority outcomes in the Biennial Program Budget, the Sustainable Health Agenda for the Americas (SHAA), and other mandates necessary for sustainable national development<sup>9</sup>. The Bureau made special efforts to strengthen and enhance the performance of the enabling functions for technical cooperation and for rapid, quality responses to the evolving pandemic, for example in the area of procurement and the use of two key procurement mechanisms: the Revolving Fund for Access to Vaccines (RFV)<sup>10</sup> and the Revolving Fund for Strategic Public Health Supplies (SF). The use of virtual tools required special attention in the area of information technology and communication to improve access and the availability of equipment and tools, while closely monitoring cybersecurity<sup>11</sup>. The PASB also improved its infrastructure where needed and as appropriate.

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<sup>6</sup> Update on the COVID-19 Pandemic in the Region of the Americas, COVAX Preparedness, and Equitable Access to COVID-19 Vaccines - PAHO/WHO Pan American Health Organization. [CDSS1/2 - Update on the COVID-19 Pandemic in the Region of the Americas, COVAX Preparedness, and Equitable Access to COVID-19 Vaccines - PAHO/WHO | Pan American Health Organization](#)

<sup>7</sup> Update on COVID-19 in the Region of the Americas - PAHO/WHO | Pan American Health Organization. [CD59/INF/1 - Update on COVID-19 in the Region of the Americas - PAHO/WHO | Pan American Health Organization](#)

<sup>8</sup> Non-essential travel is particularly critical for countries and territories with economies that are highly dependent on tourism. Accordingly, since July 2020, PASB has been publishing risk-based guidance to inform the decision-making process for resuming non-essential international travel. Measures related to international travel are currently more heterogeneous than community-wide measures. See: [Considerations for resuming non-essential international traffic in the Caribbean in the context of the COVID-19 pandemic.](#)

<sup>9</sup> Presentation of the 2021 Annual Report by Dr. Carissa F. Etienne, Director of the Pan American Sanitary Bureau and Regional Director for the Americas of the World Health Organization. 20 September 2021. 59th Directing Council of PAHO/ 73rd Session of the WHO Regional Committee for the Americas. See: CD59/3 - Annual Report of the Director of the Pan American Sanitary Bureau - PAHO/WHO | Pan American Health Organization [CD59/3 - Annual Report of the Director of the Pan American Sanitary Bureau - PAHO/WHO | Pan American Health Organization](#)

<sup>10</sup> "Given the status of the PAHO Revolving Fund for Access to Vaccines (RFV) as the recognized procurement mechanism in the Americas for the COVID-19 Vaccines Global Access (COVAX) Facility, which aims to provide equitable access to COVID-19 vaccines, PASB deployed the COVAX Tracker in March 2021. This tool monitors the processing and delivery of COVID-19 vaccines to Member States, and in June 2021 the Bureau deployed the COVID-19 Vaccine Demand Planning tool as a centralized platform to document countries' vaccine demands, and COVAX and bilateral agreements." Paragraph 75, extracted from the Annual Report of the Director of the Pan American Sanitary Bureau. 59th Directing Council of PAHO/ 73rd Session of the WHO Regional Committee for the America. Virtual Session, 20-24 September 2021.

<sup>11</sup> Even though is not mandatory, PAHO IT Security is aligned with the best practices defined in the standard of ISO 27001

During 2021, several organizational development interventions<sup>12</sup> were identified to guide institutional improvements<sup>13</sup>, while specific actions were implemented to protect PAHO's greatest asset, its human resources. We adjusted our planning and budgeting to manage the evolving pandemic situation, constantly ensuring prudent management of the limited resources. We established new partnerships and alliances, while strengthening traditional ones and mobilizing additional resources for the pandemic response. The uninterrupted functioning of the Governing Bodies guaranteed the consultative process and accountability for decision making.

At programmatic level, the Program and Budget 2022-2023 was approved by PAHO's governing bodies, and based on that approval, the process for operational planning was launched and conducted in a timely manner. This process followed an integrated approach, including the development of the Biennial Work Plans (BWP), Human Resources (HR) Plans, Resource Plans (RP), and Risk Analysis<sup>14</sup>. The corporate Performance Monitoring and Assessment (PMA) process of the PAHO Program and Budget 2020-2021 was conducted, involving Executive Management, entity managers, and technical staff, to assess progress in the implementation of the approved BWPs at the cost center level.

In the areas of risk management, compliance, and ethics, several actions were taken to improve governance and maintain operations free of potential fraud or conflicts of interest. The process for risk management of technical cooperation projects funded by voluntary contributions was successfully implemented in order to increase oversight and accountability to Member States, and to protect the Organization from institutional risks, including financial, legal, operational, technical, and reputational risks, among others<sup>15</sup>. The PASB Risk Management and Compliance Standing Committee met several times during the year to monitor and discuss the risk situation, make recommendations for improvements, including measures and criteria to enhance the corporate risk register, and report on the inclusion of project risks and risk analysis in operational planning. The Executive Management continued monitoring the risk management program, and a series of training sessions/workshops were held with subregional managers, country representatives, and center directors to discuss risk reporting at the country and central/corporate levels, challenges and opportunities that exist locally for risk management and communications, provide training on the tools, and identify ways in which the process could be further enhanced to support local efforts<sup>16</sup>. In addition, targeted attendees, including administrators, program officers, and project managers, were asked to participate in specific sessions<sup>17</sup> that most closely aligned with their areas of responsibility in order to improve their understanding of risk management and risk analysis, as well the use of risk tools.

With regards to compliance, improvements in the PMIS were made to enhance accountability, including the release of a new policy for the delegation of actions in PMIS<sup>18</sup>, with specific training sessions. This policy will reduce the risk of improper delegation of authority that might permit PMIS users without the proper delegation of authority to approve transactions or expenditure of funds.

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<sup>12</sup> Presentation of the 2021 Annual Report by Dr. Carissa F. Etienne, Director of the Pan American Sanitary Bureau and Regional Director for the Americas of the World Health Organization. 20 September 2021. 59<sup>th</sup> Directing Council of PAHO/ 73<sup>rd</sup> Session of the WHO Regional Committee for the Americas.

<sup>13</sup> An Internal Steering Committee (ISC) was established in June 2020 by mandate of the Director to examine PAHO's existing organizational functions, structure, and budgets, and develop a series of recommendations to prepare the Organization to enter the 2022-2023 biennium on solid footing from the technical, administrative, and financial perspectives. This exercise resulted in the development and implementation of Organizational Development Initiatives.

<sup>14</sup> [PIB-HQ-CO-Centers-21-3568](#). August 2021.

<sup>15</sup> [CE166/6. PAHO Governance Reform](#) and [Resolution CE166.R9](#). Virtual Session, 22-23 June 2020.

<sup>16</sup> In total, over 70 individuals attended at least one of the various training sessions and provided valuable input to further develop the PAHO risk management program. A total of four sessions were held, the first three focusing on specific groups of PAHO country offices and functions, and the fourth as a general overview and summary session for all to join, to specifically review reporting metrics and the centrally-managed Power BI tool. Subsequently, a survey was issued to all participants to get their feedback on the process in general and their preferences for future risk reporting.

<sup>15</sup> Training sessions: Operational planning 2022-2023, including Risk and Opportunities in the Corporate Risk Register. [PIB-HQ-CO-Centers-21-3541](#). July 2021 and Risk Register Power BI demo and Overview of current PAHO ERM Risk rang metrics. [PIB-HQ-CO-Centers-21-3652](#). November 2021.

<sup>18</sup> [GIB-HQ-CO-Centers-21-1295](#). August 2021.

In summary, 2021 was a challenging year, characterized by the criticality of the demands in the context of an evolving COVID-19 emergency that directly impacted the countries in this hemisphere and required constant and timely responses from the Organization. These responses included systematic communications adapted for different audiences to combat the concurrent infodemic<sup>19</sup>, which is characterized by misinformation and disinformation spread particularly on social media, with significant potential to worsen health outcomes, while strengthening internal controls to closely monitor the Organization's operations from programmatic, financial, and managerial perspectives<sup>20</sup>. Finally, in December 2021, on the basis of a changing epidemiological situation due to the detection and surge of the Omicron variant, a decision was taken to extend all measures related to the COVID-19 emergency until 31 December 2022<sup>21</sup>, and to delay the return to premises at headquarters level with limited occupancy until after 31 March 2022<sup>22</sup>.

### *Significant risks during 2021*

Due to the particular conditions of 2020, the Executive Management discussed and reviewed several areas of risks in 2021, including the level of risk tolerance<sup>23</sup>. The list of risks was also reviewed and prioritized with the Standing Committee on Risk and Compliance and with the Executive Management Team, with the purpose of preparing the Program and Budget 2022-2023. These entities regularly monitored the information contained in the corporate risk register, with the presentation of findings during the corporate performance monitoring assessment process. Their review and prioritization of risks considered aspects such as the use of risks as potential opportunities; identification of new and emerging risks; and decisions to strengthen the organizational risk culture. Based on this exercise, the tolerance level concept has been incorporated as part of the corporate risk register, with a view to reinforce the linkage between internal controls and risks, and the inclusion of specific compliance questions in the quarterly compliance survey for cost center managers.

The following is the list of risk areas and scope. Mitigation actions are described below and are applicable to one or more risks.

Risk Area	Scope
Dependence upon and need to ensure Member States' funding of their financial commitments <sup>24</sup>	<ul style="list-style-type: none"> <li>• Failure of some Member States to comply with financial commitments (assessed contributions)</li> <li>• Insufficient resources or decline in investments to implement and achieve the PAHO Strategic Plan, including funds through voluntary contribution mechanisms</li> <li>• Governance collapse or crisis that may delay compliance with financial obligations or derail programmatic development</li> </ul>

<sup>19</sup> [Managing the COVID-19 infodemic: Promoting healthy behaviors and mitigating the harm from misinformation and disinformation \(who.int\)](#).

<sup>20</sup> Presentation of the 2021 Annual Report by Dr. Carissa F. Etienne, Director of the Pan American Sanitary Bureau and Regional Director for the Americas of the World Health Organization. 20 September 2021. 59th Directing Council of PAHO/ 73rd Session of the WHO Regional Committee for the Americas.

<sup>21</sup> [PIB-HQ-CO-Centers-21-3690](#). Extension-Declaration of Disaster Situation in HQ and Country Offices due to the global pandemic of COVID-19 until 31 December 2022.

<sup>20</sup> The Return to Premises guidelines defined occupancy phases (See: [PIB-HQ-CO-Centers-21-3692](#), December 2021).

<sup>23</sup> United Nations System, Chief Executives Board for Coordination, Guidelines on Risk Appetite Statements (final), 38th Session of the High-Level Committee on Management (Document [CEB/2019/HLCM/26](#), 15-16 October 2019). Annex 1: Risk tolerance is the "acceptable level of variation an entity is willing to accept regarding the pursuit of its objectives." Page 23: "Risk tolerances can also be defined as quantitative thresholds that allocate the organization's risk appetite to specific risk types, business units, activities and segments, and other levels. Certain risk tolerances are policy limits that should not be exceeded except under extraordinary circumstances (hard limits), while other risk tolerances are guideposts or trigger points for risk reviews and mitigation (soft limits). Whereas risk appetite is a strategic determination based on long-term objectives, risk tolerance can be seen as a tactical readiness to bear a specific risk within established parameters." Available from : [Guidelines on Risk Appetite Statements](#).

<sup>24</sup> Article 4 refers to the legal obligation of Member States to make available the assessed contributions for implementation on the first day of the budgetary period to which they relate.

Ability to support Member States' needs through mobilization of resources, leveraging of partners and donors, and speed of response	<ul style="list-style-type: none"> <li>• Failure to respond rapidly to Member States' needs in emergencies and disasters (outbreaks and natural events)</li> <li>• Lack of diversification of partners and donors</li> <li>• Failure to develop and implement resource mobilization plans</li> </ul>
Ability to attract and retain talent with skills and competencies to meet new work modes	<ul style="list-style-type: none"> <li>• Time or resource constraints that make it difficult to continuously maintain and update required skills and competencies of existing staff</li> <li>• Inability to attract and retain staff with competencies and skills required to support programmatic commitments</li> </ul>
Competing national priorities that reduce attention to health priorities	<ul style="list-style-type: none"> <li>• Increasing scale of the COVID-19 emergency and new humanitarian crises that may affect health outcomes</li> <li>• Information systems with limited disaggregated data and scarce data on the social determinants of health</li> </ul>
System/technology infrastructure readiness to support digital transformation	<ul style="list-style-type: none"> <li>• Insufficient resources for applications development for workplace modernization and business continuity</li> <li>• Cybersecurity</li> </ul>
Duty of care for personnel and operational business continuity during pandemic	<ul style="list-style-type: none"> <li>• Failure to follow workplace safety protocols to ensure health and well-being of personnel</li> <li>• Lack of updated business continuity plans in PAHO duty stations</li> </ul>
PASB reputation	<ul style="list-style-type: none"> <li>• Potential for fraud/ conflict of interest /misbehavior</li> </ul>

To manage risks several mitigation actions are integrated into the regular program of work of the risk owners and regularly monitored by Risk Management and Compliance Standing Committee, Executive Management Team, and other entities. The range of mitigation actions with different levels and dimensions include the development or review of policies and procedures, regular confirmation of compliance within specific business processes, monitoring of the implementation of donor agreements, training to build internal capacity in several areas of work, regular and ad hoc consultative process with Member States, maintenance of communications with internal and external stakeholders regarding PASB progress and challenges, and monitoring of the implementation of the PASB response during the emergency and duty of care and conducting assessments or audits.

### ***The Internal Control Framework and Risk Management***

PAHO's internal control framework, based on the Three Lines Model<sup>25</sup>, is designed to reduce and manage, rather than eliminate, the risk of failure to achieve the Organization's mission and to improve performance. Internal control is an ongoing process, achieved by PAHO's Governing Bodies, senior management, and other personnel, designed to provide reasonable assurance on the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable regulations and rules.

In this context and recognizing the positive evolution of the Enterprise Risk Management (ERM) program in the PASB<sup>26</sup>, which enabled a more systematic approach to the identification, assessment, and mitigation of emerging risks, PAHO needs to continue its efforts to promote a culture of effective risk management along with more regular review of operational risks at the local level. With the development of the first assurance mapping exercise, the role of the three lines model, and related gaps, were identified for internal control purposes. Monitoring and review activities will be focused on the material, reputational and

<sup>25</sup> [The IIA's Three Lines Model](#)

<sup>26</sup> ".....We continue to monitor PAHO's progress in key aspects of internal control; risk management; ethics and investigation. We also considered the effectiveness of PAHO's business continuity planning in the circumstances of the pandemic...." Extract from paragraph 14. [CD59-OD362 Financial Report of the Director and Report of the External Auditor](#).

<sup>25</sup> [CD59-OD362 Financial Report of the Director and Report of the External Auditor](#).



financial risks to the Organization<sup>27</sup>, and strategically link them to compliance for a more holistic approach. It is expected that during 2022, a special exercise will be performed through PAHO's internal audit function to assess the second line of defense, as well as mapping of the PAHO E-manual to identify policies that should be reviewed or updated based on the developments made at operational and administrative levels.

In the meantime, PASB will continue improvements in the PMIS to support the first line of defense—represented by managers and other personnel—and proactively enhance the second line of defense, represented by the compliance, ethics, information security, legal, and risk management functions. These are complemented by PASB's oversight functions, evaluation, investigation, and independent reviews, the third line of defense.

Finally, in relation to auditing, the Office of Internal Audit (OIA) did not give an “unsatisfactory” rating to any of the internal audit assignments in 2021. This is the fourth consecutive year with no “unsatisfactory” ratings overall, and the fifth year with no “unsatisfactory” ratings for country offices. The Organization maintained an effective and efficient administrative response to the challenges of the COVID-19 pandemic in 2021, with the deployment of information technology tools to facilitate decentralized administrative and operational activities. The Organization also maintained strict budgetary control over general expenditures and human resources costs.

Based on the internal audit activity undertaken in 2021, and on its participation in day-to-day Organizational initiatives, (including its role as observers in internal committees and working groups), OIA did not identify any significant weaknesses in internal controls that would seriously compromise the achievement of PAHO's strategic and operational objectives. The overall opinion of OIA with respect to the PASB internal control environment in 2021 is that it continued to provide reasonable assurance of the accuracy and timeliness of the recording of transactions, assets, and liabilities, and of the safeguarding of assets.

### *Review of Effectiveness*

As Director of the PASB, I am responsible for reviewing the effectiveness of the system of internal control. My review is informed by the work of the Office of Internal Audit (OIA); senior managers in the Organization with responsibility for developing and maintaining the Internal Control Framework; the Ethics Office, which leads the Internal Conflict Management System; and the comments of the External Auditors in their management letters and audit reports.

Throughout the fiscal period, significant efforts were made to strengthen the mechanisms and elements of institutional responsibility related to transparency and governance. The interventions included policy development, risk management, strategic and operational planning, monitoring, assessment, and reporting at all levels of the Organization, and included the following:

- a. **Corporate Project Review for Voluntary Contributions**<sup>28</sup>: A new standardized business process was designed to integrate risk process for projects funded by voluntary contributions as part of the corporate project review. This business process, launched in February 2021, requires that all voluntary contribution project proposals be uploaded into a corporate project review workflow and be assessed against standard institutional risk criteria.
- b. **Virtual Meeting Report**<sup>29</sup>: The new Virtual Meeting Report Platform has been created to record planned virtual meetings, keep records of participants—internal and external—and create an online database for all virtual meeting reports. The new Virtual Meeting Report format includes objectives, summary, pending actions, responsible persons, and due dates. The purpose of this effort is to ensure consistent maintenance of institutional memory and facilitate follow-up actions. The tool must be used to report meetings with WHO entities, other UN agencies, technical cooperation meetings with external partners, and important internal meetings.
- c. **Evaluation Component of Virtual and Face-to-face Meetings**<sup>30</sup>: Effective 17 May 2021, all entities organizing virtual meetings solely for the purpose of capacity building are required to disseminate an evaluation form to each participant invited to the event. This evaluation will be automatically triggered by the Virtual Meeting Report (VMR) tool for all

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<sup>28</sup> In response to resolution CD58.R3. See report [CE169/INF/1. Lessons learned on PAHO governance reform](#). 169<sup>th</sup> Session of the Executive Committee. Virtual Session, 24 September 2021.

<sup>29</sup> [GIB-HQ-CO-Centers-21-1265](#). 5 February 2021.

<sup>30</sup> [GIB-HQ-CO-Centers-21-1285](#). 21 May 2021

- meetings designated as Capacity Building. The evaluation form is available in the four PAHO official languages and the platform sends the form to all virtual participants once the meeting is completed. After these evaluations are collected on the platform, the project manager responsible for the capacity building activity will complete a final evaluation of the event in order to incorporate any relevant comments and recommendations from participants.
- d. **Physical Asset Verification:** An integrated process was put in place in the PMIS for the physical verification of non-obsolete fixed assets acquired as of 31 October 2021<sup>31</sup>. Previously, asset verification was done manually and subject to inconsistencies; with this new process all portable assets assigned to custodians in PMIS are verified centrally by General Services Operations (GSO) in a contactless manner. The loss of an asset with fair market value above US\$ 500 will be reported.
  - e. **Asset Accountability Policy:** This policy<sup>32</sup> provides further guidance on asset management. For instance, all losses, thefts, or damage to property assigned to the Organization's personnel will now be reported to GSO instead of Investigations (INV). When an asset or piece of equipment is lost or damaged due to simple negligence, the person concerned will be responsible for the payment of a flat amount to the Organization.
  - f. **PAHO Confidentiality Agreement**<sup>33</sup>: The purpose of the Confidentiality Agreement is to increase awareness and compliance with the Organization's ethical principles. The process of confirmation by all personnel of the agreement is done through the PMIS in order to ensure proper monitoring. HRM is the custodian of these forms and will request yearly submissions from all PAHO personnel.
  - g. **Annual Certification of Accounts**<sup>34</sup>: A process for the 2021 annual certification of accounts submitted by cost center managers to the Director was integrated as part of PMIS (survey), with the purpose of ensuring consistency, recording, and proper monitoring. This represents a significant change, considering that in prior years this was done via memoranda.
  - h. **Insurance Coverage for Country Offices and Centers:** An updated standard procedure<sup>35</sup> was released to provide guidance to country offices and centers on the insurance requirements for buildings and assets. The guidance included a specific procedure for the replacement of all vehicles<sup>36</sup> purchased with PAHO Funds (e.g., ACP, POC, PSC, etc.) that are not linked to a Grant.
  - i. **Duty of Care Record Covid-19 Vaccination in PMIS**<sup>37</sup>: As part of the measures to prepare for the return to premises, all personnel are now required to report their COVID-19 vaccination status in PMIS<sup>38</sup>. The information must be reported by all personnel (staff members and contingent workers) in a new PMIS Vaccine Tracking module. This new feature in PMIS includes more options and has more robust monitoring and reporting capabilities. In order to protect confidentiality, individualized information will only be accessible to the worker and the Health and Well-being Unit (HRM/WB). This effort complements the Proclamation on Advancing the Safe Resumption of Global Travel during the COVID-19 Pandemic announced by the White House on 25 October 2021. By 5 November 2021, the US Department of State advised all international organizations and foreign missions of the new guidelines for travel to the United States. G-4 visa holders and their dependents must be fully vaccinated if they remain in the USA beyond 60 days, or as soon as medically appropriate, unless they have a medical contraindication as determined by the Director of the Centers for Disease Control and Prevention (CDC)<sup>39</sup>.
  - j. **Business continuity and return to premises**<sup>40</sup>: As the COVID-19 situation evolves at national and global levels, measures to resume regular activities in PAHO are subject to constant review. PAHO's return to premises (RTP) updated guidelines were distributed and RTP will continue to be gradual, with phases stretching over a period of time, in line with information related to the local epidemiological situation and the capacity of the health system (public health and health services).

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<sup>31</sup> This process aligns with PAHO [Policy XIII.2.3 Management of Fixed Assets](#).

<sup>32</sup> [ETL 21-02 Asset Accountability](#). January 2021.

<sup>33</sup> [GIB-HQ-CO-Centers-21-1325](#). September 2021

<sup>34</sup> [PIB-HQ-CO-Centers-21-3364](#). January 2021.

<sup>35</sup> E-Manual Transmission Letter Number 21-09. April 2021.

<sup>36</sup> [ETL-21-06: Replace Vehicles](#). February 2021.

<sup>37</sup> [PIB-HQ-CO-Centers-21-3392](#). February 2021.

<sup>38</sup> [GIB-HQ-CO-Centers-21-1344](#). December 2021.

<sup>39</sup> [GIB-HQ-CO-Centers-21-1341](#). December 2021.

<sup>40</sup> The model for return to premises (RTP) considers five phases. The defined percentage in each phase allows the maximum level of occupancy in the premises. From Phase 1, in which only a maximum of 10% of personnel at the duty station would be considered eligible to return to premises, to Phase 5, which allows full occupancy.

- k. **PAHO Telework Policy**<sup>41</sup>: The new telework policy was released with the purpose of extending eligibility to all PAHO staff holding fixed-term or temporary appointments, in all categories and grade levels, whose functions are suitable for telework. The policy defines what constitutes a telework site, establishes a maximum duration of 12 days of telework per month, and sets out the duties and responsibilities of teleworkers and supervisors. This policy will be in place once the Emergency Telework Policy concludes.
- l. **Ethics in the workplace**<sup>42</sup>: Ethics Office continued monitoring the state of the PASB to maintain an environment that supports PAHO's personnel and managers in following the Organization's ethics and integrity principles. In this context, a PAHO Ethics and Climate Survey was launched in September using an independent on-line service (NAVEX Global). A total of 1,163 individuals responded, and the results, expected in early 2022, will be shared and discussed within the PAHO community. At the same time, PAHO joined the WHO Diversity, Equity, and Inclusion (DEI) initiative, with the goal of creating a better workplace, where differences are embraced, everyone is included, and all personnel are fully engaged and treated with dignity and respect. PAHO is participating in this initiative to continue to enhance collaboration among personnel and foster collegial efforts to achieve organizational goals. A series of actions were taken in relation to preventing sexual exploitation and abuse, including reminders to all personnel about the importance of reporting any events or suspicions actions<sup>43</sup>; the provision of information on the WHO independent report regarding the cases in Congo during the Ebola emergency<sup>44</sup>; and the release of a specific policy dealing with the prevention of sexual exploitation and abuse<sup>45</sup>. Under this policy, PAHO personnel are strictly prohibited from abusing their position and engaging in any type of sexual conduct with people who depend on PAHO's services or assistance. It also places an obligation on personnel to immediately report any suspicion of sexual exploitation and abuse.
- m. **Fraud Prevention**<sup>46</sup>: Changes in the PMIS were introduced to decrease fraud risk, requiring additional measures to confirm key vendor information.
- n. In addition, a mandatory training was designed targeting administrators, project managers, cost center managers, regional buyers, finance partners, and treasury teams on how to detect and report any suspicious activity.
- o. **Cybersecurity**: Significant changes were introduced to PAHO cybersecurity operations. A new, innovative Security Information and Event Management (SIEM) system (Microsoft Sentinel) was implemented and fully integrated with corporate systems to improve incident monitoring and response, using behavior analytics and artificial intelligence technology. At the same time, a new security operations service was contracted (Open Systems), which allows PASB to have 24/7 monitoring of security events, a deeper analysis of alerts, and a much faster escalation of incidents to the Information Security team. Another new tool, Varonis, was implemented and aims to improve event auditing and detect insider threats through user behavior analytics.

Finally, in an effort to support good practices in the administrative field, cost center managers are required to periodically provide assurances regarding their compliance with policies and procedures. The cost center managers are required to complete a Monthly Compliance Certification and the quarterly Cost Center Manager Compliance Certification. The compliance certifications cover a variety of administrative and financial processes and serve as a check on the activities of the cost center. Through these certifications managers provide assurance that they are not aware of any significant reasons (i.e., any material misstatement of the financial expenses under their responsibility as cost center manager) that would prevent the Director from signing the annual letter of certification with confidence. Issues identified in any of these reports are brought to the attention of senior management, where remedial actions at varying levels are prescribed and implemented.

The PAHO Audit Committee, established pursuant to Resolution CD49.R2, meets twice a year and serves in an independent expert advisory capacity. The Audit Committee assists the Director of PAHO and PAHO Member States through the provision of independent assessment and advice on the operation of the Organization's financial control and reporting structures, risk management processes, compliance, and the adequacy of the Organization's systems of internal and external controls. In 2021, the Audit Committee was able to meet virtually in April and November and covered a very comprehensive agenda with the topics mentioned above.

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<sup>41</sup> [PIB-HQ-CO-Centers-21-3437](#). April 2021.

<sup>42</sup> [PIB-HQ-CO-Centers-21-3599](#). September 2021.

<sup>43</sup> [PIB-HQ-CO-Centers-21-3509](#). June 2021

<sup>44</sup> [PIB-HQ-CO-Centers-21-3611](#). October 2021

<sup>45</sup> [PIB-HQ-CO-Centers-21-3472](#). May 2021

<sup>46</sup> [PIB-HQ-CO-Centers-21-3594](#). September 2021

**Statement**

The Executive Management Team and I have performed systematic follow-up on all internal and external audit recommendations, including those of the Audit Committee, reported ethical issues, and identified corporate risks through the risk management process.

I am confident that the Organization's system of internal control was effective throughout the financial reporting period 1 January 2021 through 31 December 2021 and remains so on the date that I sign this statement.

A handwritten signature in blue ink, appearing to read 'Carissa F. Etienne', with a long horizontal flourish extending to the right.

**Carissa F. Etienne**

**Director**

**Pan American Sanitary Bureau**

## **INDEPENDENT AUDITOR'S REPORT TO THE PAN AMERICAN HEALTH ORGANIZATION**

### **Opinion on financial statements**

I have audited the financial statements of the Pan American Health Organization for the year ended 31 December 2021, which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement, Statement of Comparison of Budget and Actual Amounts for the year then ended, and the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Pan American Health Organization as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

### **Opinion on regularity**

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Pan American Sanitary Conference and the financial transactions conform to the Pan American Health Organization's Financial Regulations.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the Pan American Health Organization's Financial Regulations. My audit of regularity was undertaken using the principles set out within the ISAs. My responsibilities under these standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the Pan American Health Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in the United Kingdom, namely the Financial Reporting Council's Ethical Standards 2019 as applicable to listed entities. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

### **Other Information**

The Director is responsible for the other information. The other information comprises information included in the Director's Comments and Statement on Internal Control. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of the Director and Those Charged with Governance for the financial statements**

The Director is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing Pan American Health Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Director either intends to liquidate the Pan American Health Organization or to cease operations, or has no realistic alternative but to do so.

The Director and Those Charged with Governance are responsible for overseeing Pan American Health Organization's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pan American Health Organization's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pan American Health Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Pan American Health Organization to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

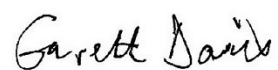
In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenses reported in the financial statements have been applied to the purposes intended by the Pan American Sanitary Conference and the financial transactions conform to the Financial Regulations which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**Report**

I have also issued a long-form audit report on the results of my audit.

A handwritten signature in black ink that reads "Gareth Davies". The signature is written in a cursive style with a large initial 'G'.

**Gareth Davies**

**Date: 12 May 2022**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP  
United Kingdom

## Financial Statements

### Pan American Health Organization Statement of Financial Position

As at 31 December 2021  
(In thousands of US dollars)

Description	Reference	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	Note 3	167 326	357 346
Short Term Investments	Note 4.1	174 063	188 236
Accounts Receivable	Note 6	245 449	246 330
Inventories	Note 7	8 974	11 458
<b>Total Current Assets</b>		<b>595 812</b>	<b>803 370</b>
<b>Non-Current Assets</b>			
Long Term Investments	Note 4.2	955 795	485 672
Accounts Receivable	Note 6	104 810	76 487
Property, Plant and Equipment	Note 8	139 091	140 115
Intangible Assets	Note 9	643	348
<b>Total Non-Current Assets</b>		<b>1 200 339</b>	<b>702 622</b>
<b>TOTAL ASSETS</b>		<b>1 796 151</b>	<b>1 505 992</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued Liabilities	Note 10	27 727	29 958
Accounts Payable	Note 11	41 448	22 440
Employee Benefits	Note 12.4	2 717	2 386
Deferred Revenue	Note 13	875 313	672 202
Short Term Provision	Note 23	10 290	11 223
<b>Total Current Liabilities</b>		<b>957 495</b>	<b>738 209</b>
<b>Non-Current Liabilities</b>			
Accounts Payable	Note 11	8 659	8 659
Employee Benefits	Note 12.4	296 142	332 562
Deferred Revenue	Note 13	193 607	152 853
<b>Total Non-Current Liabilities</b>		<b>498 408</b>	<b>494 074</b>
<b>TOTAL LIABILITIES</b>		<b>1 455 903</b>	<b>1 232 283</b>
<b>NET ASSETS / EQUITY</b>			
Fund Balances	Note 14	85 654	65 739
Reserves	Note 14	254 594	207 970
<b>TOTAL NET ASSETS / EQUITY</b>		<b>340 248</b>	<b>273 709</b>
<b>TOTAL LIABILITIES AND NET ASSETS / EQUITY</b>		<b>1 796 151</b>	<b>1 505 992</b>

Pan American Health Organization  
**Statement of Financial Performance**

As at 31 December 2021  
(In thousands of US dollars)

Description	Reference	31 December 2021	31 December 2020
<b>REVENUE</b>			
<b>Revenue from Non-Exchange Transactions</b>			
Assessed Contributions	Note 15	105 275	105 275
Voluntary Contributions	Note 15	177 631	136 813
WHO Allocations	Note 15	135 647	154 194
<b>Revenue from Exchange Transactions</b>			
Procurement of Public Health Supplies	Note 15	1 372 018	953 976
Other Revenue	Note 15	6 811	( 26 064)
Miscellaneous Revenue	Note 15	( 2 937)	15 899
<b>TOTAL REVENUE</b>		<b>1 794 445</b>	<b>1 340 093</b>
<b>EXPENSES</b>			
Staff and Other Personnel Costs	Note 16	153 482	181 502
Supplies, Commodities, Materials	Note 16	1 382 555	967 456
Depreciation, Amortization, and Revaluation	Note 16	1 699	13 255
Contract Services	Note 16	158 769	85 440
Travel	Note 16	16 348	9 836
Transfers and Grants to Counterparts	Note 16	54 726	60 896
General Operating Costs	Note 16	17 525	17 815
<b>TOTAL EXPENSES</b>		<b>1 785 104</b>	<b>1 336 200</b>
<b>NET SURPLUS / (DEFICIT)<sup>1</sup></b>		<b>9 341</b>	<b>3 893</b>

<sup>1</sup> Main components in 2021: SHI Actuarial Liability (-\$21.7 million), TAREP Actuarial Liability (-\$2.0 million), Impairments (-\$3.2 million), Exchange Gain/Loss (-\$10.6 million). In 2020: SHI Actuarial Liability (-\$48.3 million), TAREP Actuarial Liability (-\$2.5 million), Impairments (-\$30.1 million), Revaluations of Buildings (-\$11.1 million), Exchange Gain/Loss (\$5.0 million).

Pan American Health Organization  
**Statement of Changes in Net Assets**

As at 31 December 2021  
*(In thousands of US dollars)*

Description	Reference	31 December 2021	31 December 2020
<b>Net assets at the beginning of the year</b>		<b>273 709</b>	<b>240 848</b>
Actuarial gain / (losses) on employee benefits liabilities	Note 12.7	57 198	( 13 636)
Actuarial valuation gain / (losses) on Land & Buildings	Note 8		42 604
<b>Total of items (revenue/expenses) recognized directly in Net Assets</b>		<b>57 198</b>	<b>28 968</b>
<b>Surplus/(deficit) for the Financial Period</b>		<b>9 341</b>	<b>3 893</b>
<b>Total recognized revenue and expenses for the year</b>		<b>66 539</b>	<b>32 861</b>
<b>Net assets at the end of the year</b>	<b>Note 14</b>	<b>340 248</b>	<b>273 709</b>

Pan American Health Organization  
**Cash Flow Statement**

As at 31 December 2021  
(In thousands of US dollars)

Description	Reference	31 December 2021	31 December 2020
<b>Cash Flows from Operating Activities:</b>			
Surplus / (Deficit) for the period		9 341	3 893
<b>Non-Cash Movements</b>			
Depreciation	Note 8	1 423	1 877
Amortization	Note 9	276	209
(Increase) / Decrease in Accounts Receivable	Note 6	( 27 442)	14 269
(Increase) / Decrease in Inventories	Note 7	2 484	( 9 695)
Increase / (Decrease) in Accrued Liabilities	Note 10	( 2 231)	2 979
Increase / (Decrease) in Accounts Payable	Note 11	19 008	8 614
Increase / (Decrease) in Employee Benefits	Note 12.3 / 12.7	21 109	43 770
Increase / (Decrease) in Deferred Revenue	Note 13	243 865	100 384
Increase / (Decrease) in Short Term Provision	Note 23	( 933)	( 3 164)
Impairment	Note 16		11 169
<b>Net Cash Flows from Operating Activities</b>		<b>266 900</b>	<b>174 305</b>
<b>Cash Flows from Investment and Financing Activities</b>			
(Increase) / Decrease in Short Term Investments	Note 4.1	14 173	58 798
(Increase) / Decrease in Long Term Investments	Note 4.2	( 470 123)	( 64 124)
(Increase) / Decrease in Property, Plant and Equipment	Note 8 / 15	( 399)	( 499)
(Increase) / Decrease in Intangibles Assets	Note 9	( 571)	( 60)
<b>Net Cash Flows from Investing Activities</b>		<b>( 456 920)</b>	<b>( 5 885)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>( 190 020)</b>	<b>168 420</b>
<b>Cash and Cash Equivalents at the beginning of the Year</b>		<b>357 346</b>	<b>188 926</b>
<b>Cash and Cash Equivalents at the end of the Year</b>		<b>167 326</b>	<b>357 346</b>

Pan American Health Organization  
Statement of Comparison of Budget and Actual Amounts

As at 31 December 2021  
(In thousands of US dollars)

Outcome No	Outcome short title	FY 2020				FY 2021				Total 20-21 Expenditures as % of Approved Program Budget
		Approved Program Budget 2020-2021	Apportioned Budget	Expenditures (With Accruals)	Total 2020 Expenditures as % of Apportioned Budget	Apportioned Budget	Expenditures (With Accruals)	Total 2021 Expenditures as % of Apportioned Budget	Total 20-21 Expenditures	
Base Programs										
OUTCOME 1	Access to comprehensive and quality health services	25 500	12 750	5 896	46%	12 750	10 606	83%	16 502	65%
OUTCOME 2	Health throughout the life course	42 000	21 000	6 663	32%	21 000	12 838	61%	19 501	46%
OUTCOME 3	Quality care for older people	4 000	2 000	734	37%	2 000	1 423	71%	2 157	54%
OUTCOME 4	Response capacity for communicable diseases	68 000	34 000	22 447	66%	34 000	27 495	81%	49 942	73%
OUTCOME 5	Access to services for NCDs and mental health	19 500	9 750	6 004	62%	9 750	10 676	110%	16 680	86%
OUTCOME 6	Response capacity for violence and injuries	3 000	1 500	622	41%	1 500	768	51%	1 390	46%
OUTCOME 7	Health workforce	14 000	7 000	3 752	54%	7 000	4 845	69%	8 597	61%
OUTCOME 8	Access to health technologies	35 400	17 700	9 858	56%	17 700	14 793	84%	24 651	70%
OUTCOME 9	Strengthened stewardship and governance	10 000	5 000	1 982	40%	5 000	3 172	63%	5 155	52%
OUTCOME 10	Increased public financing for health	4 000	2 000	895	45%	2 000	1 556	78%	2 451	61%
OUTCOME 11	Strengthened financial protection	4 100	2 050	628	31%	2 050	716	35%	1 344	33%
OUTCOME 12	Risk factors for communicable diseases	26 000	13 000	5 716	44%	13 000	7 707	59%	13 423	52%
OUTCOME 13	Risk factors for NCDs	27 000	13 500	3 588	27%	13 500	6 071	45%	9 660	36%
OUTCOME 14	Malnutrition	6 000	3 000	1 378	46%	3 000	2 201	73%	3 579	60%
OUTCOME 15	Intersectoral response to violence and injuries	3 000	1 500	711	47%	1 500	1 425	95%	2 136	71%
OUTCOME 16	Intersectoral action on mental health	4 500	2 250	1 175	52%	2 250	1 713	76%	2 888	64%
OUTCOME 17	Elimination of communicable diseases	21 000	10 500	7 080	67%	10 500	9 253	88%	16 333	78%
OUTCOME 18	Social and environmental determinants	13 000	6 500	5 163	79%	6 500	8 535	131%	13 698	105%
OUTCOME 19	Health promotion and intersectoral action	7 000	3 500	968	28%	3 500	2 357	67%	3 325	48%
OUTCOME 20	Integrated information systems for health	16 000	8 000	3 609	45%	8 000	5 334	67%	8 943	56%
OUTCOME 21	Data, information, knowledge, and evidence	19 000	9 500	5 808	61%	9 500	7 648	81%	13 456	71%
OUTCOME 22	Research, ethics, and innovation for health	3 000	1 500	1 128	75%	1 500	1 748	117%	2 876	96%
OUTCOME 23	Health emergencies preparedness and risk reduction	21 500	10 750	5 215	49%	10 750	8 189	76%	13 404	62%
OUTCOME 24	Epidemic and pandemic prevention and control	16 500	8 250	5 349	65%	8 250	7 638	93%	12 986	79%
OUTCOME 25	Health Emergencies Detection and Response	25 000	12 500	9 284	74%	12 500	19 665	157%	28 949	116%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	7 000	3 500	2 160	62%	3 500	3 089	88%	5 249	75%
OUTCOME 27	Leadership and governance	78 500	39 250	32 578	83%	39 250	35 385	90%	67 963	87%
OUTCOME 28	Management and administration	96 500	48 250	33 963	70%	48 250	42 017	87%	75 980	79%
<b>Subtotal - Base Programs</b>		<b>620 000</b>	<b>310 000</b>	<b>184 355</b>	<b>59%</b>	<b>310 000</b>	<b>258 863</b>	<b>84%</b>	<b>443 218</b>	<b>71%</b>
	Foot and mouth disease elimination program	9 000	4 500	3 348	74%	4 500	3 516	78%	6 863	76%
	Smart hospitals	8 000	4 000	9 316	233%	4 000	15 570	389%	24 886	311%
	Outbreak and crisis response	13 000	6 500	109 374	1683%	6 500	88 352	1359%	197 726	1521%
	Polio eradication maintenance			33	0%		97	0%	131	N/A
<b>Subtotal - Special programs</b>		<b>30 000</b>	<b>15 000</b>	<b>122 071</b>	<b>814%</b>	<b>15 000</b>	<b>107 535</b>	<b>717%</b>	<b>229 606</b>	<b>765%</b>
<b>TOTAL - Program Budget</b>		<b>650 000</b>	<b>325 000</b>	<b>306 427</b>	<b>94%</b>	<b>325 000</b>	<b>366 398</b>	<b>113%</b>	<b>672 824</b>	<b>104%</b>

The PAHO Program Budget 2020-2021 (PB20-21) was approved by the Directing Council in 2019 (Document OD358) as an integrated budget, independent of the sources of financing. It is the first Program Budget under the PAHO Strategic Plan 2020-2025 (SP20-25) and sets out the corporate results and targets for the Organization agreed upon by Members States.

The figures in the column "Approved Program Budget 2020-2021" indicate total resource requirements (often called "budget ceiling" or "envelopes") not funding. Although the PAHO budget is approved by its Governing Bodies on a biennial basis, for reporting purposes only and following IPSAS, the budget has been apportioned at 50% for each fiscal year (2020 and 2021).

It is important to note that there were no budget transfers among outcomes during the fiscal year 2021 (nor in the year 2020); the resulting budget is therefore the same as the original budget. The 2021 expenses represent actual and accrued expenditures from all Program Budget's funding sources: assessed contributions and miscellaneous revenue, PAHO voluntary contributions, as well as special funds that finance the Program Budget.



## *Notes to the Financial Statements*

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### **1. Mission of the Pan American Health Organization**

The mission of the Organization is “To lead strategic collaborative efforts among Member States and other partners to promote equity in health, to combat disease, and to improve the quality of, and lengthen, the lives of the peoples of the Americas.”

The Pan American Health Organization (the Organization) is an international public health agency with more than 100 years of experience in working to improve health and living standards in the countries of the Americas. It serves as the specialized organization for health of the Inter-American System. It also serves as the Regional Office for the Americas of the World Health Organization and enjoys international recognition as part of the United Nations system.

The Pan American Sanitary Bureau (PASB) is the Secretariat of the Organization. The Bureau is committed to providing technical support and leadership to the Organization's Member States as they pursue their goal of Health for All and the values therein.

The headquarters of the Organization is located in Washington, D.C. In addition, the Organization has Representative Offices throughout the Americas, which are in charge of implementing its values, mission, and vision.

### **2. Accounting policies**

#### **2.1 Basis of Preparation**

The financial statements of the Pan American Health Organization have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS)<sup>1</sup>, using the historical cost convention except for land and buildings which are shown at fair value. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.

The Financial Statements of the Organization were certified and approved for issue by the Director of the Organization under the authority vested in her by the Pan American Sanitary Conference, as stated in Resolution CSP29.R10 in September 2017. The issuance approval is the date of the External Auditor's Report. No other authority has the power to amend the Financial Statements after issuance.

The functional and reporting currency of the Organization is the United States Dollar (US\$). Disclosed amounts in the Financial Statements and charts for the Explanatory Notes are rounded in order to be expressed in thousands. The rounding practices may result in tables that may not sum precisely to the rounded totals or the supporting notes.

These financial statements were prepared on the assumption that the Organization is a going concern and will continue in operation and fulfill its mandate for the foreseeable future. The Governing Bodies of the Organization or Member States individually have not communicated any intention to terminate the Organization or cease its operations, or decrease the funding allocated to its activities.

The impact of the COVID-19 pandemic on the financial performance of PAHO will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the global economy, all of which are highly uncertain and cannot be reliably predicted. Where evident PAHO's financial performance for the 2021 financial year, the financial impact has been disclosed within the relevant financial statement notes affected.

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<sup>1</sup> <https://www.ipsasb.org/publications/2019-handbook-international-public-sector-accounting-pronouncements>

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- a. Statement of Financial Position
- b. Statement of Financial Performance
- c. Statement of Changes in Net Assets
- d. Cash Flow Statement
- e. Statement of Comparison of Budget and Actual Amounts
- f. Notes, comprising a summary of significant accounting policies and other relevant information.

## **2.2 Cash and Cash Equivalents**

Cash and cash equivalents, which are financial assets, comprise cash on hand, cash at banks, money markets and short-term deposits with original maturities of 90 days or less. For an investment to qualify as a cash equivalent, it must be convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

Short-term deposits are stated at amortized cost using the effective interest method, with interest income recognized on an effective yield basis.

Cash and Cash Equivalents are held for purposes of meeting short-term cash commitments rather than for investment purposes.

## **2.3 Investments**

Investments are financial assets and are recognized when the Organization becomes a party to the contractual provisions of the investment. Investments are classified as either available for sale or held to maturity. Available-for-sale investments are accounted for on a purchase date basis. Held to maturity investments are recognized on settlement date.

Investments are classified as being available for sale where the Organization has not committed to hold such items to maturity. Available-for-sale items are stated at fair value (including transaction costs that are directly attributable to the acquisition of the financial asset) with value changes recognized in the Statement of Changes in Net Assets. Available-for-sale assets are actively traded on the market, and the valuation of these assets is determined by price quotes on the open market for identical financial instruments. Impairment losses are recognized when the book value of an asset exceeds the fair market value on other than a temporary basis. PAHO monitors the fair market value of its investments periodically and investigates the underlying cause of a decline in value. The investment policy specifies credit rating limitations. If the impairment is the result of a credit downgrade below investment policy guidelines, the Investment Committee will take action.

Impairment charges and interest calculated using the effective interest method is recognized in the surplus or deficit. When an available-for-sale asset is disposed of, the cumulative gain or loss previously recognized in the Statement of Changes in Net Assets is included in the surplus or deficit for the period.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Organization has the intention and ability to hold to maturity. Held-to-maturity investments are comprised of U.S. agency paper such as that of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Held-to-maturity investments are stated at amortized cost using the effective interest method, with interest income recognized on an effective yield basis in the Statement of Financial Performance.

## **2.4 Loans and Receivables**

Loans and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and other receivables are stated at amortized cost calculated using the effective interest method, less any impairment.

Interest income is recognized on the effective interest basis, other than for short-term receivables where the recognition of interest would be immaterial.

## **2.5 Risk Management Policies**

The Organization holds funds not required for immediate operating needs as investments in order to earn revenue on surplus liquidity which, in accordance with Financial Regulations X and XI and Financial Rules X and XI of the Pan American Health Organization, funds a portion of the Program Budget. Investments are made subject to the Organization's Investment Policy, which prescribes guidelines intended to protect invested principal, maintain adequate liquidity, and realize a return commensurate with investment risk constraints. Policy guidelines define duration, diversity and credit quality, which are consistent with limiting credit, market, and interest rate risk exposures. The Organization's credit risk is mitigated by Investment Policies that impose limits on the amount of credit exposure to any-one-counterparty, limiting investments in a single non-government issuer to no more than 25%.

In accordance with the Investment Policy requirements, internally managed investments are restricted to A1/P1 and AAA/Aaa rated financial instruments. Fixed Income Notes consist primarily of U.S. Agency Paper which carries the implicit guarantee of the U.S. Government.

Funds placed with external investment managers are restricted to instruments rated A2/P2 or BBB- credit quality or higher in accordance with their mandates. Mechanisms are in place to divest the portfolio of an investment that falls below the minimum requirements. In the event a security's rating falls below the minimum requirements for credit quality, the external manager immediately notifies PAHO.

Maximum maturity for the short-term investment of operating cash is not to exceed one year. Long-term investment of strategic funds is limited to an effective maturity of no more than five years. Long-term investments for Termination and Repatriation Entitlements (TAREP) trust are limited to an effective maturity of no more than 15 years.

Depository accounts are held at financial institutions with investment grade ratings by primary rating agencies, where such ratings exist. In instances in which no rating is available, the overall financial strength of the institution is evaluated prior to depositing funds in the institution. Non-U.S. dollar accounts are monitored daily to ensure that balances are kept at minimum operating requirements levels.

The PAHO Investment Committee approves financial instruments, as well as partner financial institutions, in accordance with the Investment Policy guidelines noted above in order to mitigate credit risk.

## **2.6 Accounts Receivable**

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current receivables are for amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements. Receivables are stated at amortized cost calculated using the effective interest method, less any impairment losses (which are recognized in the Statement of Financial Performance). However, for current receivables there is no material difference between the amortized costs; thus, these receivables have been recognized at cost less any impairment losses. The decision to impair a receivable is based upon an analysis of the age of the receivable and the circumstances surrounding the third-party relationship. The calculation of the impairment will be based on a percentage of the total receivable at risk.

The Directing Council resolution CD58.R7 approved in September 2020 allows the Director to establish a reserve for doubtful accounts for Assessed Contributions considered to be at risk. The Financial Regulations and Rules do not include Allowance for Doubtful Accounts within Miscellaneous Revenue for PAHO Assessed Contributions and Miscellaneous Revenue. Therefore, the Decrease/(Increase) in Allowance for Doubtful Accounts has been moved from Miscellaneous Revenue to Other Revenue. This change will allow consistency along all funds.

Receivables from exchange transactions are recognized when the Organization is owed assets or services (usually in the form of cash) arising from a transaction that directly gives approximately equal value to another entity in exchange.

Receivables from non-exchange transactions are established when the Organization is owed assets or services (usually in the form of cash) that arise from a transaction that does not directly give approximately equal value in exchange; or the Organization has given value to another entity without directly receiving approximately equal value in exchange.

The Organization processes uncollectable receivables based on the delegation of authority regarding the amounts to be written off.

The main types of receivables are:

- **Assessed Contributions (non-exchange transactions):** These are formal commitments from Member and Participating States and Associate Members for the biennial budget period. Assessed contributions are recognized as receivables when they fall due and payable on 1 January of each year, to be paid in annual installments. Financial Regulation 13.6 permits the Director to establish a reserve for doubtful accounts when such accounts are not expected to be settled within 12 months of the date of the annual financial report, and no payment plan has been established for such accounts.
- **Tax Equalization Fund (non-exchange transactions) Receivables under the Tax Equalization Fund:** These are due from Member States that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes and are included in the Assessed Contributions of the Member State. The estimated amount to be levied by those Member States are used by the Organization to reimburse income tax paid by the staff concerned.
- **Voluntary Contributions (non-exchange transactions):** The Organization enters into Voluntary Contribution agreements which are comprised of (1) the Voluntary Contributions, which includes financial resources from governments, and private and public sector organizations governments (PAHO-Member States and Non-PAHO Member States); international organizations (United Nations and non-United Nations); for profit organizations; non-government organizations; foundations, and other Voluntary Contributions; (2) the National Voluntary Contributions, which includes financial resources from governments exclusively for internal projects; and (3) the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, which includes financial resources from governments, and private and public sector organizations (PAHO-Member States and Non-PAHO Member States); international organizations (United Nations and non-United Nations); for profit organizations; non-government organizations; foundations, and other Voluntary Contributions. Upon signature by both parties the full value of the agreement is recognized as a receivable and as deferred revenue (Note 2.13).

To determine the current portion of accounts receivable from Voluntary Contributions as of 31 December 2021, the Organization classified all the accounts receivable balances of Voluntary Contributions expiring prior to 31 December 2022, as well as those Voluntary Contributions with an indefinite status, as current accounts receivable. In addition, accounts receivable balances of Voluntary Contributions agreements extending beyond 2022 were allocated between current and non-current accounts receivable using a straight-line calculation based on the number of years remaining. The non-current portion of accounts receivable will reflect the balance of the total accounts receivable amount for Voluntary Contributions, less the calculation of the current accounts receivable.

- **Procurement of Public Health Supplies (exchange transactions):** The Procurement of Public Health Supplies is critical to the Organization to achieve its mission of supporting Member States through technical cooperation for public health programs, including the procurement of vaccines and syringes, medical supplies, diagnostic kits, medications, and equipment.

The accounts receivable from the Member States in the Procurement of Public Health Supplies is comprised of two funds: The Revolving Fund for Access to Vaccines and the Regional Revolving Fund for Strategic Public Health Supplies. Receivables are established for each participating Member State upon notification that goods were delivered by the supplier and the acceptance of goods has been approved. This triggers the issuance of an invoice addressed to the relevant Member State.

- **Inter-organization Funding Activities:** The Inter-organization accounts receivable represents the amount due to/from the World Health Organization as the net result of inter-agency transactions.

- **Advances to Staff:** Advances are made to individuals in accordance with the Financial Regulations and Rules of the Organization for entitlements (i.e., education grants, travel, income tax settlements, health insurance claims, etc.) and are recognized as receivables, until they are charged to expense upon receipt of the required claim or supporting documentation.

## 2.7 Inventories

Medications and medical supplies owned and controlled by the Organization are recorded as inventories with the intention that they be held for distribution in the ordinary course of operations. They are valued at the lower of cost or net realizable value at the end of the financial period. The Organization-owned medications and medical supplies, derived from the Organization's tracking systems, are validated by physical stock counts. These medications and medical supplies are expensed when the government or non-government institutions take possession. Inventories held for distribution without charge are valued at the lower of cost or replacement cost.

PAHO established an inventory of COVID-19 related medical supplies recorded under the PAHO Emergency Preparedness and Disaster Relief Fund in 2020 to assist in the pandemic relief effort.

## 2.8 Property, Plant and Equipment

Property, plant, and equipment assets with a value greater than the \$20 000 threshold are recognized as non-current assets in the Statement of Financial Position. They are initially recognized at cost, unless acquired through a non-exchange transaction, in which case they are recognized at fair value as of the date of acquisition. The Organization applies the cost model to its property and equipment, the items are carried at cost, less accumulated depreciation, and any accumulated impairment losses. The Organization applies the revaluation model to land and buildings only.

The Organization considers all its Property, Plant and Equipment to be non-cash generating assets.

Depreciation is charged on property, plant, and equipment (except for land) to write down the cost/fair value of the asset to its residual value over the estimated useful life, using the straight-line method with a half year's depreciation charged in the year of acquisition. The estimated useful lives for fixed asset classes are as follows:

Assets Class and Description	Estimated Useful Life
Buildings	40 years
Mobile Buildings	5 years
Computer Equipment	3 years
Office Equipment	3 years
Motor Vehicle	5 years
Audio Visual Equipment	3 years
Lease-hold Improvements	3 years
Office Fixtures and Fitting	3 years

Property, plant, or equipment procured with Voluntary Contributions on behalf of a project are not the Organization's assets and are meant solely for the use of the project beneficiary. The Organization is the implementing agent and is responsible simply for the disposition of the items within the terms of the agreement. The Organization does not retain ownership of these items; therefore, these items are expensed at the time of purchase. If the items are not consumed within the project period, the final disposition is determined by the donor.

The Organization periodically revalues its land and buildings, including leased property. External experts are utilized to determine updated market value directly by reference to observable prices in an active market or recent market transactions on arm's length terms. All improvements, renovations, etc. made to the buildings since the prior appraisal are expensed in the year they occur and included in the future revaluation.

Leasehold improvements are recognized as assets and valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.

Donated land and buildings are valued at fair market value and recognized as non-current assets.

## 2.9 Leases

The Organization leases various office premises for the Representative Offices throughout the Americas. These are all cancelable agreements.

## 2.10 Intangible Assets

Intangible assets, which are above the pre-established thresholds of \$30 000 for intangible assets purchased externally and \$100 000 for intangible assets developed in-house, are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined for intangible assets over their estimated useful life using the straight-line method. Amortization is charged on Intangible Assets to write down the cost/fair value of the asset to its residual value over the estimated useful life, using the straight-line method, with a full year's amortization charged in the year of acquisition.

Amortization is charged to write down the cost/fair value of the intangible asset to its residual value over the estimated useful life, using the straight-line method with a half year's amortization charged in the year of acquisition. The estimated useful lives for Intangibles classes are as follows:

Assets Class and Description	Estimated useful life
Software acquired externally	7 years
Internally developed software	5 years
Licenses and rights, copyrights and other intangible assets	3 years

## 2.11 Accounts Payable

Accounts Payables are financial liabilities in respect of goods or services that have been received by the Organization and are recognized at amortized cost, which for payables are equal to cost. Accounts payable include the following:

- Amounts due to donors, partners, and stakeholders representing the unspent Voluntary Contributions for expired agreements.
- The inter-organization accounts payable represent the amount due from the Organization to the World Health Organization as the net result of inter-agency transactions.
- Invoices received and approved for payment but not yet paid.

## 2.12 Accrued Liabilities

Accrued liabilities are financial liabilities in respect of goods or services that have been received or provided to the Organization during the reporting period and that have not yet been invoiced, or invoices have been received but not approved for payment. They are recognized at amortized cost, which for accruals are equal to cost.

## 2.13 Deferred Revenue

Deferred revenue derives from legally binding agreements between the Organization and partners, such as governments (PAHO-Member States and Non-PAHO Member States); international organizations (United Nations and non-United Nations); for profit organizations; non-government organizations; foundations, and other Voluntary Contributions, where the partners provide funding to the Organization to support technical cooperation initiatives (voluntary contributions).

Deferred revenue is recognized when (1) a contractual agreement is confirmed in writing by both parties—i.e., the Organization and the donors, partners, or stakeholders, and (2) the funds are conditional and determined by factors like:

- The agreement has a stated purpose.
- The agreement has a budget.
- The agreement has an effective date and an end date.
- The agreement requires technical and financial reporting.
- Funds provided under the agreement must be used for activities as required/described in the agreement or be returned to the donor.
- Upon completion, any unused funds will be returned to the donor, partner, or stakeholder.

Revenue is recognized in the Statement of Financial Performance based on the level of funds implemented during the financial period.

Funds received from governments and institutions participating in the Procurement of Public Health Supplies, in advance of the procurement of the goods, are treated as deferred revenue. Once confirmation is received that goods were delivered by the supplier and payment to the supplier has been approved, the revenue is recognized in the Statement of Financial Performance.

To determine the current portion of deferred revenue from Voluntary Contributions as of 31 December 2021, the Organization classified all the deferred revenue balances of Voluntary Contributions expiring prior to 31 December 2022, as well as those grants with an indefinite status, as current deferred revenue. In addition, deferred revenue balances of Voluntary Contributions agreements extending beyond 2022 were allocated between current and non-current deferred revenue using a straight-line calculation based on the number of years remaining. The non-current portion of deferred revenue will reflect the balance of the total deferred revenue amount for Voluntary Contributions, less the calculation of the current deferred revenue.

## 2.14 Employee Benefits

The Organization recognizes expenses and liabilities in respect of the following employee benefits:

- 1) Employee benefits earned in the current financial period are current liabilities recognized at an undiscounted cost.
- 2) Post-employment benefits – e.g., ASHI – are recognized at present value of the liability.
- 3) Other separation-related employee benefits are recognized at present value of the liability.

The Organization contracts the actuarial services of external experts to determine the appropriate level of liability for financial reporting purposes (i.e. the present value of the defined benefit obligations) as well as the service cost and interest cost for the current fiscal period. This information is also used to calculate different contribution percentages to be applied for staff costs.

In addition, the Organization uses this information for investment purposes to ensure that the TAREP Plan's investments meet the liquidity requirements of the respective liabilities.

## 2.15 Provisions and Contingent Liabilities

Provisions are made for future liabilities and expenses where the Organization has a present legal or constructive obligation as a result of past events, and it is probable that the Organization will be required to settle the obligation, and the value can be reliably measured.

Other commitments that do not meet the recognition criteria for liabilities are disclosed in the Notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Organization or the value cannot be reliably estimated.

## 2.16 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Organization during the year that represent an increase in net assets. The Organization recognizes revenue following the criteria established by IPSAS 9, "Revenue from Exchange Transactions," and IPSAS 23, "Revenue from Non-Exchange Transactions."

Exchange transactions are transactions in which the Organization receives assets or services, or has liabilities extinguished, and directly gives approximately equal value primarily in the form of cash, goods, services, or use of assets to another entity in exchange.

In a non-exchange transaction, the Organization either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

The main sources of revenue for the Organization include but are not limited to: Assessed Contributions, Voluntary Contributions, Procurement of Public Health Supplies, Other Revenue, and Miscellaneous Revenue.

- **Revenue from Assessed Contributions (non-exchange transactions).** Revenue from assessed contributions is recognized as of 1 January of each year when the Member States' assessed contribution commitment to the Organization becomes due and payable.
- **Revenue from Voluntary Contributions (non-exchange transactions).** Voluntary Contributions, confirmed in writing by both parties, are recognized as receivables and deferred revenue (liabilities) because these funding agreements are conditional. As the Voluntary Contribution projects are implemented, the deferred revenue is then recognized as revenue. Voluntary Contributions categories are explained in Note 2.6.
- **Revenue from the Procurement of Public Health Supplies (exchange transactions).** Revenue is recognized in respect of the procurement of public health supplies because the Organization bears the risks and rewards of the purchased goods. Revenue on these transactions is recognized when the government or non-government institutions take possession. The Procurement of Public Health Supplies is comprised of three funds: the Revolving Fund for Access to Vaccines; Reimbursable Procurement on Behalf of Member States; and the Regional Revolving Fund for Strategic Public Health Supplies. (See Note 2.6 Accounts Receivables, in respect of the Revolving Funds, and Note 2.13 Deferred Revenue, in respect of Reimbursable Procurement).
- **WHO Allocations (non-exchange transactions).** As the Regional Office of the Americas (AMRO) of the World Health Organization, the Organization receives funding allocations from WHO for the implementation of technical cooperation activities.

Funds received by the Organization from WHO include the following allocations:

- Allocation of WHO Assessed Contributions
  - Allocations of WHO Voluntary Contributions
  - Allocations of other WHO funds
- **Other Revenue (exchange transactions).** The Organization, under its specific mandates, carries out other technical cooperation activities for which revenue is separately disclosed. These activities include the following: sales of services and program support costs.
  - **Miscellaneous Revenue (exchange transactions).** Miscellaneous revenue includes foreign currency revaluations, exchange rate gains and losses, interest earned, realized and unrealized gains and losses, and gains and losses from the sale of property, plant, and equipment.



- **Special Activities Segment.** Special Activities are activities approved by the Organization's Governing Bodies for specific objectives and entitlements (i.e., staff entitlements, terminal entitlements, and after-service health insurance). Therefore, all employee benefits liabilities have been included in this segment.

## 2.17 Foreign Currency Transactions and Balances

The functional and reporting currency of the Organization is the United States dollar (US\$). Transactions in currencies other than US\$ are converted to US\$ at the prevailing market rate at the time of the transaction. The Organization has determined that the United Nations Operational Rates of Exchange (UNORE) are aligned closely with the prevailing market rates due to frequent analysis and adjustments and thus function as an approximation of the market rate at the time of the transaction. At the end of each reporting period, the Organization analyzes the performance of the UNORE in comparison with the prevailing market rate in order to determine the alignment and make any required adjustments. Assets and liabilities in currencies other than US\$ are converted to US\$ at the prevailing market rate at the end of the reporting period. Resulting gains or losses are accounted for in the Statement of Financial Performance within Miscellaneous Revenue.

## 2.18 Segment Reporting

A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources.

The following segments were identified to provide a better understanding of the different activities of the Organization:

**Core Activities Segment**—Activities critical to the Organization's Strategic Plan that are mandated and appropriated by the Organization's Governing Bodies (i.e., activities funded with assessed contributions and other revenue for Program Budget activities).

**Partnership Activities Segment**—Activities aligned with the Organization's Strategic Plan and supported by partners, donors, and stakeholders (i.e., activities developed in partnership with external donors who provide the voluntary contributions and to whom the technical and financial reports are provided).

**Enterprise Activities Segment**—Activities performed by the Organization to strengthen technical cooperation with the ministries of health and facilitate their access to essential public health supplies (i.e., procurement activities funded by the Member States for the access to essential public health supplies).

**Special Activities Segment**—Activities approved by the Organization's Governing Bodies for specific objectives and entitlements. (i.e., staff entitlements, terminal entitlements, health insurance).

**Intra-Party Segment**—In every financial period, the Organization processes internal transactions not involving the use of cash (transfers) within any given segment and between different segments (i.e., Program Support Cost, Provision for Termination and Repatriation Entitlements, After-Service Health Insurance Fund, Master Capital Investment Fund, etc.). The effect of these transfers is an over-statement (duplication) of both revenue and expense by the same amount, which are valued at the cost incurred at the time of the original transaction. The Inter-Party Transactions column in the Statement of Financial Performance allows for the elimination of such duplication.

## 2.19 Budget comparison

The Organization's Governing Bodies approve the Biennial Program Budget Plan, which includes assessed contributions, projected voluntary funds, and estimated miscellaneous revenue. The Biennial Program Budget Plan may subsequently be amended by the Governing Bodies.

The Organization prepares the budget on the accrual basis excluding depreciation and amortization.

Although PAHO's budget is approved by its Governing Bodies on a biennial basis, for reporting purposes the budget has been apportioned at 50% for each fiscal year.

## 2.20 In-Kind Contributions

In-kind contributions of services that support approved operations and activities, including the use of premises, utilities, personnel, transportation services, etc., are identified by categories of services under the respective Member State providing the in-kind contribution during the reporting accounting period. These are not recognized in the financial statements because the fair value of the services or assets cannot be reliably measured.

Donated land and buildings are recognized on the Statement of Financial Position at fair market value.

Donated inventories are recognized subject to the materiality and conditions of the goods. The Organization will only accept donated goods in alignment with its core activities.

## 2.21 Potential Impact of IPSAS to be adopted in future periods

The International Public Sector Accounting Standards Board (IPSASB) has published the following new and amended standards that were originally to be effective 1 January 2022. The IPSASB has subsequently delayed the implementation dates of these standards and amendments, which are now effective 1 January 2023:

- IPSAS 41 – Financial Instruments and subsequent amendment. This standard will replace the existing IPSAS 29 – Financial Instruments and sets out new requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting. PAHO does not foresee a significant impact on the consolidated financial statements resulting from this standard.
- IPSAS 42 – Social Benefits. This standard defines social benefits as cash transfers to individuals to mitigate the effect of social risks and address the needs of society as a whole, and provides guidance for their accounting. This standard will have no impact on the consolidated financial statements.

## 3. Cash and Cash Equivalents

	31 December 2021	31 December 2020
Cash on Hand, US\$	151 703	305 964
Cash on Hand, Other Currencies	15 622	8 305
Money Market Funds	2 473	49 282
Less: Plan Assets	( 2 473)	(6 206)
<b>Total</b>	<b>167 326</b>	<b>357 346</b>

Due to the uncertainty during the initial months of the pandemic, the Organization maintained higher cash balances in 2020 to meet unexpected needs. In 2021, the PAHO Investment Committee approved an increase in the limits on the managed investment portfolios and a new liquidity portfolio in order to maximize the yield on excess liquidity and reducing cash balances where the interest rates are at or near 0%.

## 4. Investments

Despite the recent financial uncertainties in the markets due to COVID-19, PAHO's investment policy has mitigated the associated risk by stipulating high-quality assets aimed at preserving principal. The PAHO Investment Committee has increased the assets managed by external portfolio managers for both long and short term funds in order to leverage their expertise in light of the reduction in yields on money markets and time deposits.

There has been an overall decline in investment income of \$ 2.8 million. The steep decline was caused by the lower interest rates in 2021 brought about by the pandemic. There have been no impairments of investment assets held during this period in any of the pooled cash resources invested.

#### 4.1 Short-Term Investments

Short-term investments are those with final maturities at purchase below 365 days.

	31 December 2021	31 December 2020
Certificates of Deposit	174 063	188 236
<b>Total</b>	<b>174 063</b>	<b>188 236</b>

Accrued interest of \$184 662 (2020: \$79 950) is included in the balance of short-term investments in the Statement of Financial Position and recognized as Miscellaneous Revenue on the Statement of Financial Performance.

#### 4.2 Long-Term Investments

Long-term fixed income notes within the Termination and Repatriation Entitlements (TAREP) portfolio, comprising the plan assets held in an irrevocable trust, are held to maturity and stated at fair value with value changes recognized in the fund balance.

	31 December 2021	31 December 2020
<b>Net Increase in Long-term Investments</b>		
Increase (decrease) in Long-term Investments	470 123	64 123
Unrealized Net (Gains)/Losses	11 712	( 4 662)
<b>Net Increase in Long-term Investments</b>	<b>481 835</b>	<b>59 462</b>
<b>Cash Flows from Long-term Investments</b>		
Interest Revenue	8 191	8 720
Realized Net Gains/(Losses)	( 523)	1 253
<b>Cash Flows from Long-term Investments</b>	<b>7 669</b>	<b>9 974</b>

Valuation of Long-term Investments	31 December 2021		31 December 2020	
	Cost	Market	Cost	Market
Fixed Income Notes	18 447	19 004	13 030	13 031
Managed Portfolios	959 068	955 795	477 232	485 672
Less: Plan Assets	( 18 447)	( 19 004)	( 13 030)	( 13 031)
<b>Total</b>	<b>959 068</b>	<b>955 795</b>	<b>477 232</b>	<b>485 672</b>

Long-term fixed income instruments held in the TAREP portfolio are issued by the U.S. Government. Accrued interest of \$64 662 has been included in the balance of long-term investments and recognized on the Statement of Financial Performance as Miscellaneous Revenue.

Managed Portfolios are classified as available for sale and stated at fair value. The market value above includes accrued interest of \$2 431 184 (2020: \$1 490 315) recognized on the Statement of Financial Performance as Miscellaneous Revenue. Total gains (losses) on managed portfolios are comprised of the cumulative gain or loss and the incremental change in value at the point of sale or maturity. Total gains (losses) are on the Statement of Financial Performance as Miscellaneous Revenue.

Within the managed portfolios, temporary cash balances are the result of repositioning, rebalancing or natural maturities. At 31 December 2021, the cash balance was \$11 360 959.

## 5. Financial Instruments

### 5.1 Nature of Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement, and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability, are set out in Note 2.3.

	2021 Amortized Cost	2021 Fair Market Value	2020 Amortized Cost	2020 Fair Market Value
<b>Cash and Cash Equivalents</b>				
Cash and Cash Equivalents	167 326		357 346	
Cash and Cash Equivalents (Plan Assets)	2 473		6 206	
<b>Short-term Investments</b>				
Certificates of Deposit (held to maturity)	174 063		188 236	
<b>Long-term Investments</b>				
Fixed Income Notes (Plan Assets)		19 004		13 031
Managed Portfolios (available for sale)		955 795		485 672
<b>Accounts Receivable</b>	338 618		316 249	
<b>Accounts Payable</b>	41 448		22 440	
<b>Total</b>	<b>723 928</b>	<b>974 799</b>	<b>890 477</b>	<b>498 702</b>

### 5.2 Interest Rate Risk

The Organization is exposed to interest rate risk through both short-term and long-term investments. Principal amounts are stated at amortized cost for investments held to maturity and at fair value for investments available for sale.

	Effective Maturity	Effective Interest Rate	Fixed Interest	Floating Interest	Non-Interest Bearing
<b>Total Cash and Cash Equivalents</b>	<90 days	0.10%	50 190	2 473	117 136
<b>Short-term Investment</b>					
Certificates of Deposit	62 days	1.22%	174 063		
<b>Long-term Investments</b>					
Plan Assets	Immediate	1.97%	19 004		
Managed Portfolios	1.7 years	0.89%	955 795		
<b>Total</b>			<b>1 199 051</b>	<b>2 473</b>	<b>117 136</b>

The Organization holds certain fixed income notes that the issuer has a right to redeem prior to the maturity date.

### Callable Instruments

Issuer	Principal	Rate	Maturity	Call Dates
Federal Farm Credit Bank	12 538	1.83%	16-Nov-35	31-Dec-21
Federal Farm Credit Bank	6 402	2.23%	29-Sep-36	31-Dec-21

This represents Principal only and does not include accrued interest of \$64 641.

Changes in market interest rate impact the fair value and future cash flows of investment instruments. This impact is irrelevant for held-to-maturity investments, but would affect the Statement of Financial Position for available-for-sale fixed rate investments and the Statement of Financial Performance for floating rate available-for-sale investments. The portion of PAHO's available-for-sale portfolio comprised of floating rate instruments is insignificant, and rate fluctuations would not have a material effect. However, a market rate shift for fixed rate available-for-sale investments could materially impact the Statement of Financial Position.

A fluctuation of market interest rates of 100 basis points would have the following impact on the fair market value of fixed rate available-for-sale investments:

Fair Market Value of fixed rate investments at 12-31-21	Increase of 100 basis points	Change in Fair Market Value	Decrease of 100 basis points	Change in Fair Market Value
956 068	939 308	(16 760)	972 646	16 578

### 5.3 Credit Risk

The maximum credit risk represents the carrying amount of loans and receivables. PAHO's investment guidelines stipulate limits on the amount of credit exposure to any one counterparty. However, there may be some counterparty risk associated with the concentration of financial instruments and cash deposits in the banking sector. These significant concentrations in the banking sector equal 48% of the total cash, short-term and long-term investments.

With the drastic decrease of interest rates the cash and cash equivalents allocation has been reduced during 2021.

Credit Rating	2021		2020	
Cash and Cash Equivalents	75 063	7.7%	102 548	20.4%
AAA	537 826	55.2%	281 221	55.9%
AA	107 675	11.0%	50 299	10.0%
A	209 402	21.5%	55 159	11.0%
BBB	45 082	4.6%	14 279	2.8%
<b>Total</b>	<b>975 049</b>	<b>100%</b>	<b>503 507</b>	<b>100%</b>

The minimum credit quality requirements for all investments, as defined by the Investment Policy, falls within the investment grade range.

Cash and Cash Equivalents includes \$2 473 243 held in the TAREP Money Market.

PAHO's long-term investments and managed portfolios are held as follows:

Investment Type	2021	2020
Money Market Funds	13 834	10 631
Government & U.S. Agency Issues	471 509	243 351
Mortgage-backed and Asset-backed Securities	53 676	17 474
Corporate Notes	370 980	191 747
Bank Deposits	61 229	40 304
Municipal Bonds	3 820	
<b>Total Long Term Investments</b>	<b>975 049</b>	<b>503 507</b>

The majority of accounts receivables are due from PAHO Member States for Assessed Contributions, Voluntary Contributions, and Member States participating in the Procurement Funds. In accordance with IPSAS and PAHO's accounting policy, all receivables have been reviewed to determine any counterparty risk. Impairments decreased by \$3.2 million in 2021 resulting in total impairments of \$33.3 million (see Note 6).

#### 5.4 Exchange Rate Risk

The Statement of Financial Position does not reflect significant exposure to exchange rate risk as foreign currency deposits at any given time are either immaterial or are designated for foreign currency expenditures. During the course of the year, a small percentage of expenditure (10%) is disbursed in currencies other than the United States dollar. These disbursements are not hedged but are met by local currency receipts and the purchase of local currency as needed in the market at the time of disbursement.

Contributions and receivables are set and should be received in dollars but may be received in foreign currency upon the agreement of the Organization if the amount can be absorbed by country offices within a thirty day window.

Local currency bank balances held in Venezuela and Cuba are subject to restrictions that make it difficult to repatriate excess funds to PAHO's headquarters bank accounts in the United States. However, in 2021 PAHO was able to successfully transfer \$1.5 million from the Cuba country office bank account to PAHO's headquarters bank account. As of December 31, a balance of \$ 1.0 million remains in Cuba for operational purposes and an immaterial balance (\$561) is held in Venezuela. In addition, repatriation of excess local currency balances from the Dominican Republic (balance of \$0.4 million) is subject to the private sector availability of US dollars and delays have been experienced in the past. These restrictions increase the exchange risk for the Organization. PAHO has taken the necessary steps to mitigate risk and has identified foreign exchange mechanisms to facilitate the management of these balances. PAHO local currency balances beyond those mentioned above are minimal.

Exchange risk associated with Accounts Receivables are mitigated through individual fund policy governing the acceptance of local currency. Exchange differences are either absorbed by the Member State or Donor or, in exceptional cases, absorbed by the Organization as an administrative expense. Exchange Risk associated with material Accounts Payables is managed on a case by case basis to mitigate any negative impact on the Organization.

#### 5.5 Liquidity Risk

The Organization has limited liquidity risk associated with non-derivative financial liabilities. Deferred Revenue is primarily short-term in nature and held in cash. Budgetary controls ensure implementation of awards is supported by availability of cash.

## 6. Accounts Receivable

	Total		Total	
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
<b>Current</b>				
Assessed Contributions <sup>1</sup>		74 782		84 568
Tax Equalization Fund				5
Voluntary Contributions		121 873		106 220
Voluntary Contributions - Emergency Preparedness and Disaster Relief	17 868		14 737	
Voluntary Contributions	75 095		55 409	
Voluntary Contributions - National Voluntary Contributions	28 910		36 074	
Procurement of Public Health Supplies		62 192		74 675
Revolving Fund for Access to Vaccines	56 882		66 914	
Regional Revolving Fund for Strategic Public Health Supplies	5 310		7 761	
Balance due from WHO for Interorganization Funding Activities				2 536
Advances to Staff		3 010		3 220
Prepaid Expenses		11 641		6 568
Miscellaneous Receivables		5 231		5 007
Allowance for Doubtful Accounts Receivable <sup>2</sup>		( 33 280)		( 36 469)
<b>TOTAL</b>		<b>245 449</b>		<b>246 330</b>
<b>Non-Current</b>				
Voluntary Contributions		90 503		60 982
Voluntary Contributions - Emergency Preparedness and Disaster Relief	786			
Voluntary Contributions	18 645		29 877	
Voluntary Contributions - National Voluntary Contributions	71 072		31 105	
Real Estate Maintenance and Improvement Contributions		1 250		1 250
PAHO Assessed Contributions and Miscellaneous		27		27
Procurement of Public Health Supplies		13 030		14 228
Revolving Fund for Access to Vaccines	11 440		12 476	
Regional Revolving Fund for Strategic Public Health Supplies	1 590		1 752	
<b>TOTAL</b>		<b>104 810</b>		<b>76 487</b>

<sup>1</sup> See Note 6.1

<sup>2</sup> See Note 6.2

## 6.1 Accounts Receivable from Assessed Contributions

	Arrears	2021	Total 2021	Total 2020
Antigua and Barbuda				21
Argentina	2 916	3 139	6 054	5 731
Aruba		28	28	
Belize				21
Brazil		11 172	11 172	24 210
Chile	687	1 480	2 168	687
Colombia		1 714	1 714	
Costa Rica		19	19	
Curacao	64	28	92	64
El Salvador	74	80	154	74
France		1	1	1
Guyana		2	2	
Haiti		28	28	
Paraguay		91	91	
Peru		699	699	961
Puerto Rico	344	71	415	344
Saint Lucia		7	7	
Sint Maarten		21	21	43
Suriname		28	28	
United Kingdom		27	27	23
United States		42 146	42 146	44 246
Uruguay				290
Venezuela	7 851	2 065	9 916	7 851
<b>TOTAL *</b>	<b>11 936</b>	<b>62 846</b>	<b>74 782</b>	<b>84 568</b>

\* Assessed Contributions outstanding totaled \$74.8 million, a decrease of \$9.8 million over 2020. As a result of the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the available balance of the Working Capital Fund and other unrestricted internal sources.



## 6.2 Movement in the Allowance for Doubtful Accounts Receivables

Description	31 December 2020	Increase / (Decrease)	31 December 2021
Assessed Contributions	21 769	( 4 300)	17 469
Other (e.g. VAT)	1 248	824	2 072
Revolving Fund for Access to Vaccines	11 699	( 245)	11 454
Revolving Fund for Strategic Public Health Supplies	1 391	223	1 614
PROMESS	362	211	573
PANAFTOSA		66	66
Special Fund for Program Support		32	32
<b>TOTAL *</b>	<b>36 469</b>	<b>( 3 189)</b>	<b>33 280</b>

\* There is no evidence of the need to impair assets as a result of the COVID-19 pandemic.

## 7. Inventories

In 2021 and due to the Covid19 pandemics, PAHO continues to manage an inventory of related medical supplies recorded under the PAHO Emergency Preparedness and Disaster Relief Fund. In addition, PAHO also recorded inventories for PANAFTOSA, PROMESS, and CLAP which pertain to their specific activities of sales of services.

	31 December 2021	31 December 2020
PROMESS	1 048	883
CLAP	39	28
PAHO Emergency Preparedness & Disaster Relief	7 569	10 192
Pan American Foot and Mouth Disease Center	318	355
<b>Ending Balance of inventory</b>	<b>8 974</b>	<b>11 458</b>

## 8. Property, Plant and Equipment

2021	Land	Buildings	Computer Equipment	Office Equipment	Office Fixture & Fittings	Motor Vehicles	Audio Visual Equipment	Mobile Buildings	Total
Cost as of 1 January	107 494	31 394	52	218	357	3 090	90	27	142 722
Additions			119			280			399
Disposals						( 238)			( 238)
Impairments									
Adjustments									
Net Revaluations									
<b>Cost as of 31 December</b>	<b>107 494</b>	<b>31 394</b>	<b>171</b>	<b>218</b>	<b>357</b>	<b>3 132</b>	<b>90</b>	<b>27</b>	<b>142 883</b>
Depreciation as of 1 January			52	156	49	2 233	90	27	2 607
Charged in current period		920	20	28	71	384			1 423
Disposals						( 238)			( 238)
Adjustments									
Net Revaluations									
<b>Depreciation as of 31 December</b>		920	72	184	120	2 379	90	27	3 792
<b>Net book value as of 31 December 2021</b>	<b>107 494</b>	<b>30 474</b>	<b>99</b>	<b>34</b>	<b>237</b>	<b>753</b>			<b>139 091</b>
2020	Land	Buildings	Computer Equipment	Office Equipment	Office Fixture & Fittings	Motor Vehicles	Audio Visual Equipment	Mobile Buildings	Total
Cost as of 1 January	64 026	49 220	611	188	35	3 026	317	27	117 450
Additions				61	322	99			482
Disposals			( 559)	( 31)		( 35)	( 227)		( 852)
Impairments									
Adjustments									
Net Revaluations	43 468	( 17 826)							25 642
<b>Cost as of 31 December</b>	<b>107 494</b>	<b>31 394</b>	<b>52</b>	<b>218</b>	<b>357</b>	<b>3 090</b>	<b>90</b>	<b>27</b>	<b>142 722</b>
Depreciation as of 1 January		5 238	611	169	9	1 884	317	27	8 255
Charged in current period		1 419		18	40	400			1 877
Disposals			( 559)	( 31)		( 51)	( 227)		( 868)
Adjustments									
Net Revaluations		( 6 657)							( 6 657)
<b>Depreciation as of 31 December</b>			<b>52</b>	<b>156</b>	<b>49</b>	<b>2 233</b>	<b>90</b>	<b>27</b>	<b>2 607</b>
<b>Net book value as of 31 December 2020</b>	<b>107 494</b>	<b>31 394</b>		<b>62</b>	<b>308</b>	<b>857</b>			<b>140 115</b>

## 8.1 Transferred Assets with Conditions

In accordance with the donation document filed in Public Record, the Government of Brazil Development Company for the New Capital of Brazil, Successors and Assigns granted PAHO ownership of the land on which the PAHO/WHO Representative Office buildings in Brazil are located. The document further stipulates that PAHO may not transfer, rent, or lend the donated land under penalty of revocation of the donation. In the event that the land is sold for the same purpose (i.e., establishment of a headquarters facility), PAHO must obtain written consent from the Government and pay the Government the present value of the land. This does not include the buildings and other immovable property thereon. Because of the restriction on the sale of the land and the requirement to pay the Government of Brazil the present value of the land, the Organization recognized such property in the Statement of Financial Position as both an asset and a liability (Note 11).

## 8.2 Revaluation of Land and Buildings

Following the Organization's Accounting Policies (Note 2.8), a revaluation exercise is performed every five years. A full revaluation was performed in 2020 by an independent valuer with experience in valuation, assessment, advisory, consulting services and affiliations with the Royal Institution of Chartered Surveyors (RICS), the Appraisal Institute of Canada, and Urban Land Institute (ULI).

The appraisal amounts for each property of the Organization according to the December 2020 appraisal are as follows:

Buildings	Reference	Fund *	31 December 2020
Argentina		ACP	760
Barbados		ACP	2 350
Brazil		ACP	3 175
Jamaica		ACP	1 700
Guatemala		MCIF	2 450
Guyana		ACP	413
Haiti		ACP	1 050
Washington DC - 2121 Virginia Ave. NW		MCIF	18 500
Paraguay		ACP	685
Venezuela		ACP	311
<b>Sub-total Buildings</b>	Note 8		<b>31 394</b>
<b>Land</b>			
Brazil		ACP	8 659
Haiti		ACP	200
Washington DC - 525 23rd St. NW		ACP	57 000
Washington DC - 2121 Virginia Ave. NW		ACP	37 500
Peru		ACP	3 770
Venezuela		ACP	365
<b>Sub-total Land</b>	Note 8	ACP	<b>107 494</b>
<b>Total</b>			<b>138 888</b>

\*ACP: PAHO Assessed Contributions and Miscellaneous  
MCIF: Master Capital Investment Fund

	Land	Building
Effective date of the revaluation	December 2020	December 2020
Independent valuer was involved	Yes	Yes
Methods and significant assumptions applied in estimating the assets' fair values	<p>Fair value in conformity with the Uniform Standards of Professional Appraisal Practice, Global Edition of the RICS Valuation-Professional Standards 2017 (Red Book), and International Public Sector Accounting Standards IPSAS.</p> <p>Valuation has been performed after identifying market data and trends in the regional and local economy, neighborhood land uses, supply and demand of competitive space, comparable rental and sale transactions, and market capitalization rates for income producing properties.</p> <p>Washington DC HQ 23rd Street Building and Peru Buildings are valued at zero based on the market and neighborhood analysis, concluding that the highest and best use of the properties would be the development of new buildings by an investor (land speculation) or a developer.</p> <p>The valuation of the PAHO Headquarters building on 23rd Street NW, Washington DC included an assumption that the building is not legally protected as a historical landmark. No such determination has been made as of the date of approval of the financial statements, and it is therefore reasonable to value the building under its current status.</p>	
The extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques	<p>In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available. For some individual properties more than one of the following three valuations approaches were applied and an average taken.</p> <p>The cost approach was used for Barbados, Brazil, Jamaica, Guyana and Haiti. It is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.</p> <p>The sales comparison approach was used for Guatemala, Guyana, Washington DC, Paraguay, Peru, and Venezuela. This approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square meter/foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.</p> <p>The income capitalization approach was used for Argentina, Barbados, Jamaica, Guatemala, Guyana, Haiti, Washington DC, Paraguay, and Peru. This approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time.</p>	
Indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.	<p>There have been no significant changes taken place during the period, in the technological, market, economic or legal environment in which the entity operates or in the market to which the assets are used.</p>	

## 9. Intangible Assets

The Organization separately discloses Intangible Assets that are available for use and subject to amortization.

	31 December 2021	31 December 2020
<b>Intangible Assets Available for use</b>		
Cost as of 1 January	4 313	4 253
Additions	571	60
Disposals	( 160)	
<b>Cost as of 31 December</b>	<b>4 724</b>	<b>4 313</b>
Amortization as of 1 January	3 965	3 756
Charged in current period	276	209
Disposals	( 160)	
<b>Amortization as of 31 December</b>	<b>4 081</b>	<b>3 965</b>
<b>Total Intangible Assets</b>	<b>643</b>	<b>348</b>

## 10. Accrued Liabilities

	31 December 2021	Total 31 December 2021	31 December 2020	Total 31 December 2020
Voluntary Contributions		14 877		16 992
Voluntary Contributions - Emergency Preparedness and Disaster Relief	1 342		782	
Voluntary Contributions	847		743	
Voluntary Contributions - National Voluntary Contributions	12 688		15 467	
Procurement of Public Health Supplies		748		3 500
Revolving Fund for Access to Vaccines	61		537	
Reimbursable Procurement on Behalf of Member States	42			
Regional Revolving Fund for Strategic Public Health Supplies	645		2 963	
WHO - Voluntary Contributions		1 177		2 349
Staff Health Insurance		386		
Income from Services		31		33
Special Fund for Program Support		692		91
Assessed Contribution and Miscellaneous Revenue		4 295		390
Post Occupancy Charge		5 402		6 202
Master Capital Investment		118		134
SHI Pass-through Administrative Expenses to be transferred to WHO		1		5
AMRO Regular Budget				262
<b>Total</b>		<b>27 727</b>		<b>29 958</b>

## 11. Accounts Payable

	31 December 2021	31 December 2020
<b>Current</b>		
Assessed Contributions Received in Advance	53	10 428
Voluntary Contributions Expired Agreements	2 219	596
Procurement of Public Health Supplies	23 150	2 143
Balance due to the World Health Organization due to inter-agency transactions	3 779	
Miscellaneous	12 247	9 273
<b>Total</b>	<b>41 448</b>	<b>22 440</b>
<b>Non-Current</b>		
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.2)	8 659	8 659
<b>Total</b>	<b>8 659</b>	<b>8 659</b>

## 12. Employee Benefits

Under the Staff Rules of the Pan American Health Organization, the Organization provides employee benefits that can be categorized as short-term liabilities and others that can be categorized as long-term liabilities. The employee benefits categorized as short-term liabilities are the education grant, education grant travel, and the assignment grant. The employee benefits that can be categorized as long-term liabilities include certain terminal payments, such as payment for annual leave, the repatriation grant, repatriation travel, or other separation indemnities, as appropriate.

Annual leave balances increased due to the impact of staff not taking their planned leave entitlements in 2020 and 2021 as a result of the pandemic and travel limitations as a means to contain the pandemic. Furthermore, the normal limitation on carry-forward of annual leave balances has been relaxed at year end with a maximum of an additional 120 hours. Leave accrues during service and can be carried over from one calendar year to the next. The carryover payment is capped at 60 days of accrued leave.

In order to accrue the funds required for these short-term and long-term liabilities, the Organization has established three funds:

### 12.1 The Staff Entitlements Fund

Established in January 2008, funds the short-term liabilities of the education grant, education grant travel, and assignment grant. This fund receives monthly apportionments from organizational contributions calculated from payroll.

### 12.2 The After-Service Health Insurance Fund (ASHI)

Established in 2010, this multi-employer plan reflects the financing and liability of the Organization for current and prior staff members' health insurance for future years. This fund is part of the Staff Health Insurance Fund of the World Health Organization (WHO) administered by the Global Oversight Committee (GOC) which advises the Director General of WHO. The GOC reviews the operations and the financial status of the SHI, including levels of benefits and contributions, reviews the financial stability and the adequacy of the financial reserve, reviews the annual report and overall performance, organizes periodic actuarial studies, and approve the underlying assumptions, reviews the actuarial reports, and recommends any required changes to the SHI, and reviews the external and internal auditors' reports. PAHO management has a permanent member and PAHO staff has a rotating representation.

Revenue for this plan is from contributions collected from participating entities and from both active and former staff of these entities to the SHI. Contributions are generally financed in the ratio of two thirds by the participating entities to one-third by the

participants. In addition, the plan receives Finance revenue from income on externally managed investments, and interest on excess cash invested.

The SHI pursues three strategies to improve the funding of ASHI liabilities: ensure contributions are sufficient to build up assets to help cover the defined benefit obligation; cost containment through regular negotiations with health care providers to limit the impact of medical inflation, case management, and a review of plan design; and achieving an expected average rate of return of 3.7% on investments over a long-term time horizon.

A Global Standing Committee is established to decide on medical claims referred to it in accordance with the SHI rules, and recommends to the GOC any proposed amendments to the SHI rules and practices of the SHI. PAHO has a representative.

Activity related to the Defined Benefit Obligation is obtained through an annual global actuarial report prepared for the SHI Secretariat by an independent actuary. The report discloses segregated activity for each of the participating organizations of the SHI, including PAHO. The actuarial report for this year covers several mandatory disclosures in accordance with paragraphs 141 and 149 from IPSAS 39 as follows:

141(a) (i) The SHI reimburses expenses related to health care and associated administrative costs for eligible staff members, retirees, and their dependents/survivors. The ASHI is the portion of the SHI that covers retirees and their dependents/survivors.

(ii) The Global Oversight Committee (GOC) governs the overall SHI, including the ASHI. The GOC holds periodic meetings, which include monitoring of the historical experience and analysis of potential changes to the plan design and administration.

141(b) The principal economic financial risks faced by the plan are changes to discount rates, rates of future general inflation and medical cost increases, and asset returns.

141(c) There are no plan amendments, or any curtailments or settlements, occurring in the plan for the 2021 plan year.

141(d) The discount rate is based on the yields on high-grade corporate bonds at the measurement date and the expected cash flows and assumed currency exposure for each grouping of offices. The actuary recommended the discount rate methodology; PAHO reviewed and approved that methodology.

142–143 There are no forward-looking reimbursement rights related to the plan.

144–145 The SHI has asset information by asset class, as of 31 December 2021.

146 Please see the Assumptions and Methods provided in section 12.6 of this report for details.

147(a) Please see the sensitivity analyses to the discount rate and the rates of future medical cost increases, provided in section 12.8 of this report.

The SHI historically has not disclosed sensitivity analysis to the general inflation assumption.

The actuary explicitly determined financial results, using the alternative assumptions modeled. The main limitation of this approach is that it only illustrates potential results, without quantifying the probable range of future discount rates or medical cost increases.

There are no changes since the prior period in the scope of sensitivity analysis disclosed.

148 The ASHI does not invest significantly in any annuity products or swaps. During 2021, the actuary performed an asset-liability study of the SHI, which is being reviewed and might be considered in setting its investment strategy for the plan.

149(a) As a participating organization of the SHI, PAHO is not legally obligated to set aside funds in advance for the plan. The GOC's has expressed the intention to eventually accumulate funds to approximately fully fund the accounting liability. The primary mechanism for achieving this goal is making steady increases to contributions to the overall SHI Fund, building up assets. The GOC continues to monitor this strategy and reserves the right to make future changes to it.

149(b) Please see the information on expected contribution for next year in section 12.7 below.

149(c) Please see the sensitivity analysis table in section 12.8 below.

### 12.3 The Termination and Repatriation Entitlements Fund (TAREP)

Established in April 1972, this PAHO defined benefit plan reflects the financing and liability of the Organization for terminal entitlements, including annual leave, repatriation grant, repatriation travel, and household removal. The activity of the Defined Benefit Obligation is obtained through an annual actuarial report prepared by an independent actuary. The actuarial report for this year contains the following mandatory disclosures in accordance with paragraphs 141 and 149 from IPSAS 39 as follows:

141(a) (i)The Termination and Repatriation Entitlements Plan provides certain benefits upon separation, including accrued leave payments; repatriation, disability, and death benefits; and termination indemnities.

(ii)The TAREP is not subject to any outside regulatory framework, but PAHO's overall financing is governed by input from its member nations.

(iii)There is no formal governance committee for the TAREP. PAHO's management oversees the operations of the TAREP, in accordance with the staff rules.

141(b) The principal economic financial risks faced by the plans are changes to discount rates and asset returns.

141(d) The discount rate is developed for benefits other than accrued leave. That rate is based on the market yields on high-grade corporate bonds at the measurement date and the expected cash flows and assumed currency exposure for those benefits. The actuary recommended the discount rate methodology; PAHO reviewed and approved that methodology.

144–145 PAHO has detailed information about the plan's investments.

146 See the "Actuarial Assumptions and Methods" (Note 12.6) of this report for more details about the discount rate selection process.

147 A sensitivity analysis is provided later in section 12.8. The table may include hypothetical scenarios in which discount rates are negative.

The actuary explicitly determined financial results using the alternative assumptions modeled. The main limitation of this approach is that it only illustrates potential results, without quantifying the probable range of future discount rates.

There are no changes since the prior period in the scope of sensitivity analysis.

148 TAREP has no asset-liability hedging.

149(a) PAHO is not legally obligated to set aside funds in advance for the plan.

However, PAHO's current intention is to hold assets to approximately fully fund the accounting liability over time. The primary mechanism for achieving this goal is making contributions to cover part or all of each year's benefit payments as they come due, rather than drawing upon plan assets to pay benefits.

The TAREP fund has a balance of \$21.5 million in assets. In addition, the Organization has a balance of \$ 1.1 million in the Provision for Terminal Payments Fund, which is available to cover current and future termination indemnities.

149(b) For benefits other than accrued leave and their expected contributions, please see the table in section 12.7. For accrued leave, the expected contributions are not actuarially projected.



149(c) Please see the sensitivity analysis table in section 12.8.

## 12.4 Net Defined Benefit Obligation

As of 31 December 2021, the status of the current and non-current defined benefit obligations per calculations of the actuarial consultants are as follows:

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2021	Total 2020
Current Liability		2 717	2 717 <sup>1</sup>	2 386
Non-current Liability	295 795	347	296 142	332 562
<b>Total</b>	<b>295 795</b>	<b>3 064</b>	<b>298 859</b>	<b>334 948</b>

<sup>1</sup> PAHO has \$1 142 644 in the Provision for Terminal Entitlements Fund to cover current and future terminal indemnities, which can be applied to reduce this net defined benefit obligation.

- Gain and losses (unexpected changes in surplus or deficit) are recognized immediately on the balance sheet and do not impact past or future expense.
- There is no reimbursement right.
- The expected Organization's contributions during 2022 are estimated at \$14 620 000 for After-Service Health Insurance Fund and \$1 279 135 for Termination and Repatriation Entitlements Fund.

## 12.5 Actuarial Valuations of Post-Employment and Other Separation-Related Benefits

During 2021, the rates of contribution to these two long-term funds were 5% of net base pay plus post adjustment being credited to the Termination and Repatriation Fund, and 4% of the base pay credited to the After-Service Health Insurance Fund.

## 12.6 Actuarial Assumptions and Methods

Other long-term employee benefits consist of home leave travel, which is accrued on a monthly basis. Employees entitled to this benefit are meant to earn it and take it every two years.

Assumption	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund
<b>Accounting Standard</b>	International Public Sector Accounting Standard 39	
<b>Measurement Date</b>	31 December 2021	
<b>Discount Rate</b>	3.2 %	2.5 %
<b>General Inflation</b>	2.5%	2.9%
<b>Medical Costs Increases</b>	U.S.—4.9% in 2022, decreasing gradually to 3.95% in 2032 and later years.  Non-U.S. Americas—6.0% in 2022, decreasing gradually to 3.95% in 2036 and later years.	Not Applicable
<b>Future Participant Contribution Rate Changes</b>	Participants are anticipated to remain at the current percentages of the final pay of pension.	Not Applicable
<b>Life Expectancy</b>	Mortality rates match the rates recommended by the U.N. Task Force via harmonization guidance.	
<b>Average Medical Costs</b>	U.S. and non-U.S. costs projected from recent experience, adjusted for market trends and for SHI cost savings measures	Not Applicable
<b>Uptake of coverage at retirement</b>	Participants with less than 9 years of service at the time of retirement are anticipated to opt out of ASHI coverage. 94% of participants with more than 9 years of service at the time of retirement are anticipated to elect the ASHI coverage.	Not Applicable

The following tables provide additional information and analysis on employee benefits liabilities calculated by actuaries.

## 12.7 Actuarial summary for the After-Service Health Insurance Fund and the Termination and Repatriation Entitlements Fund

Description	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2021	Total 2020
<b>Reconciliation of Defined Benefit Obligation</b>				
Defined Benefit Obligation (beginning balance)	408 566	23 855	432 421	358 099
Service Cost	12 186	1 923	14 109	11 580
Interest on Defined Benefit Obligation	11 551	442	11 993	11 902
Actual After Service Gross Benefit Payments and Medicare Reimbursements	( 8 632)	( 2 394)	( 11 026)	( 13 613)
Actual After Service Administrative Expenses	( 839)		( 839)	( 826)
Actual Contributions by After Service Participants	2 554		2 554	2 746
Plan Amendments Adopted				29 465
Changes in Accounting Methods				6 991
(Gain)/Loss on DBO due to Financial Assumption Changes	( 9 304)	( 432)	( 9 736)	35 281
(Gain)/Loss on DBO due to Other Assumption Changes	( 34 930)	1 146	( 33 784)	( 5 126)
Interests on Incurred But-Not-Paid Reserve	195		195	299
(Gain)/Loss on DBO on Incurred But-Not-Paid Reserve	( 1 001)		( 1 001)	( 4 378)
<b>Defined Benefit Obligation as of 31 December 2021</b>	<b>380 346</b>	<b>24 540</b>	<b>404 886</b>	<b>432 420</b>
<b>Reconciliation of Plan Assets</b>				
Market Value of Plan Assets (beginning balance)	78 236	19 237	97 473	80 559
Gross Benefit Payments and Medicare Reimbursements	( 16 049)	( 2 394)	( 18 443)	( 21 693)
SHI Administrative Expenses	( 1 681)		( 1 681)	( 1 490)
SHI Contributions by Participants	6 448		6 448	6 692
Organization Contributions, Excluding 4% of Pay Contributions	12 825	4 894	17 719	23 451
Organization Additional Contributions	2 153		2 153	2 157
Interest on Net Assets	2 324	365	2 689	2 742
Gain/(Loss) on Plan Assets	295	( 625)	( 330)	5 055
<b>Plan Assets as of 31 December 2021</b>	<b>84 551</b>	<b>21 477</b>	<b>106 028</b>	<b>97 473</b>
<b>Reconciliation of Funded Status</b>				
<b>Defined Benefit Obligation</b>				
Active	146 844	24 541	171 385	196 911
Incurred but not paid	5 910		5 910	228 794
Inactive	227 591		227 591	6 716
<b>Total Defined Benefit Obligation</b>	<b>380 345</b>	<b>24 541</b>	<b>404 886</b>	<b>432 421</b>
<b>Plan Assets</b>				
Gross Plan Assets	84 550	21 477	106 027	97 473
<b>Total Plan Assets</b>	<b>84 550</b>	<b>21 477</b>	<b>106 027</b>	<b>97 473</b>
<b>Net Liability (Asset) Recognized in Statement of Financial Position</b>				
Current		2 717	2 717	2 386
Non-current	295 795	347	296 142	332 562
<b>Total Net Liability (Asset) Recognized in Statement of Financial Position</b>	<b>295 795</b>	<b>3 064</b>	<b>298 859</b>	<b>334 948</b>
<b>Expenses for 2021</b>				
Service Cost	12 186	1 923	14 109	11 580
Interest Cost	9 422	77	9 499	9 459
Plan Amendments Adopted				29 465
<b>Total Expense Recognized in Statement of Financial Performance</b>	<b>21 608</b>	<b>2 000</b>	<b>23 608</b>	<b>50 504</b>
<b>Expected Contributions during 2022</b>				
Contributions by / for Active Staff, Net of Claims / Admin Costs	8 016		8 016	4 809
Contributios by PAHO for Inactives	6 605	1 279	7 884	7 317
<b>Total Expected Contributions for 2022</b>	<b>14 621</b>	<b>1 279</b>	<b>15 900</b>	<b>12 126</b>

Note: From the total annual actuarial activity totaling \$33 590 008 (2020: \$64 502 011 ), \$57 197 543 (2020: \$13 636 186 ) is disclosed in the Statement of Changes in Net Assets, and \$23 607 535 (2020: \$50 865 825 ) is disclosed the Statement of Financial Performance.

In addition to the Plan Assets held in the TAREP trust, the Organization has a balance of \$1 142 644 in the Provision for Terminal Payments Fund, to cover current and future termination indemnities.

The ASHI DBO changed from \$408.6 million in 2020 to \$380.3 million in 2021 due to:

- Favorable claims experience: -\$21.8 million,
- Change in the discount rate from 2.9% to 3.2%: -\$21.6 million,
- Update of the general medical inflation assumptions: \$12.3 million,
- Update on coverage uptake and dependents age: -\$10.1 million,
- And other changes.

The TAREP DBO changed from \$23.9 million in 2020 to \$24.5 million in 2021 due to changes in the discount rate from 2.8% to 1.9%, and an increase in the assumed utilization of termination indemnities.

## 12.8 Medical Sensitivity Analysis and Discount Rate Sensitivity Analysis

Three of the principal assumptions in the valuation of the After-Service Medical Plan are: 1) the rate at which medical costs are expected to change in the future; 2) the return on the assets; and 3) the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Because the medical inflation rate and the discount rate have a very significant impact on the determination of the Organization's long-term valuation, it is helpful to conduct sensitivity analysis on them. The sensitivity analysis identifies the impact that the medical inflation rate and the discount rate variables will have on the total valuation. The independent actuary study determined the impact of increasing or decreasing assumptions on the valuation

The following charts present the respective sensitivity analysis for each of the reported funds. The medical sensitivity does not apply to the TAREP data.

	ASHI Defined Benefit Obligation as of 31 December 2021	ASHI Defined Benefit Obligation as of 31 December 2020
<b>Medical Sensitivity Analysis</b>		
Current Medical Inflation Assumption Minus 1%	311 540	333 651
Current Medical Inflation Assumption	380 345	408 566
Current Medical Inflation Assumption Plus 1%	468 527	504 963
<b>Discount Rate Sensitivity Analysis</b>		
Current Discount Rate Assumption Minus 1%	460 180	497 891
Current Discount Rate Assumption:	380 345	408 566
Current Discount Rate Assumption Plus 1%	319 896	341 287
	TAREP Defined Benefit Obligation as of 31 December 2021	TAREP Defined Benefit Obligation as of 31 December 2020
<b>Discount Rate Sensitivity Analysis</b>		
Current Discount Rate Assumption Minus 1%	25 279	24 566
Current Discount Rate Assumption:	24 541	23 855
Current Discount Rate Assumption Plus 1%	23 896	23 232

## 12.9 United Nations Joint Staff Pension Fund

PAHO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the

Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. PAHO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify PAHO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, PAHO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. PAHO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

PAHO's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. The funded ratio was 107.1% when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to USD 25 689 009, USD 26 725 648, and USD 26 151 426, respectively, of which 67% was contributed by PAHO.

During 2021, contributions paid to the Fund amounted to USD 17 352 041 (2020 USD 17 531 103). Expected contributions due in 2022 are approximately USD 17 699 082.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at [www.unjspf.org](http://www.unjspf.org).

### 13. Deferred Revenue

	31 December 2021	31 December 2020
<b>Current</b>		
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	74 981	33 342
Voluntary Contributions	117 194	94 479
Voluntary Contributions - National Voluntary Contributions	94 225	139 297
<b>Procurement of Public Health Supplies</b>		
Revolving Fund for Access to Vaccines	404 091	277 230
Regional Revolving Fund for Strategic Public Health Supplies	183 548	121 125
Reimbursable Procurement	809	6 264
<b>Income from Services</b>	465	465
<b>Total</b>	<b>875 313</b>	<b>672 202</b>
<b>Non-Current</b>		
<b>Voluntary Contributions</b>		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	7 919	
Voluntary Contributions	38 197	48 439
Voluntary Contributions - National Voluntary Contributions	147 491	104 414
<b>Total</b>	<b>193 607</b>	<b>152 853</b>

### 14. Fund Balances and Reserves

Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the programs or projects.

Reserves are established by the Governing Bodies as facilities for funding and/or financing the Organization's programs and projects. They currently are:

- Working Capital Fund
- Tax Equalization Fund
- Master Capital Investment Fund
- Special Fund for Program Support Costs
- Voluntary Contributions – Emergency Preparedness and Disaster Relief
- Special Fund for Health Promotion
- Budgetary Surplus Fund
- Epidemic Emergency Fund
- PMIS Funding PAHO IPSAS Surplus Fund
- Revenue Surplus Fund

## Summary of Fund Balances and Reserves

	Balance as of 31 December 2020	Revenue	Expenses	Transfers	Actuarial Valuation / Revaluation	Balance as of 31 December 2021
<b>Fund Balances:</b>						
Strategic Public Health Supplies-Capitalization	24 076	314 422	( 307 157)			31 341
After-Service Health Insurance	( 330 331)	1	( 21 608)		56 143	( 295 795)
Voluntary Contributions	37	56 635	( 56 635)			37
Voluntary Contributions - National Voluntary Contributions	( 11 223)	75 075	( 74 142)			( 10 290)
Income from Services	7 787	2 456	( 1 218)			9 025
Provision for Staff Entitlements	6 784		1 400			8 184
Revolving Fund for Access to Vaccines	223 012	1 027 906	(1 001 830)			249 088
Reimbursable Procurement		6 568	( 6 568)			
PAHO Assessed Contributions and Miscellaneous Revenue	136 599	94 295	( 121 989)	( 24 469)		84 436
Provision for Termination and Repatriation Entitlements	456		( 658)		1 055	853
PAHO Post Occupancy Charge	8 542		245			8 787
SHI Servicing Costs		542	( 554)			( 12)
AMRO Regular Budget		38 587	( 38 587)			
AMRO Voluntary Funds for Health Promotion		93 037	( 93 037)			
AMRO Special Account for Servicing Costs		4 023	( 4 023)			
<b>Subtotal</b>	<b>65 739</b>	<b>1 713 547</b>	<b>(1 726 361)</b>	<b>( 24 469)</b>	<b>57 198</b>	<b>85 654</b>
<b>Reserves:</b>						
Working Capital Fund	28 709			21 291		50 000
Tax Equalization Fund	3 211	8 075	( 6 576)			4 710
Master Capital Investment Fund	43 769	314	( 2 970)			41 113
Special Fund for Program Support	115 223	37 474	( 11 557)			141 140
Voluntary Contributions - Emergency Preparedness and Disaster Relief	12 979	35 030	( 37 636)			10 373
Special Fund for Health Promotion	811	5				816
Budgetary Surplus Fund	132			3 178		3 310
Epidemic Emergency Fund	1 034		( 4)			1 030
PMIS Funding PAHO IPSAS Surplus Fund	2 102					2 102
Revenue Surplus Fund						
<b>Subtotal</b>	<b>207 970</b>	<b>80 898</b>	<b>( 58 743)</b>	<b>24 469</b>		<b>254 594</b>
<b>Total</b>	<b>273 709</b>	<b>1 794 445</b>	<b>(1 785 104)</b>		<b>57 198</b>	<b>340 248</b>

## 14.1 Working Capital Fund and Internal Borrowing

The Working Capital Fund was established for the primary purpose of providing funds as required to finance the Program Budget pending receipt of contributions from Member and Participating States and Associate Members.

The 58th Directing Council, per Resolution CD58.R1 dated 28 September 2020, approved an increase in the authorized level from \$25 million to \$50 million.

In accordance with Financial Regulation 4.5, any deficit of revenue over expenses of the Program Budget appropriation at the end of the current budgetary period shall be funded first by the Working Capital Fund to the extent possible, and then by borrowing or by other authorized means. Non-budgetary items, such as depreciation, amortization and contributions in-kind, do not constitute part of the Program Budget and are therefore excluded from revenue and expense for the purposes of calculating the Program Budget Appropriation surplus or deficit.

	Reference	Total as of 31 December 2020	Total as of 31 December 2021	Total as of 31 December 2021 (Biennium 2020-2021)	Total as of 31 December 2019 (Biennium 2018-2019)
<b>Balance as of 1 January - Biennium</b>		25 000		25 000	21 717
2020 Surplus / (Deficit)		( 1 449)		( 1 449)	
2021 Surplus / (Deficit)			( 27 693)	( 27 693)	
2018 Surplus / (Deficit)					( 830)
2019 Surplus / (Deficit)					16 506
<b>Surplus / (Deficit)</b>		<b>( 1 449)</b>	<b>( 27 693)</b>	<b>( 29 142)</b>	<b>15 676</b>
2020 Non-budgetary Items <sup>1</sup>		45 342		45 342	
2021 Non-budgetary Items <sup>1</sup>			8 270	8 270	
2018 Non-budgetary Items <sup>1</sup>					2 343
2019 Non-budgetary Items <sup>1</sup>					( 4 956)
<b>Non-budgetary items <sup>1</sup></b>		<b>45 342</b>	<b>8 270</b>	<b>53 612</b>	<b>( 2 613)</b>
2020 Transfer from Budgetary Surplus Fund - CD 58/11		2 455		2 455	
2020 Transfer from Revenue Surplus Fund - CD 58/12		1 254		1 254	
2021 Transfer to Budgetary Surplus Fund			( 3 179)	( 3 179)	
2019 Transfer from Closing of Funds					180
2019 Transfer to Revenue Surplus Fund					( 7 505)
2019 Transfer to Budgetary Surplus Fund					( 2 455)
<b>Total Transfers</b>	<b>Note 14</b>	<b>3 709</b>	<b>( 3 179)</b>	<b>530</b>	<b>( 9 780)</b>
<b>Program Budget Appropriation Surplus/(Deficit)</b>		<b>47 602</b>	<b>( 22 602)</b>	<b>25 000</b>	<b>3 283</b>
<b>Balance as of 31 December <sup>2</sup></b>				<b>50 000</b>	<b>25 000</b>

<sup>1</sup> Non-budgetary Items are comprised, of but not limited to, depreciation, amortization and in-kind contributions.

<sup>2</sup> 2020 it is an Interim closure; therefore, Budgetary Surplus and Revenue Surplus will be recognized at the end of biennium 2020-2021.

Due to the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the \$28.7 million of the Working Capital Fund available prior to the addition of \$21.3 million from the 2020-2021 biennium surplus at year end, as well as an additional \$42.7 million in funds from other unrestricted internal sources.



## 14.2 Tax Equalization Fund

The Tax Equalization Fund, as established by Resolution CD18.R7 of the 18th Directing Council (1968), is credited with the revenue derived from the staff assessment plan. The credits to the Fund are recorded in the name of each Member State in proportion to its assessment for the financial period concerned and reduced by the amount needed to reimburse income taxes levied by the Member State on Organization staff. Adjustments are made in the next financial period to take account of the actual charges in respect of amounts reimbursed to staff members who are subject to national taxes.

Member States participating in the Tax Equalization Fund had the following balances at the end of the reporting period.

Member States	Balance 1 January 2021	Credits from the Tax Equalization Fund	Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2021
Canada	18	1 660	1 620	40	28	30
Colombia	16	277	277			16
United States	3 127	8 859	859	8 000	6 544	4 584
Venezuela	49	329	294	35	4	80
Other		4 614	4 614			
<b>Total</b>	<b>3 210</b>	<b>15 739</b>	<b>7 664</b>	<b>8 075</b>	<b>6 576</b>	<b>4 710</b>

There is no outstanding accounts receivable for the Tax Equalization Fund because the liabilities for the reimbursement of income taxes are included in the accounts receivable for assessed contributions due from the relevant Member States.

## 14.3 Master Capital Investment Fund

The Organization's Master Capital Investment Fund (MCIF) was established by Resolution CSP27. R19 of the 27th Pan American Sanitary Conference, 59th Session of the Regional Committee, in October 2007. This fund was initially created with two sub-funds, Real Estate and Equipment, and Information Technology, in lieu of the Organization's Building Fund and the Capital Equipment Fund, effective 1 January 2008. The purpose of the Fund is to finance the repairs of the Organization's office buildings and the systematic replacement of computer and telecommunications equipment software and systems to support the Organization's information technology infrastructure.

In 2012, under Resolution CSP28.R17 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee of WHO for the Americas, the establishment of three additional sub-funds was authorized: Real Estate Maintenance and Improvement, Revolving Strategic Real Estate and Vehicle Replacement. In 2020, the properties held in the MCIF were revalued. The revaluation impact of \$14.6 million along with a transfer of \$4.6 million from the Revenue Surplus Fund is attributed to the \$18.4 million increase in the fund balance. For more details on the status of the fund and its utilization, revenue, and investment plan and operational expense in Headquarters please see document SPBA16/13 at [https://www.paho.org/sites/default/files/spba16-13-s-fondo-maestro-inversiones\\_0.pdf](https://www.paho.org/sites/default/files/spba16-13-s-fondo-maestro-inversiones_0.pdf)

## 14.4 Special Fund for Program Support Costs

The Special Fund for Program Support Costs was established in 1976 by the Director under the authority of Financial Regulation 9.3 (originally 6.7) and subsequently reaffirmed by Resolution CSP20.R32 of the 20th Pan American Sanitary Conference (1978).

The fund is used to cover indirect costs associated with the management of voluntary contributions. Considering the strategic needs of the Organization and at the discretion of the Director, part of the income credited during a biennium plus balances available from previous periods are made available to finance the Program Budget. Remaining balances are reserved for any contingencies.

Reimbursable Procurement is charged a service charge based on the value of procurement, and this income is credited to this fund.

#### **14.5 Voluntary Contributions – Emergency Preparedness and Disaster Relief**

In accordance with Resolution CD24.R10 of the 24th Directing Council (1976), the Special Fund for Natural Disaster Relief was created to provide funds that can be used promptly by the Organization's Health Emergencies Department (PHE). During periods of an officially declared emergency, the Director of PHE, in coordination with the Department of Planning, Budget and Evaluation (PBE), Financial Resource Management (FRM), and under the general supervision of the Director, authorizes the advance of funds to be used temporarily while agreements are authorized and signed. These advances are totally recovered through transfer of expenses done once the agreements are properly registered in the accounts.

#### **14.6 Special Fund for Health Promotion**

At its 13th Meeting in 1961, the Directing Council established the Special Fund for Health Promotion, with the objective of strengthening the health program of the Americas.

#### **14.7 Epidemic Emergency Fund**

The Epidemic Emergency Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. This fund is used as a revolving fund to advance monies to affected countries in the event of an epidemic outbreak or public health emergency. Advanced funds would be recovered from appeals and other forms of voluntary contributions received in response to the emergency.

In case the fund is depleted and with concurrence of PAHO Governing Bodies, the Director may allocate part of the Organization's revenue surplus (if any) to replenish the fund.

#### **14.8 Pan American Sanitary Bureau Management Information System (PMIS) Fund**

The Pan American Sanitary Bureau Management Information System (PMIS) Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. The PMIS fund was established for the implementation of enterprise resource planning (ERP) software for the Organization.

#### **14.9 Budgetary Surplus**

The Financial Regulations, approved by Resolution CD49.R1 of the 49th Directing Council, 61st Session of the Regional Committee, stipulate that "Any balance of the Regular Budget appropriation not committed by the end of the current budgetary period, shall be used to replenish the Working Capital Fund to its authorized level, after which any balance will be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council."

#### **14.10 Revenue Surplus**

The Financial Regulations approved by Resolution CD49.R1 of the 49th Directing Council, 61st Session of the Regional Committee, stipulate that "Any excess of revenue over the Regular Budget appropriation at the end of a budgetary period shall be considered a revenue surplus and shall be available for use in subsequent periods to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration".

## 15. Revenue

	Total 2021	Total 2020
<b>Revenue from Non-Exchange Transactions</b>		
<b>Assessed Contributions</b>		
PAHO Assessed Contributions and Miscellaneous	97 200	97 200
Tax Equalization Fund	8 075	8 075
<b>Subtotal</b>	<b>105 275</b>	<b>105 275</b>
<b>Voluntary Contributions</b>		
Voluntary Contributions	56 635	45 898
Voluntary Contributions - National Voluntary Contributions	74 142	54 042
Voluntary Contributions - Emergency Preparedness and Disaster Relief <sup>1</sup>	35 013	27 988
Special Fund for Program Support	11 841	8 885
<b>Subtotal</b>	<b>177 631</b>	<b>136 813</b>
<b>WHO Allocations</b>		
AMRO Regular Budget	38 587	46 633
AMRO Voluntary Funds for Health Promotion <sup>1</sup>	93 037	103 987
AMRO Special Account for Servicing Costs	4 023	3 574
<b>Subtotal</b>	<b>135 647</b>	<b>154 194</b>
<b>Revenue from Exchange Transactions</b>		
<b>Procurement of Public Health Supplies</b>		
Revolving Fund for Access to Vaccines	1 027 661	754 347
Reimbursable Procurement on Behalf of Member States	6 568	1 578
Regional Revolving Fund for Strategic Public Health Supplies <sup>1</sup>	314 645	187 029
Special Fund for Program Support	23 144	11 022
<b>Subtotal</b>	<b>1 372 018</b>	<b>953 976</b>
<b>Other Revenue</b>		
PAHO Assessed Contributions and Miscellaneous		10
Income for Services	2 733	3 464
Expanded Textbook and Instructional Materials Program		( 221)
Special Fund for Health Promotion	5	9
After Service Health Insurance	1	
Master Capital Investment Fund	314	251
Special Fund for Program Support	27	( 44)
SHI Servicing Costs	542	605
Decrease/(Increase) in allowance for doubtful accounts <sup>2</sup>	3 189	( 30 138)
<b>Subtotal</b>	<b>6 811</b>	<b>( 26 064)</b>
<b>Miscellaneous Revenue</b>		
PAHO Assessed Contributions and Miscellaneous		
Interest Earned	8 431	11 194
Valuation Gains and Losses	( 13 985)	4 857
Investment Management Fees	( 839)	( 515)
Other Miscellaneous	12	93
Special Fund for Program Support	2 494	( 3 020)
Provision for Termination and Repatriation Entitlements		95
Voluntary Contributions - National Voluntary Contributions	933	3 164
Voluntary Contributions - Emergency Preparedness and Disaster Relief	17	31
<b>Subtotal</b>	<b>( 2 937)</b>	<b>15 899</b>
<b>Total</b>	<b>1 794 445</b>	<b>1 340 093</b>

<sup>1/</sup> The Organization received considerable funding in response to the COVID-19 pandemic in these three revenue items.

<sup>2/</sup> See Note 6.2

## 16. Expenses

	Total 2021	Total 2020
<b>Staff and Other Personnel Costs</b>		
International and National Staff <sup>1</sup>	146 742	173 925
Temporary Staff	6 740	7 577
<b>Subtotal</b>	<b>153 482</b>	<b>181 502</b>
<b>Supplies, Commodities, Materials</b>		
Vaccines / Syringes / Cold Chain	1 001 829	735 471
Medications and Medical Supplies <sup>2</sup>	313 724	183 444
Other Goods and Supplies	67 002	48 541
<b>Subtotal</b>	<b>1 382 555</b>	<b>967 456</b>
<b>Depreciation, Amortization, and Revaluation</b>		
Depreciation / Amortization	1 699	2 086
Property Impairment <sup>3</sup>		11 169
<b>Subtotal</b>	<b>1 699</b>	<b>13 255</b>
<b>Contract Services</b>		
Contracts <sup>4</sup>	158 769	85 440
<b>Subtotal</b>	<b>158 769</b>	<b>85 440</b>
<b>Travel</b>		
Duty Travel	16 348	9 836
<b>Subtotal</b>	<b>16 348</b>	<b>9 836</b>
<b>Transfers and Grants to Counterparts</b>		
Letters of Agreements	17 417	4 864
Small Financials	321	
Donations to Third Parties <sup>5</sup>	36 988	56 032
<b>Subtotal</b>	<b>54 726</b>	<b>60 896</b>
<b>General Operating Costs and Other Direct Costs</b>		
Maintenance, Security and Insurance	17 525	17 815
Increase in Provisions		
<b>Subtotal</b>	<b>17 525</b>	<b>17 815</b>
<b>Total</b>	<b>1 785 104</b>	<b>1 336 200</b>

<sup>1</sup> Includes: salary costs (\$0.8 million decrease vs. 2020), ASHI actuarial impact (\$26.7 million decrease vs. 2020), other staff costs not payroll related i.e. statutory and terminal entitlements (\$0.5 million decrease vs. 2020).

<sup>2</sup> Increase due to the response to the COVID-19 emergency.

<sup>3</sup> Year 2020 includes building revaluation of \$11.2 million.

<sup>4</sup> Increase (\$73.4 million vs 2020) mainly for COVID\_19 response professional services, consultants, technical writing.

<sup>5</sup> Decrease in Donations to third parties (\$19 million vs 2020) mainly for WHO Voluntary Contributions – Emergencies Fund.

## 17. Comparison of Budget and Actual Amounts

In accordance with IPSAS 24, variances between budget and actual amounts must be reconciled. Explanations should be provided in accordance with the following categories:

**Basis Differences:** Occur when the budget and the financial statements are prepared in different basis (i.e. budget prepared in cash basis and financial statements prepared in accrual basis). For the case of PAHO although the budget is prepared on accrual basis some expenses are not included (e.g. depreciation, amortization and cost of goods sold).

**Timing Differences:** Occur when the budget period differs from the period reflected in the financial statements. PAHO's budget is prepared on biennial basis although its financial statements are prepared on annual basis.

**Presentation Differences:** Occur from format and classification schemes used in the presentation of the cash flow and the comparison of budget and actual amounts (i.e. investing and financing activities shown in the Statement of Cash Flow but not budgeted).

**Entity Differences** include actual expenses for programs not reflected in the budget. These programs are classified as Non-Program Budget. Programs under the Non-Program Budget classification include but are not limited to: National Voluntary Contributions, Revolving Fund for Access to Vaccines, PAHO After-Service Health Insurance Fund, Post Occupancy Charge Fund and the Expanded Textbook and Instructional Materials Program.

### 17.1 Reconciliation between Cash Flow Activity and Actual Expenses Reported in the Statement of Budget and Actual Amounts

The reconciliation between the actual amounts on a comparable basis in the Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the year ended 31 December 2021 is presented below:

Activity	Operating	Investing and Financing	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	( 366 398)		( 366 398)
Basis Differences	( 1 469)		( 1 469)
Timing Differences			
Presentation Differences		( 456 920)	( 456 920)
Entity Differences	634 767		634 767
<b>TOTAL</b>	<b>266 900</b>	<b>( 456 920)</b>	<b>( 190 020)</b>

### 17.2 Reconciliation between Total Expenses (net) Reported in the Statement of Financial Performance and the Expenses reported in the Comparison Budget and Actual Amounts (Program Budget).

Activity	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	366 398
Basis Differences	1 699
Timing Differences	
Presentation Differences	
Entity Differences	1 417 007
<b>TOTAL</b>	<b>1 785 104</b>

### 17.3 2021 Expenses vs Funding

Outcome No	Outcome short title	FY 2020		FY 2021		Total 20-21 Expenditures as % of Funds Available
		Funds Available as of 31 Dec	Expenditures	Expenditures	Total 20-21 Expenditures	
Base Programs		[a]	[b]	[c]	[d] = [b] + [c]	[e] = [d] / [a]
OUTCOME 1	Access to comprehensive and quality health services	17 812	5 896	10 606	16 502	93%
OUTCOME 2	Health throughout the life course	20 150	6 663	12 838	19 501	97%
OUTCOME 3	Quality care for older people	2 248	734	1 423	2 157	96%
OUTCOME 4	Response capacity for communicable diseases	52 816	22 447	27 495	49 942	95%
OUTCOME 5	Access to services for NCDs and mental health conditions	17 170	6 004	10 676	16 680	97%
OUTCOME 6	Response capacity for violence and injuries	1 516	622	768	1 390	92%
OUTCOME 7	Health workforce	8 947	3 752	4 845	8 597	96%
OUTCOME 8	Access to health technologies	28 097	9 858	14 793	24 651	88%
OUTCOME 9	Strengthened stewardship and governance	6 112	1 982	3 172	5 155	84%
OUTCOME 10	Increased public financing for health	2 890	895	1 556	2 451	85%
OUTCOME 11	Strengthened financial protection	1 400	628	716	1 344	96%
OUTCOME 12	Risk factors for communicable diseases	14 347	5 716	7 707	13 423	94%
OUTCOME 13	Risk factors for NCDs	10 475	3 588	6 071	9 660	92%
OUTCOME 14	Malnutrition	3 728	1 378	2 201	3 579	96%
OUTCOME 15	Intersectoral response to violence and injuries	2 331	711	1 425	2 136	92%
OUTCOME 16	Intersectoral action on mental health	2 976	1 175	1 713	2 888	97%
OUTCOME 17	Elimination of communicable diseases	16 843	7 080	9 253	16 333	97%
OUTCOME 18	Social and environmental determinants	14 510	5 163	8 535	13 698	94%
OUTCOME 19	Health promotion and intersectoral action	3 573	968	2 357	3 325	93%
OUTCOME 20	Integrated information systems for health	9 404	3 609	5 334	8 943	95%
OUTCOME 21	Data, information, knowledge, and evidence	13 606	5 808	7 648	13 456	99%
OUTCOME 22	Research, ethics, and innovation for health	3 029	1 128	1 748	2 876	95%
OUTCOME 23	Health emergencies preparedness and risk reduction	15 829	5 215	8 189	13 404	85%
OUTCOME 24	Epidemic and pandemic prevention and control	14 722	5 349	7 638	12 986	88%
OUTCOME 25	Health Emergencies Detection and Response	38 638	9 284	19 665	28 949	75%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	5 325	2 160	3 089	5 249	99%
OUTCOME 27	Leadership and governance	69 438	32 578	35 385	67 963	98%
OUTCOME 28	Management and administration	81 043	33 963	42 017	75 980	94%
<b>Subtotal - Base Programs</b>		<b>478 975</b>	<b>184 355</b>	<b>258 863</b>	<b>443 218</b>	<b>93%</b>
	Foot and mouth disease elimination program	12 210	3 348	3 516	6 863	56%
	Smart hospitals	26 240	9 316	15 570	24 886	95%
	Outbreak and crisis response	212 528	109 374	88 352	197 726	93%
	Polio eradication maintenance	202	33	97	131	65%
<b>Subtotal - Special programs</b>		<b>251 180</b>	<b>122 071</b>	<b>107 535</b>	<b>229 606</b>	<b>91%</b>
<b>TOTAL - Program Budget</b>		<b>730 155</b>	<b>306 427</b>	<b>366 398</b>	<b>672 824</b>	<b>92%</b>

This Note serves as a supplement to the standardized information presented in the Statement of Comparison of Budget and Actual Amounts. Given that the approved PAHO budget is typically not fully funded, it is useful to compare expenses and accrued amounts to funding figures ("Funds Available") as shown in the table above, in addition to the comparison to the approved budget (envelopes or ceilings) included in the Statement of Comparison of Budget and Actual Amounts.

As shown in the table above, the implementation level for the Program Budget in the 2020-2021 biennium, relative to available funds, was 92%, explained by a 93% implementation of available funds in Base Programs and 91% in Special Programs (especially COVID-19 response efforts).

Absolute and relative levels of financing varied greatly within Base Programs. Of the 28 outcomes, three were overfunded with respect to their approved budget allocation: OUTCOME 25 (Health Emergencies Detection and Response) with \$13.6 million or 155%, OUTCOME 18 (Social and environmental determinants) with \$1.5 million or 112%, and OUTCOME 22 (Research, ethics, and innovation for health) with \$29,000 or 101%. Due to the direct correlation between available funds and implementation measured against approved budget, outcomes 18 and 25 resulted in an implementation level that exceeded their approved budget allocation.

On the other hand, outcomes with the lowest percentage of financing were OUTCOME 11 (Strengthened financial protection) with 34%; OUTCOME 13 (Risk factors for NCDs) with 39%, OUTCOME 06 (Response capacity for violence and injuries) with 46% and OUTCOME 02 (Health throughout the life course) with 48% of the approved budget, respectively. Some of the reasons for the observed underfunding were the highly targeted nature of some voluntary contributions and limited donor interest in priority areas so consequently, these outcomes presented the lowest level of implementation of the program budget, with percentages below 50% of approved budget.

## 18. Segment Reporting

### 18.1 Statement of Financial Position by Segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment	Intra-Party Segment	Total 2021	Total 2020
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	167 326					167 326	357 346
Short Term Investments	174 063					174 063	188 236
Owed From Other Segments *		295 837	972 328	50 841	(1 319 006)		
Accounts Receivable	64 559	121 971	56 956	1 963		245 449	246 330
Inventories		7 569	1 405			8 974	11 458
<b>Total Current Assets</b>	<b>405 948</b>	<b>425 377</b>	<b>1 030 689</b>	<b>52 804</b>	<b>(1 319 006)</b>	<b>595 812</b>	<b>803 370</b>
<b>Non-Current Assets</b>							
LongTerm Investments	955 795					955 795	485 672
Accounts Receivable	27	90 503	13 030	1 250		104 810	76 487
Net Fixed Assets	117 826			21 265		139 091	140 115
Intangible Assets	161		452	30		643	348
<b>Total Non-Current Assets</b>	<b>1 073 809</b>	<b>90 503</b>	<b>13 482</b>	<b>22 545</b>		<b>1 200 339</b>	<b>702 622</b>
<b>TOTAL ASSETS</b>	<b>1 479 757</b>	<b>515 880</b>	<b>1 044 171</b>	<b>75 349</b>	<b>(1 319 006)</b>	<b>1 796 151</b>	<b>1 505 992</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accrued Liabilities	4 681	16 054	1 471	5 521		27 727	29 958
Owed To Other Segments *	1 319 006				(1 319 006)		
Accounts Payable	9 665	8 379	23 193	211		41 448	22 440
Employee Benefits				2 717		2 717	2 386
Deferred Revenue		286 400	588 913			875 313	672 202
Short Term Provision		10 290				10 290	11 223
<b>Total Current Liabilities</b>	<b>1 333 352</b>	<b>321 123</b>	<b>613 577</b>	<b>8 449</b>	<b>(1 319 006)</b>	<b>957 495</b>	<b>738 209</b>
<b>Non-Current Liabilities</b>							
Accounts Payable	8 659					8 659	8 659
Employee Benefits				296 142		296 142	332 562
Deferred Revenue		193 607				193 607	152 853
<b>Total Non-Current Liabilities</b>	<b>8 659</b>	<b>193 607</b>		<b>296 142</b>		<b>498 408</b>	<b>494 074</b>
<b>TOTAL LIABILITIES</b>	<b>1 342 011</b>	<b>514 730</b>	<b>613 577</b>	<b>304 591</b>	<b>(1 319 006)</b>	<b>1 455 903</b>	<b>1 232 283</b>
<b>Fund Balances and Reserves</b>							
Fund Balances	84 436	(10 253)	289 454	(277 983)		85 654	65 739
Reserves	53 310	11 403	141 140	48 741		254 594	207 970
<b>TOTAL NET FUND BALANCES and RESERVES</b>	<b>137 746</b>	<b>1 150</b>	<b>430 594</b>	<b>(229 242)</b>		<b>340 248</b>	<b>273 709</b>
<b>TOTAL LIABILITIES AND FUND BALANCES / RESERVES</b>	<b>1 479 757</b>	<b>515 880</b>	<b>1 044 171</b>	<b>75 349</b>	<b>(1 319 006)</b>	<b>1 796 151</b>	<b>1 505 992</b>

\* Owed to/from Other Segments is due to PAHO holding pooled cash on behalf of other segments. This cannot be allocated directly to a cash segment. These are eliminated on consolidation.



## 18.2 Statement of Financial Performance by Segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment	Intra-Party Segment	Total 2021	Total 2020
<b>REVENUE</b>							
<b>Revenue from Non-Exchange Transactions</b>							
Assessed Contributions	97 200			8 075		105 275	105 275
Voluntary Contributions		177 631	11 841		( 11 841)	177 631	136 813
WHO Allocations	38 587	93 037	4 023			135 647	154 194
<b>Revenue from Exchange Transactions</b>							
Procurement of Public Health Supplies			1 395 161		( 23 143)	1 372 018	953 976
Other Revenue	3 477	3 684	4 880	25 080	( 30 310)	6 811	( 26 064)
Miscellaneous Revenue	( 6 381)	950	2 494			( 2 937)	15 899
<b>TOTAL REVENUE</b>	<b>132 883</b>	<b>275 302</b>	<b>1 418 399</b>	<b>33 155</b>	<b>( 65 294)</b>	<b>1 794 445</b>	<b>1 340 093</b>
<b>EXPENSES</b>							
Staff and Other Personnel Costs	94 982	26 017	12 837	43 864	( 24 218)	153 482	181 502
Supplies, Commodities, Materials	10 995	53 684	1 341 412	2 014	( 25 550)	1 382 555	967 456
Depreciation, Amortization, and Revaluation	431		238	1 030		1 699	13 255
Contract Services	33 722	116 073	2 818	6 156		158 769	85 440
Travel	2 381	13 595	372			16 348	9 836
Transfers and Grants to Counterparts	6 294	52 100	17		( 3 685)	54 726	60 896
General Operating Costs	11 771	3 669	210	1 875		17 525	17 815
Indirect Support Costs		11 841			( 11 841)		
<b>TOTAL EXPENSES</b>	<b>160 576</b>	<b>276 979</b>	<b>1 357 904</b>	<b>54 939</b>	<b>( 65 294)</b>	<b>1 785 104</b>	<b>1 336 200</b>
<b>NET SURPLUS/ (DEFICIT)</b>	<b>( 27 693)</b>	<b>( 1 677)</b>	<b>60 495</b>	<b>( 21 784)</b>		<b>9 341</b>	<b>3 893</b>

## 19. Losses, Ex-Gratia Payments and Write-Offs

In 2021 the Organization recorded the following:

- There were no Inventory write-off for PALTEX program recipients (2020: \$ 221 291)
- There were no write-off for letters of agreement (2020: \$1 484)
- There were no write-off for small financial contributions (2020: \$322)
- \$ 53 were recorded as write off from receivables from former staff (2020: \$78 791)
- \$ 13 333 were recorded as write off from a fraudulent transaction (loss) in a commercial payment (2020: \$ 0)
- \$ 25 712 were recorded as write off from receivables from the PAHO funds for Income for Services (2020: \$0)
- No Ex-Gratia Payments were recorded (2020: \$0)

## 20. Cases of Fraud and Presumptive Fraud

In 2021, 11 cases related to fraud, theft, damage, or loss of property valued at \$28 131 were reported. PAHO recovered \$2 567 of this amount, leaving a net loss of \$25 565 to the Organization.

There were 10 cases involving fraud, damage, loss or theft of PAHO property in the country offices and Headquarters. The total net loss to the Organization of this lost or stolen property was \$25 481.

There were 45 transactions involving cyber-scammers, who tested stolen credit cards on the PAHO donation portal to verify that the cards were active, presumably in order to continue using them fraudulently on other e-commerce sites. The Department of Financial Resources Management (FRM) reimbursed the cardholders the amounts received. FRM was proactive in returning money to the individuals prior to receiving notice of a dispute, in order to avoid bank fees, but there were seven instances when a chargeback fee (\$12 per dispute) was levied. Therefore, PAHO suffered a net loss of \$84.

## 21. Related-Party and Other Senior Management Disclosure

As stated in Note 1, the Organization serves as the Regional Office for the Americas of the World Health Organization. The relationship between both organizations is detailed in the Agreement between the World Health Organization and the Pan American Health Organization duly signed on 24 May 1949. This agreement provides for the allocation of funds from the WHO budget for implementation by PAHO. The financial management of the funding received by the Organization from WHO is governed by Regulation IV, "Financing the Program and Budget" of PAHO's Financial Regulations.

The Agreement between the World Health Organization and the Pan American Health Organization and the PAHO Financial Regulations can be found in the Basic Documents of the Pan American Health Organization at the following link: <https://www.paho.org/hq/dmdocuments/2017/basic-documents-paho-2017.pdf>

Details of the transactions with WHO are set out in Note 14, AMRO Regular Budget, AMRO Voluntary Funds for Health Promotion, and AMRO Special Account for Servicing Costs.

Key management personnel are the Director, Deputy Director, Assistant Director, and Director of Administration, as they have the authority and responsibility for planning, directing, and controlling the activities of the Organization.

The aggregate remuneration paid to key management personnel, as established by the United Nations International Civil Service Commission (ICSC), includes: gross salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effects shipment costs, income tax reimbursement, and employer pension and current health insurance contributions. These remunerations are provided in conformity with the standards established by the ICSC and are applicable to all United Nations personnel.

Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.

Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).

### 21.1 Key Management Personnel

As of 31 December 2021, the number of key management personnel totaled Four, on a Full Time Equivalent Basis. (2020: Four)

Key Management Personnel	2021	2020
Compensation and Post Adjustment	841	819
Entitlements	334	291
Terminal Entitlements	45	
Pension and Health Plans	291	289
<b>Total Remuneration</b>	<b>1 511</b>	<b>1 399</b>

### 22. Events after Reporting Date

The Organization's reporting date is 31 December of each year. On the date of signature of these accounts by the External Auditor, no material events, favorable or unfavorable, have occurred between the date of the Statement of Financial Position and the date when the financial statements have been authorized for issue that would have impacted these statements.

### 23. Provisions

As of 31 December 2021, the Organization recognized a provision for \$10.3 million (2020: 11.2 million). The provision reflects potential losses against revenues recognized in previous periods. The timing of any potential outflow of resources is uncertain. The Organization will continue to seek the most advantageous outcome. The reduction in the Provision amount is due to the year-end currency revaluation.

	31 December 2020	Increase / (Decrease)	31 December 2021
Provisions	11 223	( 933)	10 290

### 24. Contingent Liability

In the normal course of business PAHO faces lawsuits which are at various stages of action. Having undertaken a review, PAHO does not consider these legal cases to have any significant impact on the financial statements, given the balance of probabilities. PAHO is unable to quantify the potential costs of defending these actions, but do not consider them to be significant or reliably estimable.

### 25. In-Kind Contributions

Host governments and cooperating partners at the country level provide different in-kind contributions, which are utilized by the Organization's Country Offices for their general and daily operations. These contributions are not recognized in the Organization's financial statements due to the complexity of standardizing a fair value throughout all the Organization's Country Offices. In-kind contributions received by the Organization include personnel, office premises, and office services.

Country Office or Center	Services Received In-Kind		
	Personnel	Office Premises	Office Services
Bahamas	X	X	X
Barbados	X	X	X
Belize	X		X
Chile	X	X	
Costa Rica	X	X	X
Cuba	X		
Dominican Republic	X	X	
Ecuador	X		
El Salvador	X		
Guatemala	X		
Guyana	X	X	X
Honduras	X		
Jamaica	X		X
Nicaragua	X	X	X
Panama	X	X	X
Paraguay	X		
Suriname	X	X	X
Trinidad and Tobago	X	X	X
Uruguay	X		X
PANAFTOSA		X	
CLAP	X		

# **Report of The External Auditor**

MAY 2022

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PAHO

External Auditor's Report on the 2021  
PAHO Financial Statements

The aim of the audit is to provide independent assurance to Member States; to add value to the PAHO's financial management and governance; and to support your objectives through the external audit process.

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The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

# Contents

<b>EXECUTIVE SUMMARY</b>	<b>84</b>
KEY OBSERVATIONS	<b>85</b>
<b>PART ONE</b>	<b>89</b>
FINANCIAL MANAGEMENT	<b>89</b>
GOVERNANCE AND INTERNAL CONTROL	<b>97</b>
<b>PART TWO</b>	<b>104</b>
PAHO'S STRATEGIC PLANNING PROCESS	<b>104</b>
<b>PART THREE</b>	<b>118</b>
PRIOR YEAR RECOMMENDATIONS	<b>118</b>
ACKNOWLEDGMENTS	<b>119</b>
<b>APPENDIX ONE PRIOR YEAR RECOMMENDATIONS</b>	<b>120</b>

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# Executive summary

## Background

**1** The Pan American Health Organization (PAHO) is the specialized international health agency for the Americas. It works with countries throughout the region of the Americas, to improve and protect people's health. PAHO engages in technical cooperation with its member countries to fight communicable and noncommunicable diseases and their causes, to strengthen health systems, and to respond to emergencies and disasters. PAHO is committed to ensuring that all people have access to the health care they need, when they need it, with quality and without fear of falling into poverty. Through its work, PAHO promotes and supports the right of everyone to good health.

**2** To advance these goals, PAHO promotes technical cooperation between countries and works in partnership with ministries of health and other government agencies, civil society organizations, other international agencies, universities, social security agencies, community groups, and other partners. PAHO promotes the inclusion of health in all public policies and the engagement of all sectors in efforts to ensure that people live longer, healthier lives, with good health as their most valuable resource.

**3** In addition to our opinions on PAHO's financial statements, this report presents the key findings and recommendations arising from our work, including our observations on financial and budget management. We have also considered PAHO's 'three lines of defence' framework of internal control and its approach to compliance monitoring, risk management and oversight. Our performance audit work has focused on the strategic planning and budgeting processes and how outcomes are considered in the context of its results-based framework. We have also followed up on the progress made implementing our previous recommendations.

**4** Our findings and recommendations have been discussed with management. In line with good practice, the results of our financial audit were communicated to the Audit Committee prior to finalising our work.

**5** The original drafting language of this report is English. The English version is the authoritative text.

## Key observations

### Audit opinion on financial statements

**6** Our audit comprised the examination of the 2021 financial statements and the associated transactions and events for that year. It was conducted in accordance with International Standards on Auditing and the Financial Regulations. We provided an unqualified audit opinion, without modification, on the financial statements.

**7** Given the ongoing challenges with the continued impact of the Covid-19 pandemic and another year of PAHO's fully remote working, we had to undertake the audit on a fully remote basis. Despite this, and the consequential staffing pressures, the attainment of an unqualified audit opinion represents a significant achievement by all involved in ensuring the availability and access to information to enable the audit to be finalised successfully.

### Financial management

**8** PAHO has reported a surplus of revenue over expenses of \$9.3 million (2020: \$3.9 million). Overall, levels of financial activity increased further from those achieved in 2020. This reflected, the continued increases in revenues and expenses attributable to the pandemic response and the increased use of the procurement funds. The consequences of prioritising pandemic response inevitably impacted on the delivery of the Base Program Budget, contributing to a reduction in the rate of its implementation to 71 per cent. We noted the Financial Regulations over PAHO's budget approval differed from other international organisations, and Member States may wish to review these arrangements to ensure they remain comfortable with the degree of delegation on financial limits.

**9** PAHO has broadly maintained its financial position, with increases in deferred revenues matching an increase in overall investments held. While the rate of assessed contributions and other receivable balances outstanding at year end remain high, PAHO reports that the trend has seen improvement during the early months of 2022. There remains significant pressure on the liquidity of core funded activities, and the Working Capital Fund (WCF) was again exhausted during 2021, with additional internal borrowing required to manage cash pressures. Until arrears of receivables are comprehensively reduced, the WCF, despite planned increases, will continued to be fully utilised each year.

**10** To aid in the preparation of financial statements, PAHO used a disclosure guide for the first time. This is a positive step which we believe can be further enhanced during 2022, when PAHO should more comprehensively address areas previously identified through the audit to further improve the disclosures and presentation within the financial statements. This will also include the important areas of estimation uncertainty within the financial statements, specifically in the significant areas of its land and buildings and employee benefit liabilities. These are critically material to the overall reported position of PAHO, and as such it is important that the underlying assumptions and the sensitivity of these are clear to the reader of the accounts and

appropriately validated annually by management.

**11** Overall, net assets have increased to \$340.2 million (2020: \$273.7 million). After allowing for the increases in assets and liabilities arising from procurement funds, the most significant change was the reduction in the net liabilities in respect of employee benefits of some \$36 million. Changes arose from actuarial movements, reflecting favourable claims experience; changes in coverage uptake; and an increase in the discount rate, offset by an increase in medical inflation rates. PAHO has taken some steps to proactively manage the liability and it is important that this focus remains to ensure future costs are constrained. With inflationary trends and market instability, staff benefit liabilities will continue to experience volatility. While currently assessed by PAHO as remote, it also faces the potential costs arising from litigation in respect of the Mais Medicos programme. As a minimum, PAHO will face legal costs in its continued defence and Member States should remain alert to the risks this case presents.

### **Governance and internal control**

**12** Our audit identified no significant weaknesses in PAHO's internal controls, and none have been brought to our attention. There remains significant work in developing the three lines of defence model to enhance accountability, and we have specifically highlighted the need for greater attention to developing the focus of compliance work and in enhancing the attention to the mitigations as part of PAHO's Enterprise Risk Management (ERM) process. Only through the challenge and review of improved mitigations can the risk management process deliver real value to PAHO.

**13** We have continued to make observations on PAHO's compliance function and how it supports the second-line of defence. During 2021, further development of compliance activities lost momentum and there was limited focus on key risks, consequentially its value in assuring the key internal control was more limited. The Secretariat are considering changes to the compliance function and how it provides assurance, and we have made further observations for enhancement to build on the points raised in our previous reports.

**14** It is important that developments in risk management and compliance form part of the refocused efforts of the Enterprise Risk Management and Compliance Committee (ERMSC). The ERMSC should focus more on the consideration of the completeness and mitigation of risks and the application of compliance activity against the most significant control and business processes within PAHO. We believe these changes will strengthen management's oversight of internal control processes.

**15** We have noted that, while further improvement can be made to individual control elements, PAHO has all the essential components to deliver a properly supported Statement on Internal Control. However, each element operates in isolation, rather than as part of an overall and holistic approach to accountability. PAHO should consider the adoption of an overall accountability framework to provide a more concise and focused approach to internal control, which will facilitate more coherent and systematic reporting to Member States through the Statement on Internal Control.

We believe there is scope to enhance the current disclosures within the Statement on Internal Control by adopting a more concise, logical and consistent approach to its articulation.

### **PAHO's strategic planning process**

**16** As part of our performance audit, we considered PAHO's planning and budget processes, linking through to the associated results chain. The Strategic Plan has been formulated through a region-wide consultation, with national health authorities participating in the prioritization process. The Plan establishes the regional priorities which have guided the formation of prioritised outputs and outcomes.

**17** Our findings highlight PAHO's focus on joint reporting of health outcomes with Member States, meaning that the link between use of PAHO resources and the role and impact of PAHO through the Secretariat's work, does not get full visibility. The Secretariat informed us that Member States had decided not to attribute the specific role and deliverables of the Secretariat in respect of the overall outcomes. A greater visibility of the Secretariat's contribution would enhance accountability and provide a closer alignment between outcomes and the use of resources. This would align with changes within the World Health Organization (WHO), which is reinforcing the accountability framework for reporting results, and more clearly highlighting its Secretariat's role in these outcomes.

**18** PAHO's non-core activities, including the procurement funds and national voluntary contributions, account for the majority of revenues, and expenditures and they have separate planning and reporting channels. In our view, the Strategic Plan should better encompass these other activities, linking them more closely to the Member States' overall strategic objectives. This would provide a more complete measure of the Secretariat's overall performance, better highlighting how other activities contribute to the delivery of outcomes.

**19** PAHO works with each Member State to identify their individual priority areas. This informs the allocation of budget to programmes through a bottom-up costing exercise. These allocations were refreshed due to the COVID-19 pandemic and while desired outcomes remained the same, there were some changes to prioritisation although scope for more significant reallocation is impacted by the fixed costs associated with the current organisational structure. PAHO's enabling functions of leadership and governance; and management and administration do not fall under the same process for prioritisation. This should be kept under review, as such functions have the capability to enhance programmatic implementation, for example, through investment in a more efficient operating environment to support delivery.

**20** PAHO's strategy is ambitious in the breadth of its objectives. We believe it may benefit from more consideration of where the Secretariat's input can make the most beneficial contribution to health outcomes from the resources invested by Member States. This should be informed by a programme of targeted evaluation, which in recent years has been limited, and we will review the revised arrangements for evaluation and how they inform the use of resources in future audits.

**21** PAHO's financial monitoring is focused on the straight-line consumption of budget, or rate of implementation. To enhance accountability, a more defined budget profile, linked to known financial events and planned activities should be used to reflect the timing of expenditure over the budgetary or program lifecycle. This would support improved cashflow management and ease pressures on the working capital of PAHO. We have again highlighted the importance of greater ambition in respect of cost-saving measures, noting that those achieved and reported were largely fortuitous, rather than permanent structural changes.

**22** The Secretariat is responsible for delivery of over 4,000 products and services that contribute to outputs under the work plan. The six-monthly Performance Monitoring and Assessment process, the key internal accountability mechanism, requires cost centres to review their performance against budget and their deliverables. PAHO should keep under review the focus of this process to ensure it is proportionate and delivers clear value. There is scope to consider whether the monitoring of expenditure and delivery can be tracked at the cost centre level as part of routine reporting through PMIS and provide a stronger basis for analysis of cost benefits.

**23** Results-Based Management is evolving in many organisations. A more holistic picture of delivery is achieved through more refined and balanced measures to focus on the value-added, attaching costs to the specific inputs and outcomes. The current objectives and reporting framework provide a good and balanced picture of the collective performance against outcomes, but do not measure the actual performance and effectiveness of the Secretariat. In many instances baseline data is not available to measure the degree of improvement and some measures are primarily focused on process. We have made recommendations to ensure greater balance in the reporting of results through a balanced set of indicators better demonstrating and quantifying the Secretariat's performance.

**24** We will consider how the results of the End of Biennium Assessment are reported to Member States in our reporting next year, once the Secretariat has compiled and issued its 2020-21 report.

### **Previous recommendations**

**25** Of the 41 recommendations raised for 2020 and those from earlier years that remained in progress, PAHO has implemented six, we have closed a further six recommendations on the basis that PAHO does not intend to do any further work. Twenty-nine recommendations remain open or are in progress. To enhance the governance over the process to review the status of these recommendations, we agreed with the Audit Committee to change how they are reported so they can provide more direct advice on the prioritisation and progress.

# Part One

## Financial management

### Overall audit results

**1.1** Our audit of PAHO's financial statements revealed no weaknesses or errors which we considered material to their accuracy, completeness or validity. The audit opinion confirms that these financial statements present fairly, in all material respects, the financial position of PAHO as at 31 December 2021 and of its financial performance and cash flows for the year then ended. It also confirms their preparation in accordance with International Public Sector Accounting Standards. The audits also confirmed that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the governing bodies.

**1.2** The audit included a general review of PAHO's accounting procedures, an assessment of internal controls that impact on our audit opinions; and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our audit procedures were designed primarily for the purpose of forming those opinions. The audit did not involve a detailed review of all aspects of the budgetary and financial information systems, and the results should not be regarded as a comprehensive statement on them. Finally, an examination was carried out to ensure that the financial statements accurately reflected the accounting records and were fairly presented.

**1.3** Due to the restrictions in place on international travel in light of the COVID-19 pandemic, and the continued application of PAHO's emergency teleworking policy during the period, we were unable to travel to headquarters or any country offices as part of our audit this year. We are committed to resuming our onsite work as soon as PAHO lifts its restrictions. While we have been able to obtain the necessary evidence to support our opinion, the workplace restrictions curtail our ability to gain full insight on the operations of PAHO and impact upon the efficiencies of our audit.

### Financial commentary

**1.4** PAHO reported an overall surplus of \$9.3 million (2020: surplus \$3.9 million), with total revenues of \$1,794 million (2020: \$1,340 million) and expenses of \$1,785 million (2020: \$1,336 million). The increase in revenues and expenses compared to 2020 was primarily due to additional activities through the Procurement Funds by Member States to procure COVID-19 vaccines and supplies. Procurement of medical supplies and equipment to support the response to the COVID-19 pandemic also continued to increase during 2021. This included additional funding via the World Health Organization (WHO), as well as donations from other countries for the

procurement of public health supplies and to fund Outbreak and Crisis Response special programs. Figure 1 shows our analysis of the component elements of expenditure during 2021.

**Figure 1: Key revenue and expense streams:** PAHO's activities remain increasingly dominated by the procurement services it provides directly to individual national governments.

<b>Revenue streams</b>	<b>2021</b>	<b>Percentage of total revenue</b> (2020 equivalent in brackets)
Procurement activities on behalf of Member States	\$1,372.0m	76.4 (71.2)
Voluntary (including National) contributions	\$177.6m	9.9 (10.3)
WHO revenue	\$135.6m	7.6 (11.5)
Assessed contributions	\$105.3m	5.9 (7.9)
Other and Miscellaneous revenue	\$3.9m	0.2 (-0.8) <sup>53</sup>
<b>Total revenue</b>	<b>\$1,794.4m<sup>54</sup></b>	
<b>Expense streams</b>	<b>2021</b>	<b>Percentage of total expenses</b> (2020 equivalent in brackets)
Procurement activities on behalf of Member States	\$1,315.5m	73.7 (72.4)
Contract services	\$158.8m	8.9 (6.4)
Staff and other personnel costs	\$153.5m	8.6 (13.6)
Transfers and grants	\$54.7m	3.1 (4.6)
Other expenditure	\$102.6m	5.7 (3.1)
<b>Total expenses</b>	<b>\$1,785.1m</b>	

Source: NAO analysis of PAHO financial statements

**1.5** The Statement of Comparison of Budget and Actual Amounts shows final disbursements against the approved biennial budget, with actual expenditure in the second year of the 2020-2021 biennium of \$366.4 million (2020: \$306.4 million), against a budget of \$325.0 million. While PAHO expended more than the authorised total Program Budget, overall for the biennium it implemented \$443.4 million for the Base Program budget of \$620 million (71 per cent) and expended \$229.6 million on Special Programs, exceeding the budget of \$30 million by some 765 per cent. This significant increase was entirely due to the pandemic and the corresponding crisis response.

<sup>53</sup> The negative revenue reported in 2020 relates to PAHO's treatment of the impairment of accounts receivable (see Note 6.2).

<sup>54</sup> Includes \$37.5million of programme support revenue of which \$11.6million was released to fund expenditure in 2021.

**1.6** Unlike many other international organisations, where authority to incur expenditure is limited to the approved budgets, PAHO's Financial Regulations<sup>55</sup> do not limit spending to the approved budget level and permit the Director to make payments for the purposes for which the Program Budget was approved, subject to availability of funding and the Regulation does not differentiate between Base and Special programs. With the significantly increased levels of funding for the pandemic response and the continued discussion with Member States on it throughout the biennium, the Director did not consider it necessary to submit a supplementary budget proposal. While fully understanding why budgetary approval processes may require flexibility for Special programs, the existing arrangements do not follow the normal practice for establishing clear expenditure limits for the Base, or core, programme of work. Member States may therefore wish to consider whether the existing Financial Regulation provide sufficient control over expenditure levels. Governing Bodies may wish to consider more specific approval processes in line with normal practices to permit PAHO to only enter commitments and make payments to the level of approved budgets for its Base program.

**1.7** PAHO received \$222.2 million of funding for the Special Program; Outbreak and Crisis Response, of which it expensed \$197.7 million compared to an approved budget of \$13 million.

**PAHO should:**

**R1: consider whether the Financial Regulations should be revised to limit commitments and expenditure on Base Programs and require a specific approval process for any supplementary budget when the original approved budget is likely to be exceeded.**

**1.8** Overall, primarily as a result of actuarial gains on the valuation of the After Service Health Insurance (ASHI) and higher levels of cash held in investments, net assets increased to \$340.2 million (2020: \$273.7). Total assets increased by \$290.2 million to \$1,796.2 million and included cash and investments of \$1,297.2 million (2020: \$1,031.2 million) and property, plant and equipment holdings with a net value of \$139.1 million (2020: \$140.1 million). Receivables increased to \$350.3 million (2020: \$322.8 million) after impairment of \$33.3 million, of which \$22.6 million related to a single Member State. We have noted that despite States in arrears being subject to Article 6B voting restrictions, there are no processes to consider and approve whether a state can access PAHO to utilise the procurement funds or to participate in the national voluntary contribution programme. Member States could consider an approval process for the provision of significant additional non-core services where contributions have been in significant arrears for a period time. This could provide a mechanism to encourage timely payment of assessed contributions and minimise the cash flow impacts that PAHO has suffered in recent years.

**1.9** Total liabilities increased from \$1,232.3 to \$1,455.9 million, an increase of \$223.6 million. Liabilities include total deferred revenue for voluntary contributions and the

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<sup>55</sup> PAHO Financial Regulations, Article 4.1



procurement funds of \$1,068.9 million (2020: \$825.1 million) and the net actuarial valuation of the staff benefit liabilities in 2021 of \$298.9 million (2020: \$334.9 million) as shown in Note 12 to the financial statements.

**1.10** PAHO's overall financial health has stayed broadly consistent over the past five years, but activities funded through the core funds have greater cash pressures than the voluntary funded activities. We use ratio analysis of an organisation's financial health on all our international audits to show how financial positions change over time. They express the relationship of one item of account against another. For example, there are \$0.60 of current assets for every \$1 of current liabilities, demonstrating that current liabilities exceed current assets by some 60 per cent. We have undertaken a review of the indicators of PAHO's financial health, using key financial ratios (Figure 2).

**1.11** Our analysis of overall and core activities shows that financial pressures have been more intense, with current assets relating to core activities matching only 30 per cent of current liabilities meaning that PAHO cannot meet its immediate obligations from core<sup>56</sup> resources alone. To mitigate this risk, PAHO does have the ability to liquidate non-current investments with short notice periods if needed.

**Figure 2: Analysis of key financial health ratios for PAHO (core activities shown in brackets):** The ratios show that core activities are under greater pressure than those funded by voluntary funds and PAHO does not have sufficient liquid assets to meet its current liabilities

Ratio	2021	2020	2019	2018
<b>Current ratio</b>				
Current assets:	0.6 (0.3)	1.1 (0.6)	1.1 (0.6)	1.2 (0.6)
Current liabilities				
<b>Total assets: Total liabilities</b>				
Assets: Liabilities	1.2 (1.1)	1.2 (1.2)	1.2 (1.1)	1.4 (1.1)
<b>Cash ratio:</b>				
Cash and short-term investments: Current liabilities	0.4 (0.3)	0.7 (0.00)	0.7 (-0.05)	0.8 (-0.02)
<b>Investment ratio:</b>				
Cash and investments: Total assets	0.7 (0.9)	0.7 (0.00)	0.7 (-0.04)	0.7 (-0.02)

<sup>56</sup> Core activities are set out in Note 18 to the financial statements and predominantly comprise the Assessed Contributions, Miscellaneous Revenue and the WHO Regular Budget Funds

## Financial reporting

### Financial statements

**1.12** PAHO implemented IPSAS in 2010, since then the Organization has evolved, the focus of the non-core activities has changed and reporting standards have been revised. PAHO has continued to provide and deliver financial statements which have been unqualified, and present fairly its financial position. Since our appointment in 2018, we have encouraged the Secretariat to further enhance disclosures and financial reporting. In our view PAHO has not fully invested in a detailed review against the IPSAS disclosure requirements to ensure that they remain relevant for users and stakeholders as time has passed.

**1.13** The Secretariat did utilise an IPSAS disclosure guide for the first time this year. This process helped PAHO assess its own compliance with the requirements of the reporting standards. Despite this, there were areas where the guides application was not fully followed, and we continue to note further areas where we consider attention is needed. There are opportunities for PAHO to enhance its reporting to Member States, making the financial statements more accessible. We will engage with management and the Audit Committee to further review and assess these over the coming year to aid the transparency of the financial statements. We have noted that the financial statements included more detail on PAHO's deliveries, but we continue to believe there is more scope for the financial reporting and PAHO's performance to be aligned in a single annual report.

### Land and buildings valuation

**1.14** For its 2020 financial statements, PAHO obtained an expert revaluation of its property estate and land holdings which resulted in a revised valuation of \$138.9 million and a net impairment loss of \$11.2 million. Under this revaluation model which PAHO has adopted, the reporting standards require that the valuation is reviewed annually to confirm it remains appropriate. While PAHO's expert confirmed that there were no material changes in the market value, this was not accompanied by supporting evidence that they had reviewed the assumptions, such as market reports showing land and rental prices and yields were stable over the period, particularly for the Washington DC material assets. As such, there was limited evidence to show how PAHO had validated the work of its expert. There was limited further analysis by PAHO to demonstrate there was no physical change to the assets, either through capital expenditure, impairment, or change of use. As part of our audit response, we considered these matters and were satisfied that the existing valuation remained appropriate, especially given the "highest and best use" of the Washington estate would be the sale to an investor for redevelopment. This consideration should be included in PAHO's approach to strategic estate management.

**1.15** As the time between external valuations increases, the estimation uncertainty within the assumptions will increase. This is an area where PAHO's disclosures could be further enhanced, to provide a greater understanding of the factors influencing the

market value. The reporting standards require disclosure of the sensitivity of assumptions with higher levels of estimation uncertainty.

## Post-employment benefits

**1.16** The most significant liability which PAHO recognises in its financial statements is the employee benefit liabilities. These liabilities comprise the staff member's after-service health insurance and their termination and repatriation entitlements. The overall liability for these staff benefits has decreased to \$404.9 million (2020: \$432.4 million). The liabilities are offset by plan assets of \$106.0 million (2020: \$97.5 million), that PAHO has earmarked to partially meet those liabilities, leaving a net unfunded liability of \$298.9 million (2020: \$334.9 million).

**Figure 3: Employee Benefit liabilities:** the net liability has remained at a significant level over the last five years and management need clear strategies to mitigate impacts on PAHO's financial health

### Composition of employee benefit liabilities (\$'000)

	After service health insurance (ASHI)	Termination and repatriation entitlements (TAREP)	Total
1 January 2021	408,565	23,855	<b>432,420</b>
Increase/(decrease) in year	(28,219)	685	<b>(27,534)</b>
31 December 2021	380,346	24,540	<b>404,886</b>
Plan assets	84,551	21,477	<b>106,028</b>
<b>Net liability</b>	<b>295,795</b>	<b>3,064</b>	<b>298,859</b>
<b>31 December 2021</b>			

### Unfunded net employee benefit liabilities over time (\$'000)

	2021	2020	2019	2018	2017
ASHI	295,795	330,330	270,249	198,792	234,284
TAREP	3,064	4,618	7,292	4,435	4,323
<b>Total</b>	<b>298,859</b>	<b>334,948</b>	<b>277,541</b>	<b>203,227</b>	<b>238,607</b>

Source: PAHO financial statements

**1.17** Liabilities are calculated by an independent actuary based on underlying input data and assumptions. For ASHI, the \$28.2 million decrease is the net of service costs, interest and claims payments of \$16.0 million and an actuarial gain of \$44.2 million. The impacts of actuarial factors are designed to provide the best estimate of future liability costs in today's money and for 2021 include adjustments for:

- Continued favourable claims experience (\$21.8 million gain)
- Changes in the discount rate (\$21.6 million gain)
- Updates to medical inflation assumptions (\$12.3 million loss)
- Change to the PAHO uptake/opt-in assumption for retirees with less than nine

years of service (\$10.1 million gain)

- Updates to other assumptions (including mortality, retirement rates, foreign exchange and new hires, \$3.0 million gain)

### **Discount rate**

**1.18** PAHO based its discount rate on the yield curve from United States high-grade corporate bonds (Aon AA above median curve) as agreed with its actuary. The rate on these bonds increased from 2.9 per cent to 3.2 per cent, causing an actuarial gain of \$21.6 million in the liability. PAHO has adopted the rate approved by the United Nations Task Force on Accounting Standards, believing that it is appropriate for PAHO's own circumstances.

**1.19** As outlined last year, the bond rate utilised by the Task Force - an above median rate - is typically used in the United States but is less common in other locations. The rate reflects the fact that some bonds are excluded, the consequence of which is to move the rate above the median expectation. This could impact on the requirement to avoid "unbiased" assumptions as set out in IPSAS 39. Our audit work considered this but concluded that the impact led only to a 0.1 per cent difference to the comparative based around median bonds (AA Only Universe). Based on the sensitivities provided for the liability - set out in Note 12.8 to the financial statements, adopting a discount rate that is 0.1 per cent lower would increase the liability by circa \$8 million. While within a tolerable range, we continue to believe that at the year end the overall liability is reported at the lower end of expectations. Member States will need to continue to monitor the extent to which employee benefit liabilities grow, as future commitments will need to be met from regular funding.

### **ASHI claims experience**

**1.20** The actuary has adjusted future expected claims downwards, following favourable claims experience in 2021, resulting in a gain of \$21.8 million. The actuary placed a 40 per cent weighting on the 2021 claims experience and a 60 per cent weighting on the pre-2021 claims level assumptions. While our expert noted that this weighting is higher than they are typically seeing being placed on mortality experience during the pandemic (as a comparator), the impact of using a lower weight on the 2021 claims experience would not be material.

**1.21** The actuary noted that their assumption is also based on the following specific factors for PAHO:

- Continued success of the cost control strategy for the ASHI scheme. For example, in the United States a new third-party prescription drug administrator was implemented from 1 January 2021. This contributed to a substantial decrease in US prescription drug costs from 2020 to 2021, despite a partial recovery of health care after the initial phase of the pandemic.
- A slower global recovery from the pandemic and associated economic disruptions during 2021, relative to the actuary's expectations used during the

2020 valuation.

- Inherent volatility in claims, especially for catastrophic cases.

### **Demographic assumptions**

**1.22** One of the assumptions used by the actuary is that all employees upon leaving the Organisation who, do not meet the criteria to be automatically eligible for the ASHI, will opt-in to the scheme. PAHO undertook a review during 2021 and found that, for those who had less than nine years of service, no one opted into the scheme. This analysis was reflected in the assumptions used for the valuation at 31 December 2021 and resulted in an actuarial gain of \$10.1 million. Such challenge on key assumptions represents good practice in financial management.

### **Disclosures**

**1.23** While PAHO disclose a summary of the main changes impacting the movement in the liability this is at a very high level and provides no context to the underlying causes or judgement applied by PAHO in determining the current year valuation.

**1.24** The sensitivity analysis disclosed in the notes to the financial statements is limited to changes in the discount rate and medical cost inflation. PAHO could expand on this analysis to provide the sensitivity of other assumptions, including claims experience, adjustments for the pandemic and salary increases. With inflationary trends and market instability, staff benefit liabilities will continue to experience volatility and disclosures will be key to their understanding.

### **UN Joint Staff Pension Fund**

**1.25** PAHO is affiliated as a member organisation to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. However, as the pension scheme cannot accurately determine a reliable estimate of the corresponding risk borne by each participating organisation no actuarial liabilities for the pension scheme appear in PAHO's financial statements.

**1.26** The characteristics of the UN pension scheme are outlined in Note 12.9 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2019, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations, in view of the UNJSPF's reported 107.1 per cent funding ratio at that date. Should this situation change in the future, deficiency payments would be required from PAHO. This situation represents a potential future financial risk to the organisation which needs to continue to be tracked. The 2021 valuation of the Pension Fund was not available at the date of this report.

### **Mais Medicos lawsuit**

**1.27** In 2018, four Cuban doctors filed a class action lawsuit against PAHO in respect of its role in the Mais Medicos programme which ran from 2013 to 2018. The claimants alleged PAHO acted as financial intermediary between Brazil and Cuba.

They further claim that the programme effectively treated 8,300 Cuban doctors who worked in Brazil in their role as employees of the Cuban government as forced labour.

**1.28** PAHO initially requested dismissal of the lawsuit on the grounds that it was immune under both United States law and the WHO Constitution. PAHO has informed us that a United States judge agreed that PAHO had immunity under the US law as to most of the plaintiffs' claims. However, as to a subpart of one of the claims, the judge ruled that if all the allegations were true, then an exception to immunity under US law was met. We further understand that, in March 2022, the appellate court in Washington upheld that ruling. PAHO has asked that this decision be reconsidered.

**1.29** If the court declines to reconsider, the case will return to the trial court, where PAHO will have the opportunity to defend against the allegations which it considers unfounded. PAHO believes its disclosures in the financial statements remains appropriate and has not changed these following the latest ruling. It continues to believe that the lawsuit has no merit, which would mean a financial provision would be unnecessary. The case is currently covered by the generic contingent liability disclosures (Note 24), without any quantification. While a liability may be remote it remains a potential significant financial risk for PAHO.

## Governance and internal control

**1.30** The Director is responsible for ensuring effective financial administration of the Organization in accordance with the Financial Regulations. The Director has established and maintains systems of internal control and delegation which are important in providing a framework of assurance for Member States to rely upon. During our audit, we have not identified any significant weaknesses in internal control, and we have not noted any such observations from the Office of Internal Audit (OIA). In the context of the ongoing pandemic this remains a positive element of PAHO's financial management processes.

**1.31** PAHO uses the concept of the 'three lines of defence model' in its articulation of the way it ensures robust internal control within PAHO.

- The first line of defence are the functions that own and manage risks. This is formed by managers and staff who are responsible for front-line operations and back-office support.
- The second line of defence are the functions that oversee or who specialise in compliance or the management of risk.
- The third line of defence are functions that provide independent assurance. In the context of PAHO, this is provided by the Office of Internal Audit and the investigations and ethics functions.

**1.32** We consider this to be a sound framework for fulfilling the responsibilities of the Financial Regulations. However, we believe there are several important steps which PAHO needs to take to ensure that this model is operating in a systematic manner to

provide a holistic set of assurances for the Director, which ultimately feed into the key accountability document, the Statement on Internal Control.

## **Internal control**

### **Operational controls (first-line)**

**1.33** We have previously reported that PAHO has a solid basis for exercising internal control through PMIS functionality. PMIS has continued to demonstrate its utility in supporting the Secretariat in operating remotely during the period of the pandemic. In response to an earlier recommendation, PAHO developed its assurance mapping exercise. As we reported last year, this sets out the internal controls established to meet the requirements of regulations and other extant guidelines. It evaluated the first line measures in operation and determined the current level of assurance that existing controls provide; documented the management information available for the second line; and identified relevant third line activity such as internal audit coverage of the subject matter.

**1.34** As business returns to normal it is important that PAHO builds on the assurance map and systematically reviews each significant business process to ensure the documented controls are complete and these are linked, as appropriate, to the underlying risks. This should then provide a sound basis for the second-line activity to focus on the key and material reputational and financial risks. One key area to confirm the effective operation of controls is over the ICT and cyber security environment, where management have recently deferred both an external review and, with the Auditor General's agreement, proposed internal audit activity.

### **Risk management (first and second-line)**

**1.35** PAHO's Enterprise Risk Management and Compliance Committee (ERMSC) has recently reflected on several of our previous recommendations and recognises that the Organization needs to continue efforts to promote a culture of effective risk management, and more regular review of operational risks at the local level. It has recognised the need to focus monitoring and review activities on the material, reputational and financial risks to the Organization, and strategically link them to compliance for a more holistic approach. It has noted that the quality of the information maintained in the risk register is dependent on the commitment of cost centre managers; consequently, PAHO held three Workshops for PWRs and Country Office Administrators during the year. We have previously highlighted that risk management at the local level (first line activity) was not actively used for decision making and we will revisit this area when we re-engage in our field office programme, following the end of enforced emergency teleworking arrangements.

**1.36** PAHO has not yet developed the risk register to consider the effectiveness of mitigation actions as we recommended last year. In our view this is an area that needs focus in PAHO's approach to risk management. The purpose of risk management is to systematically identify operational risks to the delivery of an organisation's objectives. Without a focus on the quality and effectiveness of the

mitigations to manage the risks, the value of the process is eroded. Enhancing mitigation processes and reviews will enable management to determine the quality and effectiveness of mitigations, to assess whether they reduce risk and whether they are cost effective. It would also highlight more clearly the Secretariat's effectiveness in addressing risks and help support functions such as evaluation and OIA in assessing operational and strategic risks for their own work.

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**Figure 4: Main Risks for the 2022-2023 Biennium**

Risk area	Scope
Dependence upon and need to ensure Member States' funding of their financial commitments	Failure of some Member States to comply with financial commitments (assessed contributions) Insufficient resources or decline in investment to implement and achieve the PAHO Strategic Plan, including funds through voluntary contribution mechanisms Governance collapse or crisis that may delay compliance with financial obligations or derail programmatic development
Ability to support Member States' needs through mobilization of resources, leveraging of partners and donors, and speed of response	Failure to respond rapidly to Member States' needs in emergencies (outbreaks and natural disasters) Lack of diversification of partners and donors Failure to develop and implement resource mobilization plans
Ability to attract and retain talent with skills and competencies to meet new work modes	Time or resource constraints that make it difficult to continuously maintain and update required skills and competencies of existing staff Inability to attract and retain staff with competencies and skills required to support programmatic commitments
Competing national priorities that reduce attention to health priorities	Increasing scale of the COVID-19 emergency and new humanitarian crises that may affect health outcomes Information systems with limited disaggregated data and scarce data on the social determinants of health
System/technology infrastructure readiness to support digital transformation	Insufficient resources for applications development for workplace modernization and business continuity
Duty of care for personnel and operational business continuity during pandemic	Failure to follow workplace safety protocols to ensure health and well-being of personnel Lack of updated business continuity plans in PAHO duty stations
PASB reputation	Potential for fraud/conflict of interest/misbehaviour

Source: ERMSC annual report

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**1.37** PAHO's most significant mitigation actions to address the main risks are set out in its Program Budget 2022-23. It considers that these 17 mitigations collectively



support the Organization in addressing these risks. In considering the top-level risks, we found that many of the mitigations outlined were focused in a generic manner around monitoring and existing process. We highlight three mitigations presented in the Program Budget, as examples of where we consider improvement can be made, (Figure 5) and where more granular actions would specifically mitigate and address risks. PAHO informed us that more granular mitigation actions are discussed at the ERMSC, but we have observed the challenge of these mitigations has not been recorded.

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### Figure 5: Example mitigations

Existing mitigation	External audit comment
Advocate at the national level for financing for health	A key role of the Secretariat's is to advocate for financing national health programmes with member states and other bilateral donors. In our view, this is not a specific mitigating action, but a core responsibility of the Organization.
Monitor collection of assessed contributions and continue to explore mechanisms to increase the timely collection of assessed contributions	In line with good financial management, the Secretariat should monitor and pursue outstanding receivables. This is a routine business process and not a specific mitigation to address the underlying risk. Given the high level of receivables outstanding, this perceived mitigating action is not effective.
Monitor compliance with PAHO's internal control model at different levels, such as programmatic, financial, procurement, and human resources regulation, in order to detect and prevent dysfunctional activities, including fraud	It is the role of the Secretariat to maintain systems of internal control to detect and prevent irregular activities, including fraud. This is not a specific mitigation action for the risk and the compliance function is currently not operating as intended.

Source: External audit review of PAHO ERMSC report

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**1.38** Membership of the ERMSC is drawn from senior members of Secretariat staff including PWR representation. OIA and Ethics are permanent observers and the committee is chaired by the Director of Administration. Term limits are applied to all members irrespective of the importance of their relative roles and responsibilities in the Organization. We would expect the Directors of FRM and HRM to be permanent representatives, in addition to PWRs in Countries which carry significant organisational risks. While the responsibilities and duties of the Committee are defined, we consider there are important actions which should be more explicitly defined and documented in its meetings, including: the need to consider the completeness and prioritisation of the risk identification; the adequacy and effectiveness of the proposed risk mitigation actions; and the focus and prioritisation of compliance and the effectiveness of the second-line control activities.

#### PAHO should:

**R2: a) further develop its approach to risk management with a greater focus on the quality and granularity of risk mitigations; and b) considering our**

**observations and the proposed changes to the compliance function, review the terms of reference for the ERMSC.**

### **Project risk**

**1.39** We reported last year that, following a Member State's request, PAHO commissioned an external review of its approach to project risk management. In its project management framework, PAHO considers risk management as follows:

- Identify risks at the project development phase: this highlights the importance of risk management throughout the project phases, with an emphasis on risk identification and categorization;
- Carry-out joint risk assessment at the initiation phase: this is to guide the project team through the assessment to determine the risk level for each of the risks identified during the previous phase; and
- Monitor risks and employ mitigation actions during implementation: this describes the importance of proactive and systematic monitoring of identified project risks to implement risk response activities as needed.

**1.40** By April 2022, PAHO had identified some 570 active "approved" project risks on 181 projects. The individual project with the most risks recorded was a project in Brazil supporting aiming to strengthen the National Network of Public Health Laboratories with 10 risks recorded. The Smart Hospitals project in the Caribbean recorded the second highest number of risks (nine). Overall, Brazil projects contained 181 of the identified risks on 39 projects. As we identified last year, the risk register does not provide any visibility of the effectiveness of mitigation actions and therefore it is difficult to assess the residual risks PAHO carries on these projects. Following the pandemic, and when PAHO permits us to resume our physical country office visits, we will consider how embedded new project risk management are within operations.

**1.41** The externally conducted review also recommended enhanced independent evaluation of project performance and to ensure that voluntary funded activities are mainstreamed with other PAHO reporting processes. Since the start of our mandate there has been limited evidence to demonstrate systematic evaluation.

### **Compliance (second-line function)**

**1.42** We noted last year that compliance had focused on asset management, and we believe that opportunities were lost to build up a more comprehensive suite of compliance work, aligned to key controls, to underpin the second line defence activity. At present we consider that PAHO's compliance function does not maximise its potential to provide evidenced assurance to support the assertions made within the Statement on Internal Control.

**1.43** Compliance has not operated within an overall framework of accountability, which would articulate the role function and focus of its work in supporting and assuring the key and material risks of PAHO's financial operations. We believe it is important for the compliance functions of PAHO to be focused on risk, and we

welcome the discussions we have had with the Director of Administration to place the compliance function within the remit of the Organization's risk management process.

**1.44** Our findings identify a need to consider in detail the role and remit of the compliance function. It should develop a suite of functional reports to confirm key areas of compliance, to identify trends and patterns to inform risk assessments and other responses. These efforts should be focused on the identified key process and internal controls within PAHO. We will work with management to review the development of the compliance function, but advocate that this should sit within an overall framework of accountability which considers all the elements of the internal control environment.

#### **Office of Internal Audit (OIA) (third line)**

**1.45** OIA's role is to assist management in protecting and enhancing risk management and internal controls in the Secretariat. It sits alongside other third line defence elements such as ethics and investigations. OIA provides an independent view on whether risk management processes and related internal controls are adequately designed and functioning effectively. Their work should cover all operational and institutional functions, including information technology systems.

**1.46** During 2021, OIA performed seven audit assignments and in its annual report it noted that it had not identified any significant weaknesses in internal controls that would seriously compromise the achievement of PAHO's strategic and operational objectives. OIA's annual opinion concluded that the internal control environment "provided reasonable assurance of the accuracy and timely recording of transactions, assets, and liabilities, and of the safeguarding of assets". It did not however provide a specific opinion covering the risk management processes, or the internal control environment per se.

**1.47** In its 2022 audit programme, OIA has proposed a review of the second line of defence. We welcome this and while the scope of that work has not been finalised at the date of this report, we will continue to liaise with PAHO's Auditor General and review the outcome in due course.

**1.48** In line with good practice, OIA is required periodically under the professional standards to which it subscribes in its charter to have an external quality assessment undertaken. OIA has commissioned such a review by the Institute of Internal Auditors (IIA) during 2022. OIA has not opted for a "Full-Scope External Quality Assessments", but it proposes to perform a self-assessment with some independent validation by the IIA. This will focus primarily on the completeness of OIA's own review of its activities and compliance with the professional standards and interviews with relevant stakeholders such as the Director, the Director of Administration, the Audit Committee Chair and the External Auditor. In our view, given the importance of OIA's role in the governance and oversight of the Organization, PAHO may benefit from the independence of a Full-Scope External Quality Assessments and the benefit of this should be re-considered before concluding the review.

### **Statement on Internal Control**

**1.49** PAHO's Statement on Internal Control should provide Member States with assurance over the Secretariat's internal control environment and the operation of the lines of defence and other control elements. During our mandate we have worked with the Secretariat to enhance the Statement to ensure it can better serve as a key accountability document. This year though, there has been a growth in disclosure, which has detracted from the core focus on the assurances underpinning the Statement.

**1.50** Many organisations have established an overall accountability framework, to bring together: the three lines of defence; planning; financial and performance reporting; the schemes of delegation and authority; and ethics to provide a clear framework for reporting to Member States. While these elements are in place at PAHO, the overall conceptual framework and interaction of these components could be enhanced.

#### **PAHO should:**

**R3: a) review its approach to the Statement on Internal Control focusing on the sources of assurance; and b) consider the adoption of an overall accountability framework to bring together the various organisational accountability elements and sources of assurances.**

## Part Two

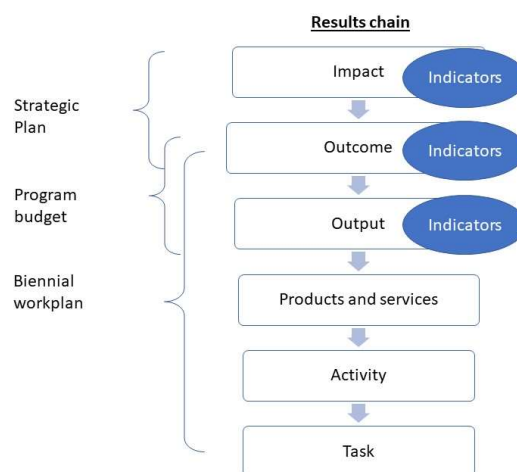
### PAHO's strategic planning process

#### Introduction and scope

**2.1** PAHO has faced significant financial pressures in the funding of its budget and will continue with the current economic environment. We therefore considered it was important to review PAHO's approach to how it prioritised and planned its resources to meet the ambitions of Member States and how the accountability and reporting framework demonstrates the effective use of resources. We have examined how results-based management is embedded within PAHO's strategic and biennial plans and how these support efficiency and effectiveness.

**2.2** We considered PAHO's planning process at three levels: its strategic plan; its biennial budget; and its biennial workplans and the associated results chain as depicted in **Figure 6**. Once the first end-of-biennium assessment is complete for this strategic plan period, we propose to look at the overall reporting to Member States by reviewing the reported performance in our next report.

**Figure 6: PAHO's results structure**



Source: PAHO

#### PAHO's strategic plan

##### Background

**2.3** PAHO's Strategic Plan sets out PAHO's vision for the region and defines the programmatic results-based framework for achieving this vision. There are a set of impacts with corresponding indicators that are set referencing the Sustainable Health Agenda for the Americas 2018-2030, along with the WHO's 13th General Programme of Work Results Framework and the Sustainable Development Goals. These inform PAHO's Strategic Plan for the Americas, the current version covering the period 2020-25. Impacts include improved health and wellbeing and targeted reductions in morbidity, mortality, and equity gaps. The outputs and outcomes with their associated indicators have been determined to monitor progress and accountability of PAHO overall.

**2.4** Our findings highlight PAHO's focus on the joint reporting of health outcomes with the Member States, which means that the link between the use of PAHO resources and the role and impact of the Secretariat's work, does not get full visibility. The Secretariat informed us that Member States had decided not to attribute the specific role and deliverables of the Secretariat in respect of the overall outcomes. Greater attribution would provide Member States with a mechanism to assess the specific performance of the Secretariat, aligning the use of resources with outcomes. This would mirror changes within the World Health Organization (WHO) which is reinforcing its accountability framework for reporting results, and more discreetly highlighting its Secretariat's role in these outcomes.

**2.5** Strategic Plan outcomes can relate to increased capacity of health systems or reductions in health-related risks, while outputs could represent change in national policies, programmes or guidelines. These outcomes with their indicators are mirrored through the Program Budget and Biennial Workplans, serving to inform the development of outputs, and used as the basis of setting budgets through each operational planning cycle.

**2.6** The Biennial Workplan establishes a series of products and services for which the Secretariat are directly accountable. The reporting and measurement of progress and resources used against these products and services is referenced as part of the Strategic Plan reporting chain and supports the achievement of the results framework. The accountability for the products and services is however largely an internal process, framed around the 4,000 or more products and services. While there is accountability in assessing the delivery of these, the aggregate and measurable performance of the Secretariat is difficult to track through the reporting to Member States. We consider this is an area where PAHO should further develop its approach.

#### **Development of the current strategic plan**

**2.7** PAHO's current Strategic Plan sets out the Organization's strategic direction, based on the collective priorities of Member States, and specifies the public health results to be achieved during the period 2020-2025. The Plan establishes the joint commitment of PAHO Member States and the Pan American Sanitary Bureau as the PAHO Secretariat, for the next six years. Member States see the Strategic Plan as a principal instrument for implementation of the Sustainable Health Agenda for the

Americas 2018-2030 and thus for realising the health-related Sustainable Development Goals (SDGs) in the Americas Region.

**2.8** The Strategic Plan has been formulated through a region-wide consultation with national health authorities, with 47 countries and territories participating in the subsequent prioritization process. The Plan establishes the regional priorities, which, in turn, have guided the formation of a set of outputs and outcomes. There has been a process to rank the outcomes between high, medium and low priorities - an area discussed later in the report. These have framed the formation of the program budget and biennium work plan, such that the program budget is linked to each of these outcome areas.

**2.9** The emerging health priorities for the region are critical to inform the programmatic priorities. In our view, it is important that alongside these overarching objectives there is a clearer articulation of the Secretariat's responsibilities, identifying its contribution to the delivery of these objectives against some measurable criteria within the approved strategy. This would enhance the accountability of the Secretariat and more closely link its work to the Strategic Plan objectives of Member States. As such the Strategy would be more balanced, by identifying specific Secretariat contributions to the outcomes, linked to its own results chain. This balance of outputs and outcomes could further reflect PAHO's own developments in its impact and accountability framework. It is important that measures cover all aspects of the Secretariat's operations, including:

- the programmatic activity;
- other activities that fall outside of the program budget, such as the Procurement Funds and National Voluntary Contributions; and
- more granularity and a balanced set of measures to show how the enabling functions support the implementation of PAHO's activities.

### Strategic plan outcomes

**2.10** There are twenty-eight outcomes detailed within the Strategic Plan. These outcomes are financed by the program budget and are reported to Member States in each end-of biennium assessment. PAHO's other activities that sit outside of the program budget have separate reporting channels. **Figure 7** shows that the program budget accounted for only 20.5 per cent of PAHO's total activity during 2021. Consequently, PAHO's overall strategy does not focus on significant elements of financial resources it manages and deploys.

**Figure 7**

PAHO's Program Budget against total expenses (\$'000)

	2021	2020	2019	2018
Total expenses	1,785,104	1,336,200	1,189,317	1,368,795

Program Budget expenditure (statement V)	366,580	306,427	284,612	261,548
Other activities not included in program budget	1,418,524 (79.5 per cent)	1,029,773 (77.1 per cent)	904,705 (76.1 per cent)	1,107,247 (80.9 per cent)

Source: PAHO's financial statements

**2.11** In our view, an organisational strategic plan should encompass all activities, including non-programmatic activity, and clearly link these to the Member States' overall strategic objectives. Our 2020 report highlighted that despite the scale of procurement activities there was no overarching strategy or measurement of the value added. We noted that PAHO decided not to implement our recommendation. Considering this, it makes it even more important the Strategy should more clearly articulate the contribution of these funds to the overall objectives and include measures of their performance. This equally applies to other areas such as voluntary contributions and capital master planning, the need for a more comprehensive strategy for the latter we raised in our 2018 report.

**PAHO should:**

**R4: develop content within the Strategic Plan to better articulate the specific and measurable contribution of the Secretariat to the overall Strategic Plan for the Americas, with more developed links to the significant other activities outside the core programme.**

**We further reiterate previous recommendations to develop more defined strategies and measures for the Procurement and Special Funds and the Master Capital Investment Fund.**

**Programme budget**

**2.12** PAHO's Program Budget (PB) reflects the resourcing required to meet the Strategic Plan's outcomes and outputs to support Member States in achieving the maximum impact in health. The current programme budget is framed against the 28 outcomes noted earlier and outlined in Figure 8, and 102 associated outputs in the Program Budget for both 2020-21 and 2022-23. These outputs are implemented through collaboration between Member States and PASB, with support from partners. Performance is monitored against 146 overall jointly owned output indicators.

**Figure 8: PAHO Strategic Plan 2020-25 Outcomes**

**Programmatic Outcomes**

Outcome 1	Access to comprehensive and quality health services	Outcome 14	Malnutrition
Outcome 2	Health throughout the life course	Outcome 15	Intersectoral response to violence and injuries



Outcome 3	Quality care for older people	Outcome 16	Intersectoral action on mental health
Outcome 4	Response capacity for communicable diseases	Outcome 17	Elimination of communicable diseases
Outcome 5	Access to services for NCDs and mental health conditions	Outcome 18	Social and environmental determinants
Outcome 6	Response capacity for violence and injuries	Outcome 19	Health promotion and intersectoral action
Outcome 7	Health workforce	Outcome 20	Integrated information systems for health
Outcome 8	Access to health technologies	Outcome 21	Data, information, knowledge, and evidence
Outcome 9	Strengthened stewardship and governance	Outcome 22	Research, ethics, and innovation for health
Outcome 10	Increased public financing for health	Outcome 23	Health emergencies preparedness and risk reduction
Outcome 11	Strengthened financial protection	Outcome 24	Epidemic and pandemic prevention and control
Outcome 12	Risk factors for communicable diseases	Outcome 25	Health emergencies detection and response
Outcome 13	Risk factors for NCDs	Outcome 26	Cross-cutting themes: equity, gender, ethnicity, and human rights
<b>Enabling Function Outcomes</b>			
Outcome 27	Leadership and governance	Outcome 28	Management and administration

Source: PAHO Strategic Plan 2020-25

### **Programmatic prioritisation**

**2.13** Outcomes are set at the initial stage of the strategic planning cycle and are ranked into three priority tiers of low, medium or high using the PAHO-adapted

“Hanlon” method. The Hanlon method is a well-established and recognised formula that gives each outcome a priority rating based on the magnitude of a health problem, the seriousness of the problem, effectiveness of any interventions, regional inequality and a positioning factor that addresses the value PAHO can add to addressing the program areas. The use of such a method demonstrates PAHO’s commitment to objectively prioritise health care needs in the region using a proven model.

**2.14** PAHO works with each Member State to identify their individual priority areas. This informs the allocation of budget to programmes through a bottom-up costing exercise. PAHO did refresh priorities as a result of the COVID-19 pandemic, although outcomes remained the same it resulted in some changes of prioritisation. Our analysis of changes to the base programs showed a modest increase from \$620 million to \$640 million between 2020-21 and 2022-23. Surprisingly, we found that overall, changes to prioritisation did not necessarily lead to a corresponding reassessment of overall cost centre resource needs. This reflects in many instances the fixed costs associated with the Country Offices, flexibility is curtailed by the existing operating structures.

**2.15** Key countries identified in the 2019 PAHO Budget Policy for the Strategic Plan 2020-25 are protected through the budget allocation process. The allocation provides an indicative budget based on:

- core staff costs and operating expenses;
- a needs-based index;
- the ability to mobilise resources; and
- a variable component to address any regional change in need.

**2.16** Safeguards exist to ensure country specific issues are protected. This top-down allocation provides an indicative budget to frame the biennium workplan through operational planning. Over the course of the biennium, the allocation of additional mobilised funding was channelled to the twenty-five programmatic outcomes and is influenced by the priority-status of a country, resource gap or donor preference for a specific outcome/country/region. The two enabling functions do not fall under the process for the compilation and prioritisation of the budget, as they are considered corporate outcomes. It is important to review these closely, as they may have the capability to enhance programmatic implementation, for example, through investment in a more efficient operating environment or through targeted cost reduction, especially in areas of fixed costs, as we highlighted in previous reports.

**2.17** Overall, PAHO’s strategy is ambitious, and it attempts to address all the relevant health needs of Member States. PAHO sees its role as a catalyst for action and investment by Member States through their national health resources. With pressures on available resources, PAHO is limited in its ability to meet all the health priorities identified in the Plan. However, we believe the planning process can benefit from greater consideration of where PAHO can create the greatest beneficial health return on the investment by Member States. PAHO should consider focusing its

resources and activities in the areas where it can demonstrate greatest effectiveness in the key outcome areas, this should be informed by a programme of targeted evaluation.

**2.18** Currently, objective and systematic evaluation evidence is unavailable to inform such prioritisation decisions. By reporting to Member States based on measurable data on where health outcomes can be achieved through the most efficient use of resources, the overall impact of the Secretariat can be enhanced. We note the recent changes to the evaluation arrangements and will return to this issue in future years once we can review the effectiveness of the new evaluation arrangements. We consider that independent and objective evaluation is critical to the process of assurance and accountability for the use of funds.

**2.19** The overall process of consultation on budgets occurs in conjunction with national authorities to identify specific needs and priorities. Executive Management reviews the outcome and agrees the emerging budgets for integration in the overall programme budget for consideration of PAHO's Governing Bodies. This engagement with key stakeholders throughout the process is a particular strength of PAHO's budgeting process as it ensures the budgets reflect their priorities, reinforcing the shared approach between the Secretariat and Member States in the achievement of the Outcomes.

**2.20** Once budgets allocations are established there is limited flexibility to change them where they are related to specific outcomes. Several principles underpin control over such reallocations:

- high-priority outcomes should at least maintain their budget space;
- any increase in the budget for medium- or low-priority outcomes needs to be justified by resource mobilization efforts; and
- any reduction in any outcome (whether high, medium or low) should be compensated with inter-programmatic actions in other outcomes.

**2.21** As reported in our comments on prioritisation, the restrictions around budget re-allocations could prevent PAHO from being more agile in using resource where it might deliver a greater quantum of health outcomes and may lead to sub-optimal decision making by managers.

**PAHO should:**

**R5: consider the benefits of targeting its prioritisation of resources to the areas it can demonstrate it has greatest impact and effectiveness, informed by a clear programme of independent and objective evaluation to demonstrate the greatest beneficial return on the investment by Member States in the Secretariat.**

## Budget management

**2.22** PAHO's Planning, Budget and Evaluation department (PBE) controls the allotment of budget allocation by releasing about half of flexible funds within the first year of implementation, reflecting the available cash resources and funding. PAHO's monitoring is focused on the rate of budget implementation. In our view, a more defined budget profile linked to known and planned activities, major procurements, renewal of contracts and other significant financial events should be used to reflect the timing of expenditure over a budgetary or program lifecycle. This would enhance accountability and control through more meaningful budget monitoring and support enhanced cash-flow management, to complement the existing Performance Monitoring Assessment (PMA) accountability mechanism.

**2.23** Closer and more regular budget monitoring would be consistent with wider developments within the UN system, for example as part of his reforms, the UN Secretary-General is promoting the concept of annualised budgets to better align budgetary and financial reporting, emphasizing the need for more regular review of budget performance as a means of enhancing accountability and transparency.

**We reiterate our previous recommendation that PAHO should review the basis on which it monitors its expenditures against its available budget and develop an improved basis to monitor funds against a meaningful measure of expected use of resources at cost centre level. This should draw upon the PMIS functionality as far as possible and support a process that can enforce real-time budget accountabilities on cost-centre managers.**

**2.24** The identification of cost-saving measures at PAHO has been limited, although cost centres have been asked as part of the PMA process for 2022-23 to identify cost saving measures. We have previously highlighted the importance of being ambitious on cost-saving measures, and to promote a culture of value for money to ensure economy, efficiency and effectiveness in the delivery of its outputs. PAHO has not developed a set of principles to underpin its approach to cost-savings and we feel there is scope for greater ambition in ensuring Member States resources are demonstrably used to the best effect. For example, the cost-savings reported to Governing Body under the 2020-21 biennium (Figure 9) were mostly fortuitous and arose largely as a consequence of the emergency telework arrangements, rather than permanent structural changes. We noted the savings were not quantified and were not assessed against targets or business cases.

**2.25** As we have previously reported PAHO can do more to specifically consider areas for targeted savings of fixed costs, through exploring shared service and other structural cost efficiencies. It is important that cost-saving measures are an integral part of the budgeting process and are positioned in the context of the strategic planning of the Organization since they will support the prioritisation of funds to frontline activity.

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## Figure 9

### Cost saving categories

#### Cost saving categories reported to governing body for 2020-21 biennium

- a Elimination of paper documents for internal transactions through electronic signatures;
- b Digitization of internal communications through SharePoint to eliminate repetitive printing and scanning of correspondence;
- c Establishing paperless document management and archiving, eliminating costs associated with printing, filing, and manual document retrieval;
- d Establishment of an online portal for Member States and vaccine vendors to streamline routine communications on vaccine delivery logistics;
- e Automation of data entry for administrative transactions within PMIS such as credit card transactions, purchase orders, and supplier invoices;
- f Elimination of some administrative posts from PWR Offices with a low volume of administrative work and transfer of their functions to the Shared Services Center in the Brazil PWR Office;
- g Outsourcing of IT support functions and elimination of dedicated IT positions.

Source: PAHO 2022-2023 Program Budget

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### Biennial Work Planning

**2.26** The Biennial Work Plan (BWP) is the instrument used by PASB for planning and managing its work internally, including the results to be delivered by an entity cost-centre and resources required. It translates the commitments made by the Secretariat in the Program Budget (PB) into implementable two-year work plans. During operational planning, cost centres select the PB outputs under each of the outcomes to which they will contribute. For example, outcome six relates to an improved response capacity for violence and injuries. There are two outputs that contribute to the achievement of this outcome that are monitored with corresponding aims:

- i) an increased health service response capacity for road traffic injuries; and
- ii) the development of national standard operating procedures, protocols and/or guidance to strengthen the health system response to violence.

**2.27** The selection of outputs is guided by national, subregional and/or regional health mandates and priorities. This leads to each cost centre identifying the specific products and services and corresponding activities and tasks to be delivered, which are then costed.

**2.28** A product or service is a tangible deliverable that contributes to an output and to which expected qualitative and quantitative performance criteria can be attached.

The accountability for the delivery of products and services, in contrast to the outputs, outcomes and impacts, is the full responsibility of the Secretariat and the relevant cost centre manager. They can either adopt or adapt one of the

recommended products or services identified for each output or add their own. Examples of products and services within the administrative enabling functions include:

- Risk mitigation plan developed, implemented, and monitored;
- Resource mobilization plan developed, implemented, and monitored; and
- Biennial Work Plan 22-23 developed, implemented, and monitored.

**2.29** Examples of technical products and services (from PAHO's standard list) include:

- Policy options, tools and technical cooperation provided to implement continuous processes to improve quality of care in the delivery of comprehensive health services. (under Output 1.2)
- The HEARTS in the Americas Initiative promoted, developed and implemented. (under Output 5.1)
- Guidelines and tools developed or updated to sustain efforts towards prevention, control and elimination of NIDs. (under Output 17.2)
- After action reviews of acute public health events at national level documented. (under Output 23.3)

**2.30** Internal accountability is enforced through the six-monthly Performance Monitoring and Assessment (PMA) process, which requires the cost centres to review their performance against budget and progress against the products and services in the work plan. The Secretariat considers this process a key part of its accountability and it underpins the analysis of performance against the biennium workplans and the delivery of products and services. The PMA process is intensive, and PAHO should keep under review its focus, to ensure it is proportionate and delivers clear value. There may also be benefit in PAHO reviewing the key activities to consider whether any of these can be mainstreamed as business as usual. For example, using PMIS functionality to track expenditure against profile and performance against deliverables. To facilitate this, improvements could be made to the quantification and measurement of specific workplan outputs at the cost centre level. This would better support information on the cost benefits of the individual products and services.

## **Results based management**

**2.31** Results-based management (RBM) is defined by the United Nation's Joint Investigation Unit as the management strategy in individual organizations of the United Nations system to manage the achievement of organizational results by integration into all aspects of management. It emphasises integrating evidence and lessons learned from past performance into management decision-making. RBM seeks to develop budgets based on the relationship between available funding levels and the expected results from the use of those funds. The use of RBM is an important part of the accountability process and is a valuable tool to help assess efficiency and

effectiveness. PAHO undertakes the assessment of results in partnership with Member States to ensure the outcome measurement is agreed and robust.

**2.32** At the 50th Directing Council (2010), PAHO established its RBM framework. It defined RBM as a process in which programmes are formulated around a set of predefined objectives and expected results. The expected results are used to demonstrate the resource requirements that are linked to outputs. While the framework anticipated that actual performance was measured by indicators, holding managers and staff accountable for achieving results, as explored earlier, the impact of the Secretariat's use of resources as a "catalyst" are not identifiable in the End of Biennium reporting to Member States. In our view this is a key element of the accountability for use of resources which could be enhanced.

### **Strategic plan indicators**

**2.33** The current strategic plan sets out 28 impact indicators and their corresponding targets which entirely relate to the results of the health systems of member states. The plan also sets out 28 outcomes and associated outcome indicators. Of these 28 outcomes, 26 relate to the collective impact of Member States interventions a selection of which are shown in Figure 10.

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## **Figure 10**

### **Selection of PAHO outcome indicators**

<b>Outcome indicators</b>	<b>Baseline (2019)</b>	<b>Target (2025)</b>	<b>Outcome being measured by this indicator</b>
1.a Number of countries and territories that show a reduction of at least 10% in hospitalizations for ambulatory care sensitive conditions	8	20	1. Access to comprehensive and quality health services
3.a Number of countries and territories with capacity to prevent care dependence	6	20	3. Quality care for older people
4.a Percentage of people with HIV who have been diagnosed	82% (2017)	90%	4. Response capacity for communicable diseases
6.a Number of countries and territories that minimize the time interval between road traffic crashes and the provision of first professional emergency care	N/A (2019)	10	5. Response capacity for violence and injuries
11.a Number of countries and territories that have decreased by 20% the percentage of population in households experiencing out-of-pocket catastrophic health spending	0 (2019)	17	11. Strengthened financial protection

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Source: PAHO's 2020-2025 Strategic Plan

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**2.34** RBM is evolving in many organisations, with more refined and balanced measures to focus on the value-added and to more firmly attach costs to the specific inputs and outcomes and to provide a more holistic picture of organisational delivery. The current objectives and reporting framework provide a good and balanced picture of the performance against outcomes, but do not reflect the degree of resources and Secretariat input in achieving these. The End of Biennium Reporting does not provide the more specific costs associated with products and services and there are too many specific deliverables to present a meaningful picture of the Secretariat's key interventions and contributions as reported through to the Member States.

**2.35** Two enabling outcomes do relate more directly to the Secretariat's performance. These relate to "leadership and governance" (outcome 27) and "management and administration" (outcome 28). There are six associated indicators which directly report against these outcomes over the biennium.

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## Figure 11

### Outcome 27 and 28 indicators

Outcome indicators	Baseline (2019)	Target (2025)
27.a Proportion of countries and territories where the national health authority reports satisfaction with PAHO/WHO's leading role on global and regional health issues	No data (2019)	100%
27.b Number of countries and territories for which there is alignment between the national health policy, strategy, or plan and the outcomes defined in the PAHO Strategic Plan 2020-2025	20 (2019)	51
27.c Proportion of corporate risks with an approved mitigation plan implemented	50% (2019)	100%
27.d Percentage of approved PAHO (not AMRO) budget funded for each biennial Program Budget	TBD	100%
27.e Percentage of PAHO Strategic Plan 2020-2025 outcome indicator targets achieved	To be determined based on final assessment of the SP14-19	90%
28.a Proportion of total human resource costs expended on	TBD	10% reduction

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management and administrative  
functions

Source: PAHO's 2020-2025 Strategic Plan

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**2.36** In our view, these indicators could provide a more balanced measure of the Secretariat's performance. In many instances baseline data is not available to measure the degree of improvement and some measures are primarily focused on process. The indicators could be more stretching and balanced to reflect the Secretariat's wider contribution and provide the data to enhance decision making and performance. For example, effectiveness of risk management would be measured by the degree to which mitigations reduced assessed risk, rather than simply having risk mitigation plans in place. The real measure of achievement should be how risks are managed in practice and whether it reduces its likelihood and impact.

**2.37** While the approach currently adopted provides a collective measure of performance, the framework means it is difficult to measure the actual performance and effectiveness of the Secretariat. The focus for future indicators should be to measure more specific Secretariat contributions to drive incremental improvement in performance and to enhance decision making.

**PAHO should:**

**R6: review its approach to results-based management and develop a balanced suite of indicators that would enable the Secretariat to demonstrate its contribution to the outcomes expected by Members States for the given level of resource and provide data to assess organisation and cost centre performance which could be aggregated to provide quantifiable measures of the Secretariat's performance.**

**Program Budget outputs and indicators**

**2.38** The biennial Program Budget sets out the detailed outputs and indicators for each of the outcomes, along with the key technical cooperation interventions that will be required to achieve the desired results. Many of the features we identified in our review of the outcome indicators we found replicated in the more detailed output indicators. In particular, the majority of the indicators are the collective responsibility of Member States in their own constituencies.

**2.39** While important to measure the various indicators set out in the Program Budget that are more specific to PAHO, including some of the outcome 27 indicators (leadership and governance) and those related to management and administration (outcome 28), they are high-level indicators that provide limited information to inform and enhance performance. For example:

- output 28.1, an unmodified audit opinion issued each financial year is not a comprehensive measure of "sound financial practices and oversight managed through an efficient and effective internal control framework" (better measures might be exception reporting against key measures of financial reporting, for example compliance reports;

- output 28.2, the percentage of post descriptions that have been reprofiled or updated within the last five years does not provide a clear measure of the “Effective and efficient management and development of human resources to attract, recruit, and retain talent for successful program delivery.”, instead as previously reported a suite of more refined HR indicators might be used to focus on the need for workforce agility; and
- output 28.3, the Percentage of PASB entities storing 100% of their documents on secure cloud-based corporate platforms does not appear to be an appropriate measure of whether “effective, innovative, and secure digital platforms and services aligned with the needs of users, corporate functions, technical programs, and health emergencies operations”, rather than measures around data security, validation, service availability and issue resolution.

**2.40** While some of the measures highlighted may be important, we believe there is scope to again broaden the range of indicators to provide a more rounded assessment of the desired outcomes. The link between the indicator and the outcome is not always clear. The mix of indicators used and those reported should be kept proportionate and if appropriately balanced and challenging it will enhance accountability without creating additional reporting burdens.

### **Reporting to the governing bodies**

**2.41** The end-of-biennium assessment is the principal instrument of accountability and transparency for the Organization. It provides an opportunity for PAHO to reflect on health gains and remaining gaps, as well as on challenges, opportunities, and lessons learned. The report presents an analysis of programmatic and budgetary performance by PAHO. Given 2021 was the end of the first biennium of the current strategic plan and the end-of-biennium assessment was not yet finalised at the time of our audit, we will return to this aspect of the process as part of next year’s audit.

# Part Three

## Prior year recommendations

**3.1** At the end of our first term of four years we have taken detailed stock of PAHO's progress in the implementation of our recommendations and provide additional commentary on the overall approach in the areas we have covered. It is the responsibility of management to respond and follow-up the recommendations made in our reports, and our own reporting will validate the status as a record for Member States.

**3.2** During the April 2022 meeting of the Audit Committee, we proposed changes to the reporting of our recommendations. This was to enhance the governance over the process to review the status of the recommendations and to help the Committee provide more direct advice on the prioritisation and progress. We are fully supportive of the need to keep the usefulness of our recommendations under review, this ensures management's attention is placed on those recommendations which add greatest value to PAHO.

**3.3** We will work with management over the coming year to support a tighter set of responses to recommendations, with clearer and more granular implementation steps where they remain in progress, and to express our clear view where decisions are taken to cease implementation.

**3.4** Of the 41 recommendations raised for 2020 and those from earlier years that remained in progress, PAHO has implemented six, we have closed a further six recommendations on the basis that PAHO does not intend to do any further work. Twenty-nine recommendations remain open or are in progress.

**3.5 Financial management issues:** we have noted that the Secretariat has chosen not to implement our recommendations around the use of the Program Support Fund Reserve and that the need to review cost recovery mechanisms that we reported in 2018 has now been deferred. There has also been limited progress in addressing the recommendations made to target strategic cost reduction measures, such as using different delivery models and greater use of shared services. We will work with the new Director of Administration to review these and the associated recommendations, as we consider they have the potential to support greater efficiency in the use of PAHO resources.

**3.6 Governance and internal control:** recommendations related to compliance and risk management remain in progress since 2019. As we report this year, the Secretariat is considering a range of developments which should address the previous issues. We will review progress once these plans have been operationalised.

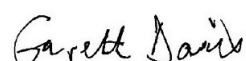
**3.7 Human Resources:** During 2021, approval was given for a new Human Resources Strategy. The Strategy has focused upon functional optimisation, innovation and agility. We took the decision to defer our detailed follow up of our recommendations in this area, pending its operationalisation. It is our intention to assess how the revised strategy is delivering on the recommendations and observations we made in 2019, accepting that the 2020-21 period was substantively dedicated to mitigating the impacts of the pandemic on the workforce. We have therefore considered all the existing recommendations either as closed or kept them “in progress” where we feel some detailed discussions and further validation is needed in the context of the new developments.

**3.8 Procurement Funds:** progress on these recommendations has been mixed. While some have been implemented and a number remain in progress, given the competing pressures on Fund staff, we are content actions are being taken. However, there are several recommendations where no further action will be taken and therefore, we have closed them as not implemented. These include recommendations on: improvements in user engagement; the development of a more specific and detailed strategy; the better identification of the added value provided by the Secretariat; review of pricing strategy; and the better use of the capital account funds.

**3.9** We consider a number of these recommendations are significant, and in closing them we draw Member States’ attention to the Secretariat’s detailed responses in the Annex. The responses will no doubt be subject to discussion as part of the Audit Committee’s future focused review of Secretariat responses.

## Acknowledgments

**3.10** We would like to thank the Director and her staff for their co-operation in facilitating our audit engagement. 2021 was the second year of working in the pandemic and a remote environment and we are conscious of the consequential additional pressures on teams. We look forward to resuming our on-site and country office presence during 2022.



**Gareth Davies**  
**Comptroller and Auditor General, United Kingdom – External Auditor**  
**12 May 2022**

# Appendix One Prior year recommendations

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
2018 Long Form Report Rec 3	<b>Analyse costs to assess the extent to which full cost is recovered on voluntary-funded activity and develop an equitable, consistent and transparent cost recovery policy.</b>	<p>A UN-wide assessment in 2005-2006 established the 13% PSC rate, while acknowledging it was not sufficient. PAHO tries to follow this, but many donors including Member States do not accept it. Costing analysis will be conducted as time allows, and any change to PSC policy will be submitted to Member States for concurrence.</p> <p>Update March 2020</p> <p>No further comments.</p> <p>Update September 2020</p> <p>Please note that a PSC Policy is in place that PAHO considers to be "equitable, consistent and transparent" (see the most recent policy from December 2018: Chapter IV Resource Mobilization, Revenue and Awards, Sub-Chapter IV.1 Mobilizing Resources from Donors, IV.1.2b PAHO Program Support Costs (PSC) on Voluntary Contributions). An analysis of PSC costs and full cost recovery is being conducted in the latter part of 2020.</p> <p>Update March 2021</p> <p>An analysis of PSC costs (direct and indirect) is being conducted. Given the number and volume of Voluntary Contributions it was decided that a detailed survey will have to take place to understand better the figures and cost recovered. PBU will continue with the analysis, for consideration by EXM later this year.</p> <p>Update September 2021</p> <p>Due to competing demands and priorities, it was decided with EXM that the detailed analysis mentioned before would have to be postponed to the next biennium.</p>	We note that PAHO has deferred action on this recommendation.	Not implemented.

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2018 Long Form Report Rec 17	<b>Build a more systematic approach to risk management into its project approval and monitoring processes, so it becomes an integral part of project due diligence. These risks assessment should be scalable to reflect the size and scope of a project and draw upon good practice examples within PAHO.</b>	<p>As a part of PAHO's Project Management Framework the Organization addresses risk management across projects' phases. In this regard, the Organization provided guidance for risk identification and assessment during the project design phase, included risk assessment within project review checklist, and provided guidance regarding risk mitigation during the implementation phase. With this in mind, the Organization considers that risk management is already addressed in a systematic approach. To reinforce these actions, ERP will:</p> <ul style="list-style-type: none"> <li>a) continue to include risk management within project development/project management capacity development;</li> <li>b) continue to include risk assessment in the project review process; and</li> <li>c) develop criteria for determining those voluntary contribution proposals that should undergo additional risk assessment. This criteria will include scale and scope of the proposals.</li> </ul> <p>Update March 2020</p> <p>PAHO has in place a corporate Project Management Framework (PMF) and complementary SOP for voluntary contributions that integrate the discipline of risk management across the project life cycle (identification, assessment, monitoring and mitigation). The inclusion of risks in project approvals is further reinforced through a corporate project review process, guided by a review checklist, to verify that risks were identified and incorporated into the project design and results framework to be adequately addressed, particularly for complex projects (i.e. SMART Hospitals, EU funded) (<a href="https://intra.paho.org/departments-offices/dd/erp/Pages/proj-sup.aspx">https://intra.paho.org/departments-offices/dd/erp/Pages/proj-sup.aspx</a>). The integration of risks into corporate project management approaches and processes has been completed in close collaboration with the Enterprise Risk Management (ERM) Program, with additional guidance provided on the ERM intranet site (<a href="https://paho.sharepoint.com/:p:/r/Tools/RM/_layouts/15/Doc.aspx?sourcedoc=%7B404EFFB9-E2C3-4564-BBD8-9E8F616FB7AD%7D&amp;file=Gestion%20de%20Proyectos.%20Presentacion.pptx&amp;action=edit&amp;mobileredirect=true">https://paho.sharepoint.com/:p:/r/Tools/RM/_layouts/15/Doc.aspx?sourcedoc=%7B404EFFB9-E2C3-4564-BBD8-9E8F616FB7AD%7D&amp;file=Gestion%20de%20Proyectos.%20Presentacion.pptx&amp;action=edit&amp;mobileredirect=true</a>).</p>	<p>We note PAHO's responses to our recommendation on project risk management.</p> <p>We also note the associated work that the Secretariat has been doing in response to the Executive Committee's challenge on the Organization's management of projects funded by voluntary contributions.</p> <p>In light of the consequential ongoing changes to PAHO's project risk management procedures and that new procedures are being implemented during 2021 we consider this recommendation remains open. As highlighted in Section 1 of this year's report, we will review progress during next year's audit once we are able to undertake Country Office visits to</p>	In progress

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			review project management in action.	
2018 Long Form Report Rec 18	<b>Operationalise its anti-fraud policy as a matter of priority and use the opportunity of the launch to raise awareness of the policy, responsibility of staff and to cite examples of zero tolerance of fraudulent behaviour. From this any identifying training needs should be considered.</b>	The anti-fraud and corruption policy was issued on 18 June 2021. While fraud prevention and detection was always included in the training provided by the Ethics Office, the training has been adjusted to align with the new policy and to provide examples of what constitutes fraudulent behavior and how to report it.	We note the updated response from the Secretariat.	Implemented. Closed.
2019 Long Form Report Rec 3	<b>Review the financial statement presentation against the disclosure requirements of the reporting standards and ensure that they remain relevant for users and stakeholders and seek the views of the Audit Committee on the proposed changes.</b>	Update September 2021: PAHO is currently developing its own IPSAS disclosure checklist and will implement it for the 2021 financial statements.	PAHO used a disclosure checklist as part of the preparation of this year's financial statements. We have commented on this in Section 1.	Implemented. Closed.
2019 Long Form Report Rec 7	<b>Establish a roadmap for the development of prioritised compliance reporting and provide managers with the tools to monitor internal controls and business</b>	The Compliance Officer will prepare a multi-year roadmap for compliance reporting, to be reviewed by the ERM Standing Committee on a regular basis, and a PMIS dashboard for cost center managers to monitor compliance with internal controls and business processes.  Update March 2021  The compliance road map will be shared and discussed at the ERM Standing Committee, but the timing of the roadmap slipped due to	We note PAHO's response and that action is ongoing against this recommendation. We further comment on the compliance	In progress.

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	<b>processes under their responsibility.</b>	<p>priority being placed to the assurance map. The road map will be in the agenda in the Q2 2021 meeting.</p> <p>Update September 2021</p> <p>The administrative compliance road map will be developed, including the information provided by PMIS, as a central element of the internal control framework -through which transactions are controlled and recorded. Those administrative processes outside of the PMIS will systematically report compliance issues to cost center managers. To build the Road Map it is essential to work with the responsible compliance staff from the different administrative areas and in close consultation with administrators from CO and HQ. The road map will include the process of assurance with the purpose of integrating the sources of assurance and better identifying the themes emerging from audit and compliance functions. The assurance process and road map was discussed and approved by ERMC Standing Committee in 2021. By Q1 2022 the road map will be in place.</p> <p>Update April 2022: As part of the BWP for 2022-2023, the office of AM is conducting a review of the compliance function with an aim to reassess, restructure and update this function. Part of our review of the compliance approach includes giving more responsibility for compliance functions to business owners.</p>	function in this year's report.	
2019 Long Form Report Rec 8	<b>Develop a strategy for monitoring and reporting compliance with key internal controls and business processes to senior management by cost centre and budget managers, underpinned by a compliance sanctions regime to hold managers to account.</b>	<p>The ERMC Standing Committee will continue to review the effectiveness of the monthly compliance system in PMIS and provide a report to EXM.</p> <p>Update October 2020</p> <p>AM has been tasked by EXM to prepare a proposal for measures to be taken by management in cases where managers are found through the compliance program to be consistently non-compliant with internal controls.</p> <p>Update March 2021</p> <p>Discussions about appropriate measures are ongoing, in parallel with the development of a "one-stop" dashboard for cost center managers</p>	<p>We note PAHO's response and that action is ongoing against this recommendation.</p> <p>We further comment on the compliance function in this year's report.</p>	In progress.



Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		<p>to present all relevant administrative information including compliance status. Once the dashboard is ready, AM will submit a recommendation to EXM on measures to be taken in cases of persistent non-compliance.</p> <p>Update September 2021</p> <p>Compliance with key internal controls and business processes has been developed through the Compliance dashboard. Discussions are being held regarding what are the appropriate follow-up actions to take, including the appropriateness of instituting sanctions.</p> <p>Update April 2022</p> <p>As mentioned in 2019 LFR Recommendation 7, PAHO is undergoing a reassessment of the compliance function, with the aim to follow industry best practices for monitoring and reporting on compliance with key internal controls and business processes. AM Office is working through the ERMC Standing Committee as well as a newly established focus group of Cost Center Managers to undertake this review and restructuring process. Sanctions and other actions for non-compliance are regulated by PAHO Policies and procedures and Staff Rules and regulations, and PAHO has clear processes to investigate and address cases of non-compliance with rules and regulations.</p>		
<p>2019 Long Form Report Rec 9</p>	<p><b>Identify opportunities to further re-align the workforce as part of changes to business processes and wider strategic planning.</b></p>	<p>PAHO's Strategic Plan 2020-2025 approved by the Governing Bodies, Program Budget and Biennial Work Plans (BWP) are the basis for workforce planning. Although the HR plans for 20-21 included staffing actions for realignment, some of those actions were put on hold due to the financial crisis. By mandate of the Director, an Internal Steering Committee (ISC) was established in June 2020 to examine PAHO's existing organizational functions, structure, and budgets, with a view to adjusting these to accommodate the "worstcase" financial scenario. However, in view of the improved cash-flow situation resulting from payments of owed Assessed Contributions by Member States in July 2020, the ISC, composed of the Deputy Director (Chair); Assistant Director, Director of Administration; Head of CSC; Director HRM; Director PBU, and Chief Budget, switched its focus to more strategic concerns, deliberating to develop a series of recommendations to prepare the Organization to enter the 22-23 biennium on solid footing</p>	<p>We note PAHO's responses. Given the importance of HR management and PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a</p>	<p>Partially implemented.</p>

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		<p>from the technical, administrative and financial perspectives. The recommended actions aim to ensure that PAHO's staffing structure aligns with the Strategic Plan 20-25 priorities and fits within the current and future financial landscape and the post COVID-19 demands for technical cooperation. Some of the Organizational Development Initiatives (ODIs) recommended by the ISC were assigned to HRM and will address recommendation # 9.</p> <p><i>Intended actions:</i></p> <p>1) conduct a Skills and Competencies Gap Analysis for the Strategic Plan 20-25 which will be used to develop a corporate learning plan.</p> <p>2) strengthen the process for bottom-up costing and operational planning for the next biennium with specific recommendations for cost center managers on staffing structure; and</p> <p>3) monitor on a quarterly basis the implementation of the HR Plan by Cost Center to identify adjustments and/or corrective actions if necessary to ensure alignment with the Strategic Plan.</p> <p>Update September 2021</p> <p>Action 1: HRM engaged the services of a consultancy company to conduct the Skills and Competencies Gap Analysis for the Strategic Plan 2020-2025 (Organizational Development Initiative # 4). The project started in mid-May, Phase 1 -Conception and Project Plan- has been completed. Currently, Phase 2 - Data Gathering throughout the Organization is on-going and progressing as planned. The final Phase 3 will include the Final Discussions and Reporting is expected to be completed in early December 2021.</p> <p>Action 2: The bottom-up costing exercise for the next biennium 2022-2023 was completed by entities in March 2021 and the exercise of HR planning for 2022-2023 will be completed at the end of September 2021. The Standard Operating Procedure published for these corporate exercises included specific guidance for cost center managers. Each cost center manager was given specific planned costs with an estimated funding allocation for human resources and for activities. The corporate HR planning process is focused on aligning</p>	<p>"partially implemented" status.</p>	

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		<p>the work of the entity with the priorities and results set out in the PAHO Strategic Plan and the Program Budget; linking positions and personnel to the respective outcomes and outputs as set out in the BWP and PB for 2022-2023 and managers are asked to plan work within budgetary realities.</p> <p>Action 3: This action has been completed. HRM designed and launched a corporate dashboard in PMIS "PAHO HR Plan Implementation PMAs 20-21". During each formal Performance Monitoring and Assessment (PMA), conducted every six months, entity managers are asked to rate the status of implementation of their HR plan. This dashboard is available to Entity Managers and Administrators in PMIS. This dashboard shows the entity's staffing structure during each PMA and the approved HR plan 2020-2021 for the entity to assess progress of implementation of the approved HR plan. This is already embedded in the corporate PMA process. There is a standard Entity Report template for reviewing and assessing performance and reporting to EXM.</p> <p><b>PAHO expected implementation date: 31/12/2021</b></p>		
<p>2019 Long Form Report Rec 10</p>	<p><b>Review the root causes of recruitment times through analysis of PMIS data to inform future recruitment practice.</b></p>	<p>PAHO uses WHO's recruitment platform -Stellis- not the Workday recruitment module.</p> <p>The root causes of recruitment times include:</p> <ol style="list-style-type: none"> <li>1) financial situation resulting in moratorium on recruitment processes;</li> <li>2) initiation of recruitment processes without certainty that funds will be available in a timely manner causing cancellation of advertised position or a hold on selection or appointment until funding materializes;</li> <li>3) delayed review of shortlist by Hiring Manager.</li> </ol> <p><i>Intended actions</i></p> <ol style="list-style-type: none"> <li>1) initiate recruitment processes only if funding is available and certified by PBU;</li> </ol>	<p>We note PAHO's response and intended implementation date. We will review progress as part of next year's audit.</p>	<p>Partially implemented.</p>

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		<p>2) establish a concrete timeline for each phase of the recruitment process, with defined responsibilities assigned to HRM (advertisement of position and shortlisting of candidate), PBU (certification of funding) and hiring manager (review of shortlist); and</p> <p>3) implement the Workday Recruitment Module which will facilitate the onboarding process of the selected candidates.</p> <p>Update September 2021</p> <p>Actions 1 and 2 are complete.</p> <p>Action 3: The new recruiting system for contingent workers is scheduled to go live in January 2022 and for the selection of fixed-term positions during the second semester of 2022.</p> <p><b>PAHO expected implementation date: 31/07/2022</b></p>		
2019 Long Form Report Rec 12	<p><b>Ensure that it invests in development of all human resources across all the staffing modalities. This need should be underpinned by an updated 'skills needs analysis' and a reliable funding stream; and routinely monitored and evaluated to assess take-up and impact.</b></p>	<p>Investment in learning and development of PAHO personnel, including contingent labour, will depend upon the availability of resources and allocated budget. The Organization has a biennial Corporate Learning Plan developed in consultation with EXM and the PAHO Learning Board. The corporate learning programs were defined according to the organizational learning priorities and the financial resources available.</p> <p><i>Intended actions:</i></p> <p>1) continue promoting the use of the existing Learning Platforms, available to all personnel, that offer the mandatory courses and extensive learning material on leadership, managerial and technical topics;</p> <p>2) carry out a Skills and Competencies Gap Analysis which is one of the Organizational Development Initiatives approved by Executive Management. In order to ensure that this initiative meets its purpose, the scope of the analysis has been consulted with the Departments under the Office of the Assistant Director and the PAHO Learning Board; and</p>	<p>We note PAHO's ongoing actions and their expected implementation date of March 2022. We will examine the action against this recommendation during next year's audit.</p>	<p>In progress.</p>

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		<p>3) Develop a corporate learning program that addresses the identified gaps.</p> <p>Update March 2021</p> <p>1) This action item has been completed. Different types of virtual learning have been put in place and offered to all personnel in an effort to support their continuous learning and using the current learning platforms. HRM continues promoting the use of these systems among business owners and personnel, in order to deliver training, share materials and accrue learning hours.</p> <p>Update September 2021</p> <p>Action 2: HRM engaged the services of a consultancy company to conduct the Skills and Competencies Gap Analysis for the Strategic Plan 2020-2025 (ODI 4). The project started in mid-May with Phase 1 of the project which has been completed (Conception and Project Plan). Phase 2 of Data Gathering throughout the Organization is ongoing. A report on the initial findings has been produced which will be shared with EXM.</p> <p>Action 3: This will take place upon completion of action 2 above. The development of a corporate learning program will be conducted after the Skills and Gap Analysis has concluded and recommendations have been approved by EXM.</p> <p>PAHO expected implementation date: 31/12/2021</p>		
2019 Long Form Report Rec 13	<b>Ensure that the delivery and take up of training is appropriately monitored and that mandatory training is enforced and appropriately reflected through the performance measurement system.</b>	<p>The Organization will establish an accountability framework to ensure that good practices in human resources management are followed by all managers and training of personnel is appropriately monitored.</p> <p><i>Intended actions:</i></p> <p>1) train Administrators, HR Focal Points, managers and learning business owners on generating reports available in PMIS;</p> <p>2) improve monitoring / share reports on completion of training, on a regular basis;</p>	We note the updated response from the Secretariat.	Implemented. Closed.

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		<p>3) develop and publish PPES compliance dashboard (Workday Talent module); and</p> <p>4) reflect completion status of mandatory training in revised PPES.</p> <p>Update September 2021</p> <p>Action 1: This action has been completed. A PPES training session for all HR Focal points in country offices and centers was conducted during the second trimester of 2021, as well as refresher training sessions to country offices and centers.</p> <p>Action 2: This action has been completed. HRM continues to support and guide learners, as well as HR focal points, who are our main point of contact to follow up on course completion. In terms of the sharing of learning reports to country offices and centers on completion of mandatory training, this is done on an ad hoc basis.</p> <p>Action 3: This action has been completed. The PPES compliance dashboard was updated to reflect reviews compliance up to 2020 which is the last full cycle of performance evaluations.</p> <p>Cost Center Managers received in July 2021 the status report for their respective supervisory organizations. These reports will be provided to Cost Center Managers on a regular basis.</p> <p>Action 4: Reports on completion status of mandatory training are available in the learning platforms and will be delivered to Cost Center Managers on a regular basis.</p>		
2019 Long Form Report Rec 14	<p><b>Undertake regular repeat surveys of staff engagement to mirror key elements of its delivery of the people strategy and to provide a focus to address areas of staff concern.</b></p>	<p>The implementation of the staff engagement surveys is currently under the responsibility of the Advisor on Staff Engagement in the Communications Department. In the event that this initiative is transferred to HRM, and subject to the approval of EXM and resource allocation, the surveys of staff engagement will be carried out every other year.</p> <p>Update September 2021</p>	<p>We note PAHO's <i>intended actions</i> and expected implementation date has slipped from December 2021 to July 2022. We will examine the action against this recommendation</p>	In progress.

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		<p>The Communication Department has planned the Engagement Survey for the second semester of 2022. HRM will collaborate with the organizational entities during the post engagement survey activities.</p> <p>PAHO expected implementation date: 31/7/2022</p>	<p>during next year's audit.</p>	
<p>2019 Long Form Report Rec 15</p>	<p><b>Strengthen the overall performance management regime for personnel in ways that increase its value to individuals and managers, permit accurate and fair differentiation of performance and potential, and help to address under-performance. Completing an appraisal process should be mandatory for line managers, compliance should be monitored, and action taken as necessary.</b></p>	<p>Permanent support and training is provided to staff and managers on the use of the Performance Review Module of Workday. Periodic reports are sent to Cost Center Managers and EXM Directors with information regarding the status of the performance assessments of the staff within their entities.</p> <p><i>Intended actions:</i></p> <ol style="list-style-type: none"> <li>1) continue monitoring and reporting to Cost Center Managers and EXM Directors, compliance with performance evaluations by staff members in their respective entities;</li> <li>2) differentiate levels of performance by evaluating achievement of objectives, values, core and managerial competencies to inform staff learning and development plans;</li> <li>3) assess the feasibility of incorporating the "anytime feedback" into the performance review process;</li> <li>4) link the Within Grade Increase to compliance with the performance review process, and</li> <li>5) engage senior leadership to enforce compliance with performance appraisals.</li> </ol> <p>Update March 2021</p> <ol style="list-style-type: none"> <li>1) This action is partially completed: During 2020, four compliance reports were shared with entity managers in HQ and HR focal points in Country Offices and Centers for their respective follow up on any pending PPES including 2019. Also, during the third quarter of 2020, HRM included in these reports information about the 2020 Mid-Year Reviews for completion and follow up.</li> </ol>	<p>We note PAHO's responses. Given the importance of HR management and PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a "partially implemented" status.</p>	<p>Partially implemented.</p>

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		<p>The first compliance report of this year (2021) will be sent to all entity managers in HQ and HR focal points in the country offices and centers at the end of March. This report will include information about the finalization</p> <p>of the 2020 performance evaluation cycle of the staff in each entity and any pending actions. Some country offices have had changes of PAHO/WHO representatives and as part of the administrative transfer, a report on compliance with the performance evaluations of the staff of the entity is included. In addition, a monthly review in the system of finalization of the evaluation is conducted by the HR Specialist in order to expedite the pending processes.</p> <p>2) The achievement of objectives, values and managerial competencies continue to be evaluated during the PPES cycles both in 2019 and 2020. Individual learning plans are yet to be developed, this action is depending on the results of the gap analysis.</p> <p>3) The recommendation of adding the "anytime feedback" as part of the performance cycle will be considered during the review of the Talent Module enhancements.</p> <p>4) Not yet completed.</p> <p>5) Not yet completed.</p> <p>Update September 2021</p> <p>Action 1 and Action 5 have been completed. In March and July 2021 compliance reports about pending PPESs were sent to EXM members, Cost Center Managers, Administrators and HR focal points in country offices and centers.</p> <p>Action 2: The orientation and training on the Performance Assessment provided to Administrators, HR Focal Points and Entity Managers address the evaluation of the work objectives, suitability for the international service, technical skills and behavioral competencies.</p> <p>Management considers that the actions taken to date address NAO's recommendation; therefore, this recommendation should be closed.</p>		



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2019 Long Form Report Rec 16	<b>Ensure its response to system wide issues relating to sexual harassment form a clear part of mandatory training and staff awareness sessions and that the Organization should ensure that a culture of zero tolerance is clearly communicated by senior management.</b>	<p>The Ethics and Ombudsman's Offices have already developed a specialized training program on sexual harassment in the workplace. This face-to-face training has already been provided to several entities in HQ, and will be mandatory for all personnel. ETH will also work with senior management to ensure that there is a consistent message at all levels across the Organization that there is no tolerance for sexual harassment in the workplace and to inform staff are of the available resources to assist them. We will have an appropriate strategy in place by the end of the year.</p> <p>Update September 2021</p> <p>PAHO's policy on the Prevention of Sexual Exploitation and Abuse was issued on 14 April 2021. Training on SEA and the prevention of sexual harassment continues to be provided to PAHO personnel on an ongoing basis. In late 2021 or early 2022, the Ethics Office will initiate a review of PAHO's Policy on the Prevention and Resolution of Harassment in the Workplace, which was last updated in July 2020.</p>	We note the updated response from the Secretariat.	Implemented. Closed.
2019 Long Form Report Rec 17	<b>Formulate a structured, simple and transparent approach to succession planning across the organization, recognising the current age profile of professional staff and specific needs of the Organization. This is important and relevant across all the different staffing modalities.</b>	<p>Currently the HR planning process provides an opportunity to initiate recruitment in advance to enable succession planning. The HR planning exercise requires the Cost Center Managers to analyze the upcoming retirements, scheduled rotation for the internationally recruited staff in country offices and expiration of staff contracts. The information provided by the Headcount Planning module of Workday allows entities to anticipate recruitment or reassignment actions to ensure business continuity and knowledge transfer.</p> <p><i>Intended actions:</i></p> <p>1) carry out training sessions for Cost Center Managers to</p> <p>a) brief them on the new HR Planning reports available, and</p> <p>b) emphasise the relevance of a systematic and periodic monitoring of the implementation of HR plans to ensure timely staffing actions that are aligned with the programmatic priorities of the Organization;</p> <p>2) develop a Career Development / Reskilling Framework; and</p>	We note PAHO's responses. Given the importance of HR management and PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a "partially implemented" status.	Partially implemented.

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		<p>3) utilize Skills and Competencies Gap Analysis to identify the interventions required to build the right experience and skills that enable internal staff to assume roles as they become vacant.</p> <p>Update March 2021</p> <p>1a) The corporate HR planning for 2022-2023 will start in October 2021 at which time, HRM will include in the corporate planning SOP guidance to managers on planning for positions that will become vacant due to retirement during the biennium and advise managers to use those opportunities to redefine and update profiles require for the new areas of work aligned to the Organization's Strategic Plan.</p> <p>1b) This action item has been completed. The report created by HRM enables managers to monitor the implementation of the HR Plans and take corrective measures to ensure timely staffing actions.</p> <p>2) and 3) HRM will be able to work on a reskilling framework, as well as an skills inventory once the Skills and Competency Gap Analysis has been finalized, recommendations have been presented to the Director of PAHO and EXM members for their consideration and approval.</p> <p>Update September 2021</p> <p>Action 1: This action has been completed; during each PMA - corporate guidelines are provided, which also include HR plan monitoring. Similarly, the 2022-2023 Operational planning included guidance for managers to plan accordingly. Briefing and training sessions were also provided.</p> <p>Actions 2 &amp; 3: The Organization will be able to move forward with these two topics until the Skills and Competencies Gap Analysis has been completed and the recommendations are approved by EXM.</p> <p>PAHO expected implementation date: 31/12/2021</p>		
2019 Long Form Report	<b>Consider more granular performance measures in its output indicators which provide more</b>	Entities' performance is regularly monitored in PMA every six months, i.e. output indicators (products and services) are linked to strategic objectives.	We note PAHO's responses. Given the importance of HR management and	Partially implemented.

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Rec 18	<p><b>measurable indicators linked to the key organisation and people strategy objectives.</b></p>	<p><i>Intended actions:</i></p> <ol style="list-style-type: none"> <li>1) Update the People Strategy in consultation with the Advisory Committee for the Implementation of the People Strategy (ACIPS) established by the Director in 2019;</li> <li>2) Develop an implementation Roadmap for the period 2021-2023;</li> <li>3) Develop a comprehensive budget for the allocation of resources to fund the initiatives of the Roadmap; and</li> <li>4) implement managerial accountability scorecards in PMIS, to measure performance at the managerial and department level.</li> </ol> <p>Update March 2021</p> <ol style="list-style-type: none"> <li>1) This action item has been partially completed. HRM discussed a new strategy with ACIPS members in August 2020. People Strategy 2.0 was further refined with AM and submitted to Director in March 2021 for approval.</li> <li>2) This action item has been partially completed. Roadmap initially developed for 2021 - 2023, and later expanded to 2021 - 2025 to align to Strategic Plan as per Director's request. Implementation plan submitted to Director in March 2021 for approval.</li> <li>3) This action item has been partially completed. A comprehensive budget associated with each People Strategy 2.0 initiative was developed and submitted to Director in March 2021 for approval.</li> <li>4) The implementation of managerial accountability dashboards in PMIS remains pending.</li> </ol> <p>Update September 2021</p> <p>The Organization has begun implementing some activities included in the roadmap of the People Strategy 2021-2023</p> <p>Action 4: The implementation of managerial scorecards is in progress. The indicators associated with the People Strategy 2.0 were mapped. Currently, we are identifying the data sources within the PMIS to</p>	<p>PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a "partially implemented" status.</p>	

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		<p>create the customized reports which will be used to develop the monitoring dashboards.</p> <p>PAHO expected implementation date: 31/12/2021</p>		
2019 Long Form Report Rec 19	<p><b>Strengthen the governance around HR by:</b></p> <ul style="list-style-type: none"> <li>•devise more comprehensive and clear reporting to Member States on HR and the HRM function, providing a broader range of financial, performance and data and using benchmarking techniques; and</li> <li>•develop a systematic suite of HR management information and cost data for reporting to all Executive Management meetings using PMIS functionality.</li> </ul>	<p>HR management information is currently available in PMIS dashboards and reports:</p> <p>1) PAHO Staff Demographic Dashboard</p> <p>a) PAHO staff by position type, b) PAHO staff by location, c) PAHO staff by cost center and position type, d) PAHO staff by nationality, e) PAHO staff by age group, f) PAHO staff average age</p> <p>2) PAHO HRM Trends in Recruitment and Selection Dashboard</p> <p>a) Position by Category, b) Positions by Grade, c) Nationality, d) Positions by Cost Center, e) Candidate Source, f) Gender Distribution</p> <p><i>Intended actions:</i></p> <p>1) propose changing the reporting period of staff statistics as of 15 December of each year, to allow for the validation of data and wider range of information;</p> <p>2) establish targets to enable benchmarking of HR data of interest and comparison with WHO and other UN Organizations; and</p> <p>3) partner with PBU to provide trend analysis on staffing costs.</p> <p>Update March 2021</p> <p>1) This action item has been completed. Decision memo was sent to the Director of Administration providing rationale and recommendation. HRM's request was approved. The annual report on human resources management reflects staff statistics as of 15 December.</p> <p>Update September 2021</p> <p>Action 2 and Action 3 have been completed: HRM has developed a suite of comprehensive reports to support Senior Management's decision making. These reports are included in the corporate HR</p>	<p>We note the actions taken in response to the recommendation. In our view, there remains a need to develop a wider range reporting on HR performance as set out in our 2019 report.</p>	<p>Implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		<p>section of the PMA sessions. In 2021, PAHO provided Members States with reports aligned with the information presented by WHO. Additionally, an analysis on staffing costs was presented in the session of the Executive Committee in June 2021.</p>		
<p>2019 Long Form Report Rec 20</p>	<p><b>Consider whether optimum use is being made of the HR function to contribute systematically to change management and organizational re-design in PAHO.</b></p>	<p>HRM contributes to organizational re-design by supporting reprofiling exercises and actively participating in major corporate planning activities, such as BWP and HR planning, PMAs, strategic meetings with EXM for HR, and funding discussions. HR consultation mechanisms are established to ensure that HR policies and organizational development proposals are aligned with the PAHO People Strategy, the Staff Rules and Regulations, and promote good human resources management practices.</p> <p><i>Intended actions:</i></p> <p>1) Regularly present EXM with business cases for change that promote optimization, innovation and agility;</p> <p>2) Provide guidance and promote partnership with managers to ensure that organizational re-design decisions are appropriate and do not create legal liabilities for the Organization;</p> <p>3) Maintain regular communication and coordination with the PAHO/WHO Staff Association.</p> <p>Update March 2021</p> <p>1) This action item has been completed and is ongoing. HRM has presented various policy amendments to advisory committees and EXM in support of change management initiatives, e.g. enhancements to maternity leave, telework policy, review of internships and volunteers.</p> <p>3) This action item has been completed and is ongoing. HRM regularly consults with the Staff Association on any item related to conditions of service, e.g. telework outside the duty station, proposed amendments to Staff Rules and policy concerns.</p> <p>Update September 2021</p>	<p>We note the updated response from the Secretariat.</p>	<p>Implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		<p>Action 2: This action item has been completed. Each cost center manager has an approved HR plan and they take action based on this and availability of funding. Managers regularly received communications regarding the financial situation of the Organization from the Director's Office, which includes general guidance for HR. The HR Planning process for the biennium 2022-2023 has just begun and HRM continues to provide guidance to cost center managers for the development of their corresponding HR plan taking into consideration the technical cooperation landscape in the near future and the post-pandemic era while maintaining fiscal prudence.</p>		
<p>2019 Long Form Report Rec 21</p>	<p><b>Review HRM's resourcing and skills capacity to fully utilise PMIS to ensure greater focus online management compliance with HR rules and investigate a suite of reports which could be used to hold managers to account for their HR activity. Data analytics should also be utilised to identify root causes of regular non-compliance to inform policy and controls.</b></p>	<p>Policy compliance: Workday is configured to reflect Staff Rules and HR policies, e.g. updated amounts of allowances, accrual and utilization of annual leave. The annual verification, which is one of the most relevant process to ensure proper administration of the staff compensation package, has been enhanced achieving a compliance of 100%.</p> <p><i>Intended actions:</i></p> <ol style="list-style-type: none"> <li>1) implement managerial accountability scorecards;</li> <li>2) further enhance control and monitoring of contingent workers contract duration, extension and insurance enrollment;</li> <li>3) develop HR metrics and a suite of executive reports/dashboards to enable effective management of entity staffing structure, promote accountability and compliance.</li> </ol> <p>Update September 2021</p> <p>Action 1 and Action 3: HRM is developing 14 new customized reports with PMIS for the monitoring of managerial aspects linked to the scorecards of the People Strategy 2.0. It is expected that these new customized reports will be available by the end of 2021.</p> <p>Action 2: HRM approval step for CW contract extension was requested in March 2021 to the ITS and is pending configuration in the business process.</p>	<p>We note PAHO's responses. Given the importance of HR management and PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a "partially implemented" status.</p>	<p>Partially implemented.</p>

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		PAHO expected implementation date: 31/12/2021		
2019 Long Form Report Rec 22	<p><b>Undertake a wider review of the use of non-staff contracts to consider the scope for reviewing the cost-effectiveness of the contracting mechanism and to more carefully consider the need for renewal of consultancy contracts, considering the balance between longer-term business need and shorter-term demands.</b></p>	<p>Due to the anticipated resource-constrained environment in the coming years, maintaining or increasing the number of staff positions will be difficult and as a result the Organization may continue relying on a combination of staff and non-staff contracts. In order to develop a revised Consultant Policy that addresses the Organization's needs, HRM consulted all cost center managers, the Joint Advisory Committee (JAC) and the Advisory Committee for the Implementation of the People Strategy (ACIPS). Additionally, a benchmarking analysis with other UN Organizations was carried out.</p> <p><i>Intended actions:</i></p> <p>1) Implement the revised Consultant Policy which regulates the use of that contractual mechanism.</p> <p>2) Re-assess the use of consultants vis a vis the programmatic implementation and the financial situation of the Organization; and</p> <p>3) Review contractual arrangements, including Project-based staffing modalities.</p> <p>Update September 2021</p> <p>Action 1: The revised consultant policy was approved by the EXM on 14 September 2021 and will go into effect as of 1 March 2022.</p> <p>Action 2: The revised consultant policy is calling for the use of consultants per deliverables/product</p> <p>Action 3: HRM has submitted to the Legal Office in May 2020 the agreement for the hiring of UN Volunteers. It is still under review. UN Volunteers have been hired for emergency purposes only.</p> <p>PAHO expected implementation date: 31/12/2021</p>	<p>We note PAHO's responses. Given the importance of HR management and PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a "partially implemented" status.</p>	Partially implemented.
2019 Long Form Report	<p><b>Establish clear mechanisms to centrally monitor and review the use of contracting</b></p>	<p>HRM continues to create preventive and validation measures to facilitate policy compliance for the hiring of contingent workers. Comprehensive Standard Operating Procedures (SOP) are available and provide instructions to the HR Partners within hiring entities and</p>	<p>We note PAHO's responses. Given the importance of HR management and</p>	Partially implemented.

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
Rec 23	<b>arrangements to ensure compliance of cost centres with any new policies which emerge following the April 2020 IES review. These should include more frequent reporting on key metrics and compliance aspects to senior management.</b>	<p>personnel in general. Annex B of the SOP also contains a list of all documents HR Partners are required to upload in Workday. HRM created a report, "Find out if the person I want to hire already exists in Workday" to avoid duplicating profiles when hiring. Annex A of the SOP was updated to include enrollment in the pandemic insurance of those consultants working on the response to a WHO declared pandemic.</p> <p><i>Intended actions:</i></p> <p>1) Revise the Monthly Compliance Report submitted by Cost Center Managers to include confirmation of compliance with any new policy and procedure regarding contingent workers;</p> <p>2) Streamline the competitive selection process for the hiring of consultants to ensure that candidates considered meet the minimum requirements indicated in advertisement;</p> <p>3) Assess the possibility to create "condition rules" in Workday for the hiring (create position) and termination process for consultants.</p> <p>Update March 2021</p> <p>1) The monthly Compliance Report will be revised upon issuance of a revised consultant policy.</p> <p>2) The implementation of the Recruitment module will help with the streamlining of the consultant selection process. Implementation is projected to start in May 2021 and will last till the end of December 2021.</p> <p>3) This action item has been partially completed. Some requests have been submitted for IT assistance to implement some changes in the business process related to consultants.</p>	PAHO's people strategy we intend to perform a comprehensive follow-up of the HR recommendations as part of the physical on-site audit in 2022 and therefore indicating a "partially implemented" status.	
2020 Long Form Report	<b>Establish and agree with Member States a methodology to establish a target level</b>	The PASB does not advise in having a methodology agreed with Member States to establish a target level of retained PSC.	We note the Secretariat's response.	Not implemented closed.



Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
Rec 1	<b>of retained program support funds for financing subsequent biennium programme budget activities.</b>	The internal management practice for the PSC Fund is under the full authority of the Director and is consistent with the UN system, which also applies the accumulated funding to the subsequent biennium.		
2020 Long Form Report Rec 2	<b>Establish and agree with Member States a process to transfer any surplus over that agreed level to fund other priority or strategic funding requirements, such as the full capitalisation of the Working Capital Fund, the Master Capital Investment Fund, or to reduce Member State liabilities for the After-Service Health Insurance.</b>	<p>Please refer to response regarding PSC in Recommendation 1 (above).</p> <p>The PASB considers that the current Financial Rules and Regulations of the Organization (i.e. 4.6, 4.7 and 6.2), approved by Member States, provide a clear guidance on the use of any surpluses.</p> <p>PSC is managed by the Director. Recent financial experience show that these funds have been useful to ensure implementation of the approved Program Budget when facing tight cash flow situations.</p>	We note the Secretariat's response.	Not implemented closed.
2020 Long Form Report Rec 3	<b>Develop a clear and time bound cost reduction strategy, which should reflect changes to ways of working, cultural change and staff development and planning. It should consider opportunities for enhancing the use of shared service, greater use of outsourcing and other changes to traditional delivery modalities.</b>	<p>The PASB is committed to an efficient and effective use of its resources. Strategies for cost reduction and cost containment are included in all processes, and are reviewed on a regular basis. Therefore, a specific time-bound cost reduction strategy is not deemed necessary.</p> <p>Consistent with PAHO's Results-Based Management approach, ongoing attention is placed on identification of lessons learned, allocation and monitoring of resources to deliver results, and implementation of new modalities of work and administrative efficiencies (i.e. processes automation, shared service center, outsourcing of SHI claims and of new releases testing, digitization, expanded use of short term consultants rather than full time positions,</p>	<p>We have commented on PAHO's approach to cost-saving measures in the current report.</p> <p>We do not consider the response addresses the recommendation made.</p>	Not implemented.

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		<p>energy efficient upgrades to the HQ building that reduce utilities costs, to mention a few).</p> <p>The development and implementation of the PAHO six-year Strategic Plan and biennial Program Budget (PB), approved by Members States, and PASB operational plans (including HR plans) include a review of priorities and modalities to implement PAHO's technical cooperation. PAHO's PB funding and financial implementation is monitored on a monthly basis with EXM; and programmatic and budget implementation is reviewed on a six-monthly basis with the EXM and all entities. Opportunities for implementing processes and other measures to enhance our efficiency and effectiveness are ongoing.</p>		
2020 Long Form Report Rec 4	<p><b>Regularly consult with its Member States on the risks and benefits of continued participation in the WHO Staff Health Insurance Fund given their limited control over these significant liabilities.</b></p>	<p>The Staff Health Insurance Plan (SHI) is a WHO self-funded insurance plan in which PAHO staff members, retirees and their eligible dependents participate. SHI is managed exclusively by WHO through the WHO SHI Global Oversight Committee (WHO GOC). The WHO GOC directly reports and makes recommendations to WHO's Director General regarding SHI. WHO is the exclusive business owner of SHI and reports regularly to WHO Member States (including PAHO Member States) on the financial health of SHI and the challenges and benefits associated with the plan. PAHO is actively engaged with the WHO GOC and its subcommittees in addressing risks, liabilities and staff benefits, and regularly reports to PAHO Member States through the PAHO Audit Committee, the PAHO Subcommittee on Program, Budget and Administration (SPBA) and the PAHO Executive Committee.</p>	<p>The response provided does not address the recommendation.</p>	<p>Not implemented.</p>
2020 Long Form Report Rec 5	<p><b>Make better operational use of its existing risk management systems at a cost centre level and continue to promote the use of the risk registers tools and reporting to</b></p>	<p>Specific workshops are being developed during 2021 targeting Managers from country offices, centers and subregional offices to engage them in the use of the risk register tool (RR) and to improve their capacity to document risks. Specific emphasis will be given to the development, monitoring and reporting of mitigation actions. In addition, ERM Program will use the information gathered from the compliance survey for managers related to the RR and risks updates</p>	<p>We note the response provided and will consider how this is being embedded at the cost centre level during our future audits.</p>	<p>In progress.</p>

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
	<b>inform local decision making and oversight.</b>	to continue promoting risk management during the decision making process.		
2020 Long Form Report Rec 6	<b>a) consider the inclusion of a post mitigation score within the risk register to provide greater visibility of the effectiveness of mitigation actions; and b) consider escalating residual risks outside of accepted tolerance to Member States.</b>	As part of the operational use of the existing RR, the section on mitigation plan will be improved to capture the status of compliance with the identified risk mitigation activities. During the workshops for managers from Country, Centers and subregionals offices, ERM Program determines the best way to improve the identification of mitigation actions and their effectiveness using current internal controls or other type of measures. Any proposal from the workshops is reviewed with ERM Standing Committee and the Executive Management to ensure agreement and institutionalization.	We note the response provided and will consider how these future developments will enhance the risk register during our future audits.  We comment further on risk mitigation in Section 1.	In progress.
2020 Long Form Report Rec 7	<b>Conduct a comprehensive and systematic assessment of the lessons learned from its deployment of preparedness plans in response to the pandemic to inform the development of business continuity procedures.</b>	During the first quarter of 2022 an assessment will be developed with the participation of administrators and the crisis management team.	We note this is being considered during the first quarter of 2022 and we will review the status at the final audit.	In progress
2020 Long Form Report Rec 8	<b>We would expect this to include a clear incorporation of continuity plan responses within the assessment of local office risks, clear centrally enforced policies across all PAHO operations to enforce home working</b>	This recommendation will be addressed as part of the previous recommendation.	We note this is being considered during the first quarter of 2022 and we will review the status at the final audit.	In progress

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
	<b>where necessary; to gather critical data on key posts and to ensure there is control over any staff working on site during crisis periods.</b>			
2020 Long Form Report Rec 9	<b>Consider establishing a Member State user forum for the Procurement Funds and instigate more regular customer surveys so that the needs of Member States can be more clearly reflected in future development.</b>	The Revolving Funds have established close working relationships with Member States. Each Fund supports technical work programs in immunization, communicable diseases and non-communicable diseases according to needs. The work with Member States is program specific and business intelligence, including client surveys, which are implemented with and in coordination with the programs according to need. More general and operational issues are guided by PAHO Mandates adopted in the PAHO Governing Bodies. As such, even though we welcome the recommendation, the proposal to establish a Forum is not considered a priority at this stage.	We note management's response to the recommendation and they do not consider establishing such a Forum is a priority. We have therefore closed this recommendation as not implemented.	Not implemented. Closed.
2020 Long Form Report Rec 10	<b>In consultation with Member States, develop an overarching strategy for the Funds to demonstrate their value and to facilitate systematic performance monitoring.</b>	It is important to note that the strategies for the Revolving Funds are fully embedded within the Organization's technical cooperation mandates adopted by Governing Bodies across the various disease areas and in Executive Committee policies. The strategies for the development of the Funds are guided by these Mandates, as well as other policy documents and reports presented to the Executive Committee. Reports on Funds are provided to the Member States through PAHO reports to Governing Bodies, including Financial Reports, Director's Report, and specific technical reports, among others.	Aspects related to this recommendation are partially addressed through the 2021-2030 Immunization agenda strategy, but this does not cover all procurement funds and does not facilitate systematic performance monitoring. PAHO do not intend to develop an overarching strategy for the Funds and therefore this recommendation is being closed as not implemented.	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
2020 Long Form Report Rec 11	<b>Strengthen governance of the procurement funds by ensuring that the Synergy and Integration Group meets more regularly with a standing agenda covering amongst other issues strategy, developments, financial and operational performance, user engagement and risk.</b>	<p>The SIWG (Synergy Integration Working Group) is chaired by AD and the governance structure has been repurposed in large part to address to the needs of the ongoing pandemic and future needs including financial and operational performance. Supporting working groups inform the work of the SIWG including through:</p> <ul style="list-style-type: none"> <li>- daily IMST meetings</li> <li>- weekly vaccine taskforce meetings (HSS, PRO, IMST, RFV, FPL chaired by AD)</li> <li>- regular interprogrammatic meetings of the Strategic Fund</li> </ul>	We have reviewed the agendas and minutes of the most recent SIWG meetings (September 2020, June 2021) and understand the next meeting to be held in November 2021. However, we also note the number of actions below which refer to the SIWG and would strongly suggest increasing the frequency of meetings.	Implemented.
2020 Long Form Report Rec 12	<b>Devise a comprehensive performance framework to enable more systematic analysis and reporting of progress against the Funds' objectives to Member States and Executive Management.</b>	The Revolving Funds are mechanisms of technical cooperation that support priority programs in health across the Americas. As such, reporting of progress is embedded in reports prepared to governing bodies relating to immunization, i.e. vaccination coverage levels, control of HIV, TB, and Malaria, i.e. coverage levels in access to medicines, and other priority diseases etc. Additional information and updates is provided to Governing Bodies on the accuracy of national vaccine demand forecasts, global market conditions, data on utilization and performance of the revolving funds and on the utilization of procurement support costs. The SIWG (Synergy Integration Working Group) will be formalizing strategic & operational KPIs for both RFV & SF to facilitate operational performance monitoring during the next biennium (2022-2023).	We note management's response and the future implementation date. We will review the strategic and operational KPIs for procurement funds once agreed by the SIWG.	In progress.
2020 Long Form Report Rec 13	<b>Consider engaging more deeply and consistently with Member States on their stock management and demand forecasting capacity, reporting progress to Executive</b>	Core to the work of the PAHO Revolving Funds is the technical cooperation with countries in stock management and demand forecasting. The principles of the Revolving Funds require the development of work plans with countries in the consolidation of demand for vaccines, medicines and other health technologies based on analysis of available stocks, to support subsequent pooled procurement. The Revolving and Strategic Fund work very closely with technical departments (immunization, HIV, TB, Malaria, NCDs etc) and	We note management's response and the activities set out therein but consider this does not fully address aspects of the recommendation	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
	<b>Management and Member States to measure the additional impact of the Funds' work.</b>	with national programs in the same areas to establish forecasts that thereafter structure bid processes and procurement on behalf of Member States. The RFV carries out an annual demand analysis with countries with biannual demand reconfirmation. The SF works with national programs on a biennial basis to determine requirements for core products for priority programs. This work is central to the success of the Revolving Funds, and involves coordination between countries, PAHO country offices, RFV and SF, PRO and LEG. The success of both funds has in considerable part been due to the capacity of PAHO to work effectively with Member States in stock management and demand forecasting. Executive Management are kept informed through six monthly reporting processes (PMA) of the work in this area, and in particular on outcomes. In addition Member States are kept informed on response capacity of the revolving funds through Governing Bodies reports. The Secretariat considers that no action is required in this area and suggest that this recommendation be closed.	related to stock management.  On the basis that PAHO considers no further action necessary on this issue, we have closed this recommendation as not implemented.	
2020 Long Form Report Rec 14	<b>In light of the growing complexity of the global pricing models, review its pricing strategy and policies for the Funds as whole to better enable Member States to assess PAHO's purchasing power and value proposition.</b>	While taking into account the specificities of each product market, PAHO's RFV approach to markets focus on creating healthy market dynamics to ensure uninterrupted access to critical supplies for MS at affordable and fair price. As a regional public health agency and as part of United Nations, all PAHO strategies and policies, should be first aligned with PAHO's mandates to Member States, and the pricing policies defined by its Governing Bodies. In line with its vision and mandates, PAHO procurement funds work closely with partners (GAVI, COVAX, UNICEF, Global Fund etc) leveraging agreements from other agencies to ensure optimal value for PAHO Member States: PAHO will continue to leverage partnerships to optimize the performance and value proposition as the funds continue to develop. PAHO has also launched a "Regional Platform to Advance the Manufacturing of COVID-19 Vaccines and other Health Technologies in the Americas" to increase the resilience of the supply base for the region of the Americas. PAHO therefore considers that this recommendation is addressed within current processes and systems.	We note management's response and the activities set out therein but consider this does not fully address the recommendation.	Not implemented.
2020 Long	<b>Analyse and evaluate the lessons learned through operating the</b>	In recent months, PAHO has been actively engaged with Governments of developed countries in advocating for, and coordinating donations to our Regions as well as supporting country	We note management's	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
Form Report Rec 15	<b>Funds during the pandemic to: a) explore the potential to leverage better value or supply through co-operation more widely with partners; and b) to inform discussions on how PAHO might respond to future health emergencies. It should report its findings to Member States to inform future decision making.</b>	readiness. Through monthly high level Ministerial meetings, and during the Governing Bodies meetings, PAHO has provided updates on the COVID-19 situation (including market/demand dynamics update) for access to vaccines, PPEs, diagnostics and medical equipment. An initial analysis of lessons learnt and the regional context is being presented to PAHO Governing Bodies in document CD59/8 that will inform strategies for the revolving funds, and policy guidance for countries to increase manufacturing capacity. In addition, an analysis of advances for the Strategic Fund was presented to the 159th Executive Committee. As the pandemic subsides, a more extensive performance review will be instigated.	progress addressing this recommendation.	
2020 Long Form Report Rec 16	<b>a) consider the benefits and risks associated with using the capital accounts to provide Member States with both short-term credit and longer-term investment options; b) share with Member States for approval of any changes proposed.</b>	Due to the COVID-19 pandemic, there has been increased use of the capital account credit lines. The use of capital accounts is guided by clear procedures. The Organization expects an even greater increase of the utilization of the capital accounts in the coming months as Member States seek more access to secure COVID-19 vaccines in addition to other routine vaccines, and other strategic public health medicines and products. Modification of the use of credit to support investments would constitute a substantive change in purpose of the use of the capital account and would lead to confusion with Member States who already pay procurement service fees to support operating costs. The optimization of the use of capital account is monitored with regular reports presented at Governing Bodies. The secretariat does not concur that the capital account should be used for capital investments.	We note management's response and their intention to maintain the status quo for the capital accounts and not perform the analysis recommended.	Not implemented. Closed.
2020 Long Form Report Rec 17	<b>Review the policies in place for granting access to credit and the remedies available to ensure prompt repayment and to address overdue debt.</b>	FRM, RFV and SF together with Country Offices regularly monitor credit line usage, balance and invoice aging to ensure upcoming country credit needs can be met. Both RFV & SF assess country risk of late payment using the information available in the ERP (WD - Work Day) system and in coordination with FRM, i.e. invoice aging, procurement volumes, etc. Clear procedures have been established to authorize issue of credit, follow-up and recuperation. During the	We note management's response to the recommendation and consider it closed.	Implemented.

Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
		monthly financial review with EXM, FRM presents the status of Member States receivables for EXM decisions.		
2020 Long Form Report Rec 18	<b>Ensure that its Funds' cost recovery model is regularly reviewed to ensure that they only recover directly attributable costs and that the program support balances do not accumulate.</b>	PAHO provides periodic reports to Member States on directly attributable costs in response to established mandates comparing with revenue. The reports are presented to Governing Bodies to examine the PSC level that will ensure coverage of direct attributable costs. To improve on that reporting process the Synergy Integrated Working Group (SIWG) chaired by AD deliberated and provided guiding principles on what labour & material costs, activities and/or programs will be supported through the Funds for the BWP 2022-2023. Management has determined that a significant safety net of funding is required to ensure sustainability of Fund actions and to mitigate against a significant and/or worst case scenario in terms of future engagement of Member States with the Revolving Funds.	We note management's responses together with R#19 and note action in progress with a future implementation date.	In progress.
2020 Long Form Report Rec 19	<b>Consider how it can utilise existing systems improve its cost information on the use of staff resources to better understand the full cost of programmes and processes.</b>	The Synergy Integrated Working Group (SIWG) chaired by AD has deliberated and provided guiding principles on what labour & material costs, activities and/or programs will be supported through the Funds for the BWP 2022-2023. PBE will coordinate with SIWG to conduct a cost analysis leveraging existing tools to provide a more detailed description of cost drivers and make recommendations for long-term sustainability. The analysis will be completed during the next biennium, and subject to the situation of the pandemic.	We note management's responses together with R#18 and note action in progress with a future implementation date.	In progress.
2020 Long Form Report Rec 20	<b>(a) ensure that all future digital investment decisions are underpinned by a robust and documented business case which sets out the strategic, economic, financial, commercial and management case for change; (b) subject all such business cases to proper scrutiny and approval; and (c)</b>	Current digital transformation initiatives derive mostly from the Future State Blueprint document delivered by Ernst and Young in 2018. All current and future relevant projects are discussed and approved as appropriate in the SIWG (Synergy & Integrated Working Group), the PMIS Advisory Committee and the PAHO IT Governance Board, examining strategic, economic, financial, commercial and management case for change. In the past year, several changes were made to the roadmap to respond to urgent business needs resulting from the COVID-19 pandemic, especially to support PAHO's role in the support of the COVAX facility and the acquisition and distribution of COVID-19 vaccines, PPEs, diagnostics, bio-medical devices & therapeutics to its member countries.	We note management's progress addressing this recommendation.	In progress.



Previous reference	Summary of recommendation	Administration's comments on status: October 2021	External Auditor's view	Status
	<p><b>implement a comprehensive benefits realisation plan for its current digital programme for the procurement funds; (d) seek user feedback on the value of a customer portal as part of a post-implementation review.</b></p>	<p>Given the size of investments required, different approval strategies will be implemented, however the prioritization of these initiatives will be managed through the SIWG.</p> <p>A post implementation evaluation and review shall be implemented for all large initiatives to ensure that the objectives and benefits stated in the business plan are met and the lessons learnt are applied to future initiatives.</p> <p>End users to be engaged to validate the initiatives and to confirm user adoption and feedback in measuring the impact and benefits from the user point of view.</p>		
2020 Long Form Report Rec 21	<p><b>Ensure that the implementation of the portal is aligned with clear strategic objectives, including PAHO's information systems strategy</b></p>	<p>ITS is proposing an Enterprise Architect position in its 22-23 Biennium HR Plan to ensure that the Member States Portal and other digital projects of the PAHO's Procurement Funds are aligned with business capabilities, information, IT products and technology platforms across the Organization. In addition, PAHO is seeking external advice to validate the roadmap and implementation of Procurement Funds' initiatives, and to ensure we pursue a modern, emerging technology portfolio that leverages new innovative technologies where possible (e.g., Artificial Intelligence, Big Data, Blockchain).</p>	<p>We note management's actions to address this recommendation and its future implementation date but highlight that given the status of implementing the new portal and other digital projects are underway we would expect these to be addressed earlier.</p>	In progress



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