

PAHO

FINANCIAL
REPORT OF THE
DIRECTOR
and
REPORT OF
THE EXTERNAL
AUDITOR

1 JANUARY 2022 – 31 DECEMBER 2022

PAHO



Pan American
Health
Organization



World Health
Organization
REGIONAL OFFICE FOR THE
Americas

**FINANCIAL
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OF THE
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AND
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THE EXTERNAL
AUDITOR**

1 January 2022 – 31 December 2022

Washington, D.C., 2022



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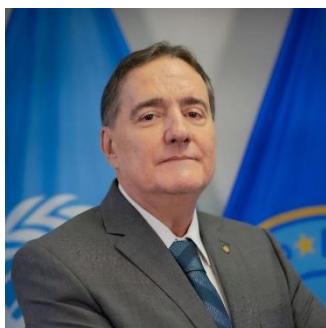
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DIRECTOR'S COMMENTS



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 2022 through 31 December 2022.

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 2022-2023 Biennial Program Budget as an approximation of annual budgetary figures.

1. Main technical achievements and challenges in 2022

During 2022, **PAHO remained an authoritative voice in the Region of the Americas, providing strategic and technical guidance at the highest levels** of government, the United Nations (UN) and Inter-American systems, and the global level, while leveraging its position to influence policy decisions. **With increased name recognition**, the Organization continued to collaborate in the response to the COVID-19 pandemic with national governments and partners, while starting to transition to sustained core technical cooperation. 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.

Thanks to sustained performance in delivering results and strong resource mobilization efforts, facilitated by the Organization's increased visibility and the prioritization of health by governments and other donors, PAHO was able to end 2022 with 95% financing of the Program Budget 2022-2023 (both base and special programs). Financing for base programs stood at 88%, which augers well for the secure delivery of core technical cooperation in the Region. Implementation was also strong, with 76% (\$ 489.1 million) of all available funds implemented by the end of the year, which is 42% over the amount implemented in the first year of the previous biennium (\$ 344 million). PAHO has continued to follow a prudent financial management approach, considering lessons learned from the financial crisis of 2020-21 and the Region's severe economic contraction in the past three years.

PAHO continued to **position itself at the highest political level**, remaining relevant and responsive to the needs and priorities of its Member States. From its strategic and technical leadership position, PAHO has continued to influence leaders not to only respond to the emergency, but also to recover better. The footprint and reach of the Organization have grown significantly during the last three years as PAHO responded to COVID-19, other emergencies, and ongoing commitments under the PAHO Strategic Plan 2020-2025. Through its technical cooperation, PAHO continues to act as a **catalyst, honest broker, and convener** in improving the health and well-being of the peoples of the Americas, in collaboration with Member States and partners.

Selected technical achievements in 2022.

December 2022 represents the midpoint not only of the PAHO Program Budget for the 2022-2023 biennium, but also of the PAHO Strategic Plan 2020-2025, an important juncture to take stock of where we are and to reflect on how we can advance during the second half of these plans. The paragraphs that follow highlight some of the main achievements and challenges identified by the responsible PAHO technical, administrative, and managerial entities.

- **Over two billion COVID-19 vaccine doses were administered** in the Americas, and 70.7% of the population of Latin America and the Caribbean (LAC) was immunized by the end of December 2022, a 11.6 percentage points increase in the number of people in the LAC region who had received at least two doses of COVID-19 vaccine, compared to January 2022. Throughout 2022, PAHO supported country efforts to increase COVID-19 vaccination and reduce immunization gaps through a comprehensive approach, including mobile vaccination teams in remote and peri-urban areas, communications campaigns to address vaccine hesitancy, and procurement of cold chain equipment for safe storage and transportation of vaccines. The PAHO Revolving Fund for Access to Vaccines (Revolving Fund) continued facilitating access to COVID-19 vaccines through the COVAX Facility, with over 151 million doses delivered in the Region, including over 37 million donated doses. Approximately **46 million syringes** for administration of COVID-19 vaccines and other vaccines were pre-positioned in PAHO's warehouse in Panama to ensure access in countries at risk of stockouts or in emergency conditions. Additionally, 20 countries received support to purchase cold chain equipment, as well as technical assistance in cold chain operations.
- **Six countries** strengthened capacity for whole **genome sequencing**. PAHO leveraged the response during the COVID-19 pandemic to invest in genomic sequencing which enables vital surveillance of SARS-CoV-2 and detection of variants of concern. Latin American and the Caribbean now has seven laboratories, compared to two at the beginning of the pandemic, acting as referents for sequencing in the PAHO COVID-19 Genomic Surveillance Regional Network (COVIGEN). Additionally, during 2022, the number of countries with capacity to sequence samples of SARS-CoV-2 increased to 21, with the inclusion of four additional countries. **COVIGEN** now comprises **30 participating countries and territories**. Furthermore, **all LAC countries are gradually introducing new technologies such as MALDI-TOFF**, the best available method for specific identification of pathogens and whole genome sequencing, which allows for the tracking and characterization of antimicrobial resistance mechanisms under a One Health approach.
- Throughout 2022, in addition to the COVID-19 pandemic response, **PAHO continued to implement response operations during** two other protracted emergencies: the humanitarian situation in Venezuela and neighboring countries, and the Mpox outbreak in the Americas. There were also 11 new emergencies, involving an oil tanker explosion in Cuba, civil unrest in Haiti, circulation of vaccine-derived poliovirus type 2 (VDPV2) in the United States of America, the effects of Hurricane Ian on Cuba, the cholera outbreak in the Dominican Republic and Haiti, the rainy season in Honduras, Hurricane Julia in Nicaragua, Tropical Storm Lisa in Belize, migration in the Darien Gap in Panama, flooding in La Mojana, Colombia, and volcanic activity in Cotopaxi, Ecuador.

Within the framework of the regional elimination initiative agenda, **revalidation of interruption of mother-to-child transmission (MTCT) of HIV and syphilis was obtained by five countries and territories**. PAHO provided updated global guidance for the elimination of MTCT of HIV, syphilis, and hepatitis, as well as criteria for revalidation. World Health Organization (WHO) country offices also supported compilation and review of the re-validation reports, while WHO secretariat led the peer review of the revalidation reports prior to review by the Global Validation Advisory Committee (GVAC). Additionally, following the elimination of malaria in El Salvador in 2021, **Belize achieved a third consecutive year without autochthonous cases of malaria**, providing the grounds for certification in 2023. PAHO/WHO worked with countries to develop and implement comprehensive malaria programs with an integrated vector control approach. Technical cooperation was provided to increase diagnosis (laboratory detection), surveillance, and management of malaria cases. Technical guidance and direct support were also provided to national authorities on the post-surveillance required for the verification process. In addition to direct technical guidance and support from the country office and Regional Office, missions with external experts were conducted in collaboration with WHO headquarters. Finally, **interruption of vector-borne transmission of Chagas was maintained in at least 18 countries**, where actions have been implemented to eliminate transmission of *Trypanosoma cruzi* (which causes Chagas disease) by the main and secondary vectors. Bolivia and Colombia also achieved significant results, with each country interrupting transmission of the disease in more than 30 endemic municipalities.

- **The PAHO Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund) supported diagnosis, prevention, and treatment for over 20 million people** in 2022, including 5.3 million people in priority programs on HIV, tuberculosis, and malaria. Additionally, the Fund procured over US\$ 2.5 million in diabetes and cardiovascular medicines, hematologic medicines, antineoplastics, and immunomodulators, representing a 450% increase over 2021.
- On September 30, 2022, after more than three years with no confirmed cholera cases, Haiti and the Dominican Republic detected and confirmed new cases. In support of national efforts, an immediate response was put in place, in coordination with partners, to slow down transmission in the context of a fragile security situation. In the five municipalities selected for the first round of vaccination operations (in the departments of Ouest and Centre), more than three quarters (76%) of persons eligible to receive the vaccine received one dose from the **over one million oral vaccine doses delivered in response to the re-emergence of cholera in Haiti**. PAHO delivered 49 tons of essential medical supplies to cholera treatment centers and supported the delivery of 1.2 million doses of the oral cholera vaccines (OCV Euvichol-Plus) approved by the International Coordinating Group on Vaccine Provision (ICG) on 25 November 2022. This amount will allow the country to administer a single dose to all eligible persons aged 1 year or older who live in the selected municipalities. The remaining doses are being used for mop-up operations and to expand vaccination operations to other affected municipalities.
- PAHO developed the MEURI ethical framework to support Member States in the emergency use of unproven interventions outside of clinical trials during the Mpox outbreak, which was first reported in May 2022. WHO subsequently adopted MEURI in 2022. PAHO has also delivered technical cooperation to 41 countries and territories to ensure their laboratories were enabled to detect cases, to strengthen epidemiological surveillance systems, to develop clinical guidelines through the synthesizing of evidence for therapeutic options, to implement appropriate infection prevention and control measures, and to combat stigma and discrimination through risk communication and community engagement (RCCE) strategies.
- **Laws and regulations on healthy eating were adopted in three countries** and, by end of 2022, two thirds of the population in the Americas were protected from industrially produced trans-fatty acids. PAHO supported mandatory implementation of the Updated PAHO Regional Sodium Reduction Targets, development of five-year roadmaps in Costa Rica, Panama, and Peru, and research on sodium levels in Argentina, Costa Rica, Panama, and Peru to inform policy development processes. PAHO also concluded the first and most important step in establishing benchmarks for the policy on taxation of unhealthy food products, finalizing and publishing the novel methodology and results of the baseline assessment of taxation of sugar-sweetened beverages in the Americas, which has been adopted by WHO to be replicated worldwide. In line with PAHO's Plan of Action for the Elimination of Industrially Produced Trans-fatty Acids (IP-TFA) 2020-2025, the Region continued to advance in the elimination of this harmful substance from the food supply.

The Region continued to pioneer work on risk factors for noncommunicable diseases with a landmark **tobacco control law approved in Mexico in December 2022**, while addressing malnutrition through the implementation of roadmaps to tackle obesity in nine countries. **Road safety laws and regulations** were strengthened in Argentina, Brazil, Colombia, and Mexico, with enhanced response to road traffic crashes through assessments and improvements in emergency care systems in Costa Rica and Paraguay. PAHO also worked to strengthen the response to violence among women and girls in migrant populations in Argentina, Brazil, Colombia, and Peru. INSPIRE¹ strategies to address violence against children were rolled out in Argentina, Colombia, Honduras, and Paraguay.

- **Antigua and Barbuda, Bahamas, Guyana, Mexico, and Paraguay achieved advances in rights-based mental health legislation**, in line with the Convention on the Rights of Persons with Disabilities (CRPD). It focuses on community services and integrating mental health into primary care, as well as on the promotion and protection of mental health, early detection, and prevention. Guyana ratified its mental health legislation, repealing its 1930 Ordinance, and also enacted legislation on suicide prevention that decriminalizes suicide. Mexico approved reforms to its General Health Law to ensure universal, equal, and equitable access to mental health and addiction care, and providing for the elimination of inpatient psychiatric hospitals and their progressive conversion into outpatient centers or general hospitals. In 2022, PAHO provided technical support to **Belize, Guyana, Suriname, and Trinidad and Tobago to develop multisectoral suicide prevention plans** in line with the WHO LIVE LIFE suicide prevention implementation guidelines.

- The Organization continued its technical cooperation to promote interventions for the performance of the essential public health functions, and to advance universal access to health and universal health coverage (universal health), using the primary health care (PHC) approach, in order to avoid reversal of hard-won public health gains in the Region. **Nineteen countries strengthened integrated health service delivery networks**, aligned with the Policy on Integrated Care for Improved Health Outcomes, adopted at the 30th Pan American Sanitary Conference. PAHO worked with these countries to build integrated health service delivery networks and strengthen the stewardship role of health authorities through the essential public health functions. PAHO also published ***Building Resilient Health Systems to Advance toward Universal Health in the Americas: Lessons from COVID-19***, increasing the evidence base on impoverishing and catastrophic out-of-pocket expenditures and financial protection.
- Through the Regional Platform to Advance the Manufacturing of COVID-19 Vaccines and other Health Technologies in the Americas, **mRNA vaccine development was initiated in Brazil and Argentina during 2022**. PAHO supported studies on value chains across medicines, vaccines and diagnostics, evaluations of technology transfer for the production of health technologies, and strengthening of reference quality control labs for personal protective equipment.
- PAHO worked with national authorities and partners to expand access to comprehensive, quality health services focused on people, families, and communities, consistent with the aspirations of the 2030 Agenda for Sustainable Development, while addressing the social and environmental determinants of health. A community-based approach guided the implementation of **interventions to increase coverage and quality of antenatal care for institutional deliveries**, including improving the response to obstetric emergencies in eight countries, and training community midwives in five countries.
- **Assessments of health vulnerability to climate change and national health adaptation plans for Grenada and Saint Lucia** were prepared in 2022. With PAHO's support, work is underway in eight other Caribbean countries for publications in 2023. These documents outline actions on health and climate change, and are developed by the Ministry of Health and other stakeholders, with support from PAHO. They are used by the Green Climate Fund (GCF) and other donors to guide their investment plans.
- Recognizing that the Region is not on track to meet the Sustainable Development Goals (SDGs), Member States at the 30th Pan American Sanitary Conference adopted the **Policy for Recovering Progress toward the Sustainable Development Goals with Equity through Action on the Social Determinants of Health and Intersectoral Work**. Progress was also made in the implementation of the Strategy and Plan of Action on Health Promotion within the Context of the Sustainable Development Goals 2019-2030, namely: COMISCA approved the Strategic Plan for Health Promotion Plan of Action in Central America 2023-2025; El Salvador approved a national policy for health promotion in December; and Costa Rica approved an institutional plan for health promotion for 2023-2027. Finally, the [Panama City Declaration](#) was **adopted at the 5th Regional Meeting of Mayors for Healthy Municipalities, Cities and Communities**, with the participation of over 30 mayors from 16 countries of the Americas, to promote local government actions aimed at health and well-being with equity in the post-pandemic context.
- During 2022, PAHO worked to finalize the **Smart Hospitals** initiative, contributing to the **establishment of safe, green, and sustainable health centers**, optimizing resilience, strengthening structural and operational aspects, and providing green technologies to build climate-smart health facilities as the gold standard for resilient critical infrastructure. PAHO coordinated and supported the retrofitting of 55 health facilities in Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, and Saint Vincent and the Grenadines. Six other facilities benefited from design phase interventions. With financial support from the Government of Canada, the European Union, the Inter-American Development Bank, and other partners, smart adaptations are now being implemented in other health facilities in the Caribbean, including, for the first time ever, Haiti, one of the most high-risk, disaster-prone countries in the Region. PAHO is also working to expand Smart Hospitals initiatives to other parts of the Region.

¹ INSPIRE: A select group of seven successful strategies for ending violence against children.

- In the area of information systems, evidence and knowledge, and research and innovation, PAHO supported Member States in the implementation of data analysis and evidence-based tools and guidelines. National virtual health libraries were deployed, and the first Research4Life online course was launched in Spanish. PAHO has also implemented multilingual platforms and methodologies to increase the reach of its scientific and technical literature and foster its technical cooperation. With PAHO's support, 17 countries have made important progress towards the implementation of telehealth models at the first level of care, as well as digital documentation of COVID-19 vaccination that will allow homologation with the requirements of the European Union. Two critical Information Systems for Health (IS4H) platforms were launched during the 30th Pan American Sanitary Conference: Health in the Americas 2022 and Core Indicators 2022.
- The report on **Preventing and Responding to Sexual Exploitation and Abuse in PAHO** (CE170/29) was presented to the Executive Committee in June 2022. The report provides an overview of the actions and initiatives that PAHO has taken to prevent and respond to sexual exploitation and abuse. It also details other measures and steps being taken to further strengthen PAHO policies and practices to minimize the risk of sexual exploitation and abuse, facilitate reporting, protect victims, and hold perpetrators accountable.
- **The Organization has demonstrated remarkable success in mobilizing resources** to support the attainment of results outlined in the PAHO Strategic Plan 2020-2025 and its program budgets. Over \$ 259 million have been mobilized (agreements signed) to date, including \$ 47.6 million in PAHO voluntary contributions, \$ 77.8 million in national voluntary contributions, and \$ 133.7 million in PAHO emergency funds.
- Forty-eight documents and 15 resolutions were presented and approved during the Special Session of the Directing Council², the 30th Pan American Sanitary Conference, and the 171st Session of the Executive Committee. Implementation of the adopted resolutions will be paramount as the Region works to recover from the pandemic while accelerating progress towards the SHAA2030 targets and the SDGs. These include: i) the Policy to Strengthen National Regulatory Systems for Medicines and Other Health Technologies, which sets out a series of recommendations to strengthen governance and capacities of regulatory systems, improving regional integration and promoting convergence; ii) the Strategy on Regional Genomic Surveillance for Epidemic and Pandemic Preparedness and Response, which highlights the imperative need for the Region to equip itself with advanced tools for early detection and monitoring of viruses that pose a serious threat to health; iii) the Policy for Improving Mental Health, which aims to help countries strengthen and implement policies to improve mental health in the Region; iv) the Policy on Integrated Care for Improved Health Outcomes, which seeks to address the fragmentation of health systems, a problem that affects the organization, management, and delivery of care in almost the entire Region; v) the Policy for Recovering Progress toward the Sustainable Development Goals with Equity through Action on the Social Determinants of Health and Intersectoral Work, which promotes action on the social determinants of health through strengthening health programs, community participation, intersectoral action, and the involvement of local governments.

Selected Challenges

- **The fragile economic and security situation in the Region persists as the principal challenge**, with growing social unrest, political instability, and limited fiscal space for pandemic recovery efforts and country health reforms proposals. These scenarios will have ramifications for PAHO's technical cooperation, operations, functioning, and delivery on its mandate, while maintaining values and trust in the Organization.
- The **prices for certain vaccines remained remarkably high in 2022**, due to monopolistic positions. This represents a high

² A Special Session of the Directing Council was carried out virtually on 5 August 2022 to discuss the pricing of the Monkeypox vaccines to be acquired by the Pan American Sanitary Bureau on behalf of Member States from the Region of the Americas.

Burden on immunization budgets. The cost of pneumococcal conjugate, human papillomavirus, and rotavirus vaccines can represent more than 80% of immunization budgets. This is a great challenge for countries, particularly in the current fiscally constrained environment. In addition, unpredictable or unstable demand for vaccines from countries makes it difficult to achieve better prices.

- **The COVID-19 pandemic continues to threaten access to health**, exacerbating and creating new barriers to access, especially for vulnerable populations who face different obstacles through a unique combination of socioeconomic, political, and cultural factors that worsen disparities in care-seeking behavior and the delivery of care. Challenges to robust stewardship and governance by health authorities and difficulties with intersectoral coordination have impacted the approval of comprehensive PHC-based health system reform efforts that address a full range of issues impacting access.
- The pandemic showed that some **Member States** lack strong and systematic legal procedures **to respond to health emergencies and disasters**. Countries need to develop a more extensive and integrative approach to these challenges, which require good coordination between the executive branch and the other branches of government.
- In addition, PAHO continues to contend with the **impact of disasters and disease outbreaks** beyond the COVID-19 emergency, as well as the **impact of migration on health systems**. Other **ongoing challenges**, many of which were recurring long before the pandemic, include changing national and regional priorities, limited institutional capacity at national level, 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 limits the availability of qualified health personnel, weaknesses in information systems, and insufficient data for evidence-based decision making.

Despite these challenges, PAHO continues to identify, design, and implement 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. Improved **interprogrammatic work** and the implementation of **new modalities of technical cooperation** continue to be recognized as factors for achieving greater levels of programmatic and budgetary implementation by the Secretariat. PAHO also continues to be alert to shifting priorities in development financing. The health sector is no longer the priority it was during the height of the pandemic. The Organization has therefore strived to connect its work to the multisectoral SDG agenda, deliver on its commitments, demonstrate results and impacts, and establish and consolidate partnerships.

2. Total Revenue

The main components of PAHO revenue for 2022 were the Program Budget, \$410.6 million; Procurement Funds, \$1.09 billion; National Voluntary Contributions, \$66.6 million; and Other Special Funds, \$8.1 million.

Table 1: Main components of PAHO Revenue ¹		(\$million)
	2022	2021
Program Budget	410.6	362.4
Procurement Funds	1,093.1	1,348.9
National Voluntary Contributions	66.6	75.0
Other Special Funds ²	8.1	8.1
TOTAL	1,578.4	1,794.4

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

² In 2022: Other Special Funds include the Tax Equalization Fund (\$8.1 million). In 2021: Tax Equalization Fund (\$8.1 million)

Program and Budget revenue totaled \$410.6 million for 2022. The breakdown of this revenue is as follows: Assessed Contributions, \$97.2 million; PAHO Voluntary Contributions, \$182.2 million; WHO Voluntary Contributions, \$71.4 million; Other WHO Funds, \$44.5 million; Program Support Costs, \$39.7 million; Miscellaneous Revenue, -\$25.7 million; and Other, \$1.3 million.

	2022	2021
Assessed Contributions ¹	97.2	97.2
PAHO Voluntary Contributions	182.2	91.7
WHO Voluntary Contributions	71.4	93.0
Other WHO Funds ²	44.5	42.6
Program Support Costs ³	39.7	37.5
Miscellaneous Revenue ⁴	(25.7)	(6.4)
Other ⁵	1.3	6.8
TOTAL	410.6	362.4

¹ Net of Tax Equalization.

² In 2022: Other WHO Funds include WHO Assessed Contributions (\$39.8 million) and WHO Special Account for Servicing Costs (\$4.7 million). In 2021: \$38.6 million and \$4.0 million, respectively.

³ In 2022: Program Support Costs include program support costs for Voluntary Contributions (\$18.0 million), Procurement Service Charge (\$20.0 million), and other (\$1.7 million). 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).

⁴ In 2022: Interest earned (\$18.4 million), valuation losses including unrealized portfolio market valuation losses of \$43.4 million, other revenue (\$0.7 million). In 2021: interest earned (\$8.4 million), valuation losses (\$14.0 million), other revenue (-\$0.8 million).

⁵ Includes a \$2.7 million increase of the allowance for doubtful accounts in 2022.

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 2022, the date it became due and payable. The cash receipts for current and prior years' Assessed Contributions in 2022 including Tax Equalization Fund assessments totaled \$59.4 million and \$55.7 million, respectively. The rate of collection of current year Assessed Contributions including Tax Equalization assessments increased from 40% in 2021 to 56% in 2022. During 2022, PAHO received payments towards current and prior years' Assessed Contributions from 29 Member States. Twenty Member States paid their 2022 assessments in full, five made partial payments toward their 2022 assessments, and 17 made no payment toward their 2022 assessments.

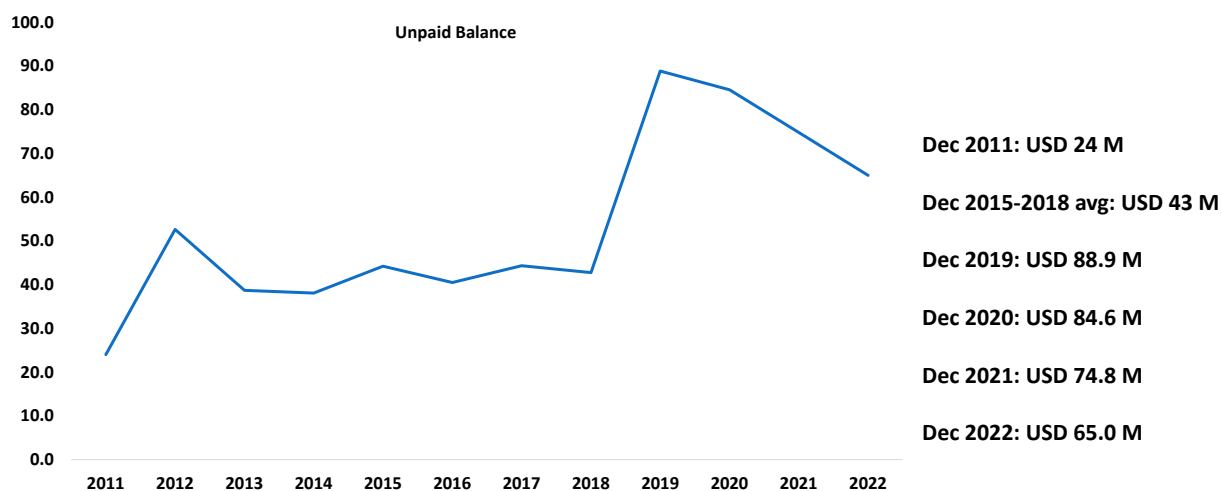
The Organization has experienced a deterioration in the rate of receipt of Assessed Contributions over the past 10 years. However, total Assessed Contributions payments outstanding, including amounts due for previous financial periods, decreased from \$74.8 million as of 31 December 2021 to \$65.0 million as of 31 December 2022. 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 had to access 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 2022, there was one Member State subject to Article 6.B. In addition, two Associate Members were 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 2022 was \$14.1 million and is comprised of \$18.4 million in investment revenue, investment management fees of \$1.0 million, other revenue of \$0.3 million and \$3.6 million in currency exchange loss.

Figure 1: Assessed Contributions Balance Due at Year-end

In USD millions



4. Working Capital Fund and Internal Borrowing

As of 31 December 2022, 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 (2021). 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 \$50.0 million of the Working Capital Fund, as well as an additional \$3.4 million in funds from other unrestricted internal sources.

5. WHO Assessed Contributions and Other WHO Funds

In 2022 the Organization continued to receive WHO funding for the Region of the Americas. During 2022, \$115.8 million was received from WHO, comprising: \$39.8 million in Assessed Contributions and Miscellaneous Revenue; \$49.8 million in Voluntary Contributions Emergencies; \$21.3 million in Voluntary Contributions – Specified; \$0.2 million in Voluntary Contributions – Core. In addition, the Organization received \$4.7 million in WHO Program Support Costs.

Table 3: WHO Allocation		(\$million)	
	2022	2021	
WHO Assessed Contributions and Miscellaneous Revenue	39.8	38.6	
WHO Voluntary Contributions - Core	0.2	12.2	
WHO Voluntary Contributions - Specified	21.3	26.2	
WHO Voluntary Contributions - Emergencies	49.8	54.6	
WHO Program Support Costs	4.7	4.0	
TOTAL	115.8	135.6	

6. PAHO Voluntary Contributions

PAHO Voluntary Contributions are managed through the Voluntary Contributions Fund and the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund.

During 2022, the total implemented revenue from PAHO Voluntary Contributions reached \$182.2 million, compared to \$91.6 million in 2021, an increase of \$90.6 million (99%). Revenue in the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund increased by 219%, from \$35.0 million in 2021 to \$111.8 million in 2022. Deferred revenue for PAHO Voluntary Contributions totaled \$219.2 million as of 31 December 2022, compared to \$238.3 million as of 31 December 2021, a decrease of \$19.1 million. Deferred revenue in the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund increased from \$82.9 million in 2021 to \$95.7 million in 2022. Deferred revenue in the (non-emergency) Voluntary Contributions Fund decreased from \$155.4 million in 2021 to \$123.5 million in 2022.

In 2022, the largest donors of implemented Voluntary Contributions were: the United States of America (\$29.9 million), the United Kingdom (\$9.7 million), the European Commission (\$8.3 million), Brazil (\$5.7 million), and Canada (\$3.3 million). The largest donors for Emergency Preparedness and Disaster Relief were: the United States of America (\$71.5 million), Canada (\$17.3 million), the European Commission (\$7.2 million), and the Republic of Korea (\$3.6 million).

Table 4: PAHO Voluntary Contributions		(\$million)	
	2022	2021	
Revenue - Voluntary Contributions	70.4	56.6	
Revenue - Emergency Preparedness and Disaster Relief	111.8	35.0	
Total Revenue	182.2	91.6	
Deferred Revenue - Voluntary Contributions	123.5	155.4	
Deferred Revenue - Emergency Preparedness and Disaster Relief	95.7	82.9	
Total Deferred Revenue	219.2	238.3	

7. National Voluntary Contributions

National Voluntary Contributions (NVC) are financial resources provided by member state governments exclusively for projects benefiting their countries. During 2022, PAHO implemented \$66.6 million (2021: \$75.0 million) in NVC, and the Deferred Revenue amounted to \$250.7 million (2021: \$241.7 million).

Table 5: Revenue: National Voluntary Contributions		(\$million)	
	2022	2021	
Brazil	55.0	55.2	
Other Countries	11.6	19.8	
TOTAL	66.6	75.0	

8. Procurement on Behalf of Member States

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 2022, the total value of procurement on behalf of Member States decreased to \$1,093.2 million from \$1,348.9 million in 2021.

Table 6: Revenue: Procurement Activities On Behalf of Member States		(\$million)
	2022	2021
Revolving Fund for Access to Vaccines	956.6	1,027.9
Revolving Fund for Strategic Public Health Supplies	136.4	314.4
Reimbursable Procurement	0.2	6.6
TOTAL	1,093.2	1,348.9

The Revolving Fund for Access to Vaccines (Revolving Fund) was established in 1977 to facilitate timely access to vaccines of quality at lowest prices for national immunization programs in Member States. Revenue decreased from \$1,027.9 million in 2021 to \$956.6 million in 2022, driven mainly by the reduction in the volume of COVID-19 vaccine procurement.

In 2022, 42 countries and territories participated in the Fund. The 10 Member States with the largest revenue were Argentina, Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, and Venezuela, totaling 86% of total revenue. For Mexico and Venezuela, procurement was related to COVID-19 vaccine only.

During 2022, the Revolving Fund successfully conducted operations to timely fulfill country vaccine demand, including key vaccines such as influenza, measles, and polio vaccines. The Revolving Fund kept supporting the delivery of COVID-19 vaccines allocated through COVAX Facility, with most of the supply coming from donors. The Revolving Fund actively participated in the Facility's consultation channels and advocated for vaccine donations that could better address regional needs. In alignment with GAVI and UNICEF, the Revolving Fund supported country demand planning for COVID-19 vaccines.

In collaboration with the Incident Management Support Team (IMST), the Revolving Fund leveraged voluntary contributions to pre-position 46.8 million syringes in PAHO's strategic reserve warehouse located in Panama in order to ensure timely access to these supplies by countries at risk of stockouts or under emergencies. In addition, 5.8 million doses of oral polio vaccine (bOPV) were procured and delivered to selected countries with planned integrated campaigns.

The Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund) was created in 2000 to improve affordability and access to quality health care by facilitating the procurement of essential medicines and health supplies throughout the Americas. As of 31 December 2022, 35 countries and 20 social security and public health institutions across Latin America and the Caribbean had signed participating agreements with the Strategic Fund, indicating strong Member State support for the mechanism through a variety of partners in the region. During 2022, the Strategic Fund played a critical role in sustaining priority public health programs while supporting the COVID-19 response.

During 2022, the Strategic Fund led major improvements to strengthen access to essential therapeutics and diagnostic tests. These included rolling out an initiative to consolidate regional demand in order to support evidence-based forecasting and budgeting, planning for the strengthening of supply chain management capacity, developing a loan and donation coordination platform to support horizontal cooperation between Member States, and implementing various analytical dashboards to better track key performance indicators through real-time data, and adapting treatment protocols to yield greater cost savings. Furthermore, the Strategic Fund increased access to address noncommunicable diseases and supported expanded assistance for communicable diseases, such as pediatric antiretrovirals and tuberculosis medicines, through essential collaborations, for example, with the Horizontal Technical Cooperation Group of Latin America and the Caribbean (GCTH).

Finally, in response to heightened demand from Member States and other partners, the PAHO Strategic Fund expanded engagement to better communicate best practices, including new research initiatives on the role of the PAHO Strategic Fund in regional leishmaniasis control and the HEARTS initiative. By partnering with Member States to guarantee the continuous and efficient supply of affordable, quality-assured health products across communicable and noncommunicable diseases, the Strategic Fund has continued to work as a crucial partner in technical cooperation, bridging health security and universal health to better support health systems resilience throughout the Americas.

Overall monthly average use of Revolving Fund lines of credit by Member States decreased by \$10.4 million in 2022, compared to 2021—from \$133.6 million to \$125.6 million for the Revolving Fund, and from \$23.2 million to \$20.9 million for the Revolving Fund.

Funding for the purchase of medical supplies and medical equipment processed through the [Reimbursable Procurement on Behalf of Member States](#) Fund was \$0.2 million. In 2022, four Member States used this fund.

9. Expenses by Category

PAHO's total expenses, reflecting disbursements and accrued liabilities, decreased to \$1,551.5 million in 2022 from \$1,785.1 million in 2021.

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

Table 7: PAHO Expense Categories		(\$million)	
	2022	2021	
Staff and Other Personnel Costs	156.6	153.5	
Supplies, Commodities, Materials ¹	1,153.4	1,382.6	
Depreciation, Amortization, and Revaluation	1.8	1.7	
Contractual Services ²	174.2	158.8	
Travel	32.6	16.3	
Transfers and Grants to Counterparts ³	22.6	54.7	
General Operating and Other Direct Costs	10.3	17.5	
TOTAL	1,551.5	1,785.1	

¹ Decrease due to the end on response to the COVID-19 emergency.

² Increase (\$15.4 million vs 2021) for consultants and technical writing.

³ Decrease in Donations to third parties (\$32 million vs 2021) mainly for WHO Voluntary Contributions – Emergencies Fund and increase in Letters of Agreements (\$0.3million vs 2021).

10. 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.

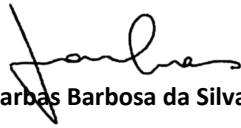
As a result of the COVID-19 pandemic, there has been an increase in funds administered by the Organization, primarily associated with the Procurement funds and Voluntary Contributions. Since these funds support the pandemic response, they are of necessity short-term in nature. Beginning in March 2022, the Federal Open Market Committee began increasing US short-term interest rates, which rose from 0.25% to 4.5% as of 31 December 2022. As a result, Investment Revenue and Interest Earned increased from \$8.4 million in 2021 to \$18.4 million in 2022.

11. Preparation of Financial Statements

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)¹, 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 effect of the COVID-19 pandemic on the financial performance of PAHO in the coming years will depend on developments that cannot be reliably predicted.

The Financial Statements of the Organization were certified and approved for publication by the Director of the Organization under the authority vested in him by the Pan American Sanitary Conference, as stated in Resolution CSP30.R7 of September 2022. 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.



Jarbas Barbosa da Silva Jr.

Director

Pan American Sanitary Bureau

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

Certification of the Financial Statements for the year ended 31 December 2022.

In accordance with the provisions of Regulation XIII of the Financial Regulations, attached are the Financial Statements for the year ended 31 December 2022. 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 2022, together with the supporting notes to the statements have been reviewed and approved.



Christos Kasapantoniou
Director
Financial Resources Management



Jarbas Barbosa da Silva Jr.
Director
Pan American Sanitary Bureau

10 May, 2023

PAHO's 2022 Statement on Internal Control

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 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, I provide information on the status of the PASB internal control environment in fulfillment of the purpose of this report. In addition, PASB activities are framed by the PAHO Strategic Plan 2020–2025, which clearly states that accountability is a critical component of any well- functioning organization that implements a results-based management (RBM) approach.

Considering PAHO's constitutional mandate, the internal control system is informed by the Three Lines Model⁴⁷ and is linked at the 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 pandemic⁴⁸ 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 2022, a total of seven Head of Country Office transfers were performed (Barbados and Eastern Caribbean Countries (ECC), Costa Rica, Guatemala, Mexico, Panama, Paraguay, and Venezuela).

The contextual environment in which the Organization operated during 2022 continued to be affected by the COVID-19 pandemic emergency. While the pandemic caused immense hardship, it also underlined the importance of public health and served as a catalyst for progress in developing the Region's ability to manage emergencies. The pandemic drove important public health advances, such as expansion of regional capacity for genomic surveillance and for the manufacturing of essential health products. It also underscored the need for stronger and more resilient health systems and better intersectoral coordination⁴⁸.

PASB continued operating under the extension of the COVID-19 emergency, defining measures to return to premises, while protecting the health and well-being of PAHO personnel by avoiding unnecessary exposure to the virus. It is important to highlight that the highest level of governance of PAHO, the Pan American Sanitary Conference, was held in 2022. As part of the Conference, the election process for the new Director took place, culminating in the election of a Director for the next five years. A transition team was established⁴⁹ to facilitate the sharing of relevant information to the Director-Elect, in preparation for the transfer of new responsibilities and to maintain the highest levels of accountability in the implementation of PAHO's Program Budget.⁵⁰

⁴⁷ [SOP-1.8.1-Comply-with-Internal-Control.pdf \(sharepoint.com\)](#)

⁴⁸ CSP30/7. REPORT OF THE END-OF-BIENNIUM ASSESSMENT OF THE PAHO PROGRAM BUDGET 2020-2021 / FIRST INTERIM REPORT ON THE IMPLEMENTATION OF THE PAHO STRATEGIC PLAN 2020-2025. Washington, D.C., USA, 26-30 September 2022

⁴⁹ [GIB-HQ-CO-Centers-22-0052.pdf \(sharepoint.com\)](#)

⁵⁰ [PIB-HQ-CO-Centers-22-0316.pdf \(sharepoint.com\)](#)

At the programmatic level, PASB presented the end-of-biennium report, reflecting input from across the Organization on these difficult first years of the Strategic Plan of the Pan American Health Organization 2020-2025 and reporting on implementation of the Program Budget 2020-2021, as well as the proposed revision of the Program Budget 2022-2023⁵¹, in the spirit of transparency, accountability, and collaboration with Member States. Additionally, given the amount of financial resources received for outbreak and crisis response and the Smart Hospitals initiative, consistent with increased technical cooperation needs, PASB also took the opportunity to present to Member States a revised budget for the Special Programs segment of the Program Budget 2022-2023.

A significant event of 2022 was the evaluation of PAHO'S response to the COVID-19 pandemic⁵². The evaluation assessed PAHO's work with countries and partners to respond to the pandemic considering the following criteria: relevance, coherence, coordination, effectiveness, efficiency, sustainability, and the overall added value of the Organization. The evaluation also assessed the internal adaptive organizational capacity to operate during a pandemic. The evaluation's analysis was at the strategic, operational, and organizational levels, covering January 2020 to June 2022. Through this evaluation, PASB has provided transparent reporting and lessons learned from one of the most critical and devastating public health events in history, with implications at social, economic, and geopolitical levels.

In the areas of risk management, compliance, and ethics, PASB continues to integrate the risk management process for projects related to emergencies⁵³, complementing the advances achieved through the review process for voluntary contributions and agreements. Under this framework, the Standing Committee on Risk Management and Compliance met several times during the year to monitor and discuss the risk situation⁵⁴, make recommendations for improvements, enhance the corporate risk registers⁵⁵, and review the compliance function in order to address the recommendations made by the external auditors. Once the compliance function was reviewed, a recruitment and selection process was started. In the meantime, a comprehensive compliance portal was designed, to will be launched in 2023. The expectation is that the compliance officer will be fully functional during 2023 and will coordinate with business owners to develop a comprehensive accountability framework, supporting the first line of defense on compliance issues and reporting at the corporate level.

Taking into consideration the high priority given to virtual work and telework in general, the role of the security officer is highly recognized for its effectiveness in promoting cybersecurity, educating users on best practices, and helping staff to understand cybersecurity risks. For 2022, the policy on information security was updated and the "See Yourself in Cyber" cybersecurity awareness campaign focused on people. The cybersecurity strategy highlights three best practices that will enable personnel to maintain cybersecurity at PAHO: 1) think before you click, recognizing and reporting phishing attempts; 2) keep software and applications up to date, and 3) use strong passwords.

During 2022 progress was made at the corporate level to provide follow-up to the internal audit of the Shared Services Pilot Initiative. With support from an external consulting firm familiar with PAHO's Shared Services Pilot, a roadmap was developed to guide PASB on the steps to develop a governance model, and to define criteria for expansion.

PASB continues its efforts to shape and promote a culture of ethical behavior and integrity by providing guidance, training, and support to help personnel make the right choices. During 2022 the results of the Ethics and Climate Survey were presented. These results provide PASB with a source of valuable information, with special attention on implementing policies to prevent and respond to the sexual exploitation and abuse of people who depend directly or indirectly on the services provided by PASB. These efforts include hiring dedicated staff, establishing country focal points, strengthening reporting mechanisms, implementing awareness-raising activities, and providing training in the prevention of and response to sexual harassment, coercion, exploitation, and abuse. This effort is complemented with the findings of the 2022 Engagement Survey.

Finally, during this period a comprehensive mapping was completed of the full E-manual, and the status of existing policies was reviewed and updated by the different business owners.⁵¹

⁵¹ [CSP30/6. PROGRAM BUDGET OF THE PAN AMERICAN HEALTH ORGANIZATION 2022-2023: PROPOSED AMENDMENTS. Washington, D.C., 26-30 September 2022](#)

⁵² [PIB-HQ-CO-Centers-22-0148. 8 July 2022](#)

⁵³ [PIB-HQ-CO-Centers-22-0183.pdf \(sharepoint.com\)](#)

⁵⁴ [PIB-HQ-CO-Centers-22-0149.pdf \(sharepoint.com\)](#)

⁵⁵ [PIB-HQ-CO-Centers-21-3556.pdf \(sharepoint.com\)](#)

Compliance has been integrated into the reviews process, strengthening PASB's accountability functions, in line with results-based management and value-for-money approaches.

Significant risks during 2022

The following table summarizes the risks approved in the framework of the Program and Budget 2022-2023⁵⁶ biennium.

Risk Area	Scope
Dependence upon and need to ensure Member States' funding of their financial commitments	<ol style="list-style-type: none"> 1. Failure of some Member States to comply with financial commitments (assessed contributions) 2. Insufficient resources or decline in investment to implement and achieve the PAHO Strategic Plan, including funds through voluntary contribution mechanisms 3. 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	<ol style="list-style-type: none"> 1. Failure to respond rapidly to Member States' needs in emergencies (outbreaks and natural disasters) 2. Lack of diversification of partners and donors 3. Failure to develop and implement resource mobilization plans
Ability to attract and retain talent with skills and competencies to meet new work modes	<ol style="list-style-type: none"> 1. Time or resource constraints that make it difficult to continuously maintain and update required skills and competencies of existing staff 2. Inability to attract and retain staff with competencies and skills required to support programmatic commitments
Competing national priorities that reduce attention to health priorities	<ol style="list-style-type: none"> 1. Increasing scale of the COVID-19 emergency and new humanitarian crises that may affect health outcomes 2. Information systems with limited disaggregated data and scarce data on the social determinants of health
System/technology infrastructure readiness to support digital transformation	<ol style="list-style-type: none"> 1. Insufficient resources for applications development for workplace modernization and business continuity
Duty of care for personnel and operational business continuity during pandemic	<ol style="list-style-type: none"> 1. Failure to follow workplace safety protocols to ensure health and well-being of personnel 2. Lack of updated business continuity plans in PAHO duty stations
PASB reputation	<ol style="list-style-type: none"> 1. Potential for fraud/conflict of interest/misbehavior

To manage these 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 implementation of donor agreements, training to build internal capacity in several areas of work, regular and ad hoc consultative process with Member States, maintaining communications with internal and external stakeholders regarding PASB progress and challenges, monitoring of implementation of PASB response during the emergency, duty of care, and conducting assessments or audits.

⁵⁶ OD363. PROGRAM BUDGET OF THE PAN AMERICAN HEALTH ORGANIZATION 2022-2023. Virtual Session, 20-24 September 2021

Internal Control Framework and Risk Management

PAHO's internal control framework, based on the Three Lines Model, is designed to reduce and manage (rather than eliminate) the risk of failure to achieve the Organization's mission and improve performance. Internal control is an ongoing process designed to provide reasonable assurance of 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 PASB, 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 was determined, and related gaps were identified for internal control purposes. Monitoring and review activities will focus on material, reputational, and financial risks to the Organization, strategically linking them to compliance for a more holistic approach.

During 2022, the Office of Internal Audit (OIA) performed an internal audit of the second line of defense (MANAGEMENT MONITORING OF INTERNAL CONTROLS) IN PASB which was completed and the final report issued before the end of January 2023. The implementation of its recommendation may be addressed during 2023. The Office of Internal Audit (OIA) did not give an "unsatisfactory" rating to any of the internal audit assignments in 2022. This is the fifth consecutive year with no "unsatisfactory" ratings overall, and the sixth 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 2022, 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. Financial closure was performed in accordance with the guidelines and timeline.

Based on the internal audit activity undertaken by OIA in 2022 and on its participation in the day-to-day life of the Organization (including the role of OIA staff members as observers in internal committees and working groups), the office did not identify any significant weaknesses in internal controls that would seriously compromise the achievement of PAHO's strategic and operational objectives. OIA's opinion of the PASB internal control environment in 2022 is that it continued to provide reasonable assurance of the accuracy and timely recording of transactions, assets, and liabilities, and of the safeguarding of assets. However, with the ongoing weaknesses in second line activity (management monitoring of internal controls), it remains possible for officials to override internal controls. OIA therefore continues to draw attention to the desirability of enhancing formal second line arrangements to protect PASB from related risks. Alongside the evolving assurance mapping and Enterprise Risk Management processes, a more effective second line should contribute to articulating more clearly the interconnections between the Organization's objectives, risks, and risk-mitigating internal controls while helping to identify internal control violations.

Review of Effectiveness

As Director of 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, senior managers in the Organization with responsibility for developing and maintaining the Internal Control Framework, the Ethics Office, which coordinates PAHO's Integrity and 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.

To support good practices in the administrative area, cost center managers are required to periodically provide assurances of 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 various administrative and financial processes and serve as a check on the cost centers' activities. 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

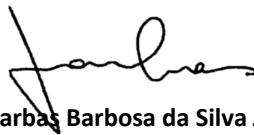
certification with confidence.

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, and compliance, as well as the adequacy of the Organization's systems of internal and external controls.

Statement

As part of the Administrative Transfer completed on 23 January 2023, the Director Emeritus provided me with assurances that during 2022 she and the Executive Management Team 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.

The Administrative Transfer included a statement of confidence from the Director Emeritus that the Organization's system of internal control was effective throughout the financial reporting period 1 January 2022 through 31 December 2022. It remains so on the date that I sign this statement.



Jarbas Barbosa da Silva Jr.
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 2022, 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 2022 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 in accordance with the Pan American Health Organization's Financial Regulations. My responsibilities under the 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:

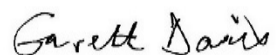
- identify the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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, slightly slanted style.

Gareth Davies

Date: 12 May 2023

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

For the year ended 31 December 2022
(In thousands of US dollars)

Description	Reference	31 December 2022	31 December 2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	Note 3	178 929	167 326
Short Term Investments	Note 4.1	50 959	174 063
Accounts Receivable	Note 6	261 960	245 449
Inventories	Note 7	17 604	8 974
Total Current Assets		509 452	595 812
Non-Current Assets			
Long Term Investments	Note 4.2	981 684	955 795
Accounts Receivable	Note 6	123 388	104 810
Property, Plant and Equipment	Note 8	146 648	139 091
Intangible Assets	Note 9	1 050	643
Total Non-Current Assets		1 252 770	1 200 339
TOTAL ASSETS		1 762 222	1 796 151
LIABILITIES			
Current Liabilities			
Accrued Liabilities	Note 10	34 262	27 727
Accounts Payable	Note 11	90 503	41 448
Employee Benefits	Note 12.4	3 033	2 717
Deferred Revenue	Note 13	741 507	875 313
Short Term Provision	Note 23		10 290
Total Current Liabilities		869 305	957 495
Non-Current Liabilities			
Accounts Payable	Note 11	8 659	8 659
Employee Benefits	Note 12.4	136 904	296 142
Deferred Revenue	Note 13	199 529	193 607
Total Non-Current Liabilities		345 092	498 408
TOTAL LIABILITIES		1 214 397	1 455 903
NET ASSETS / EQUITY			
Fund Balances	Note 14	256 289	85 654
Reserves	Note 14	291 536	254 594
TOTAL NET ASSETS / EQUITY		547 825	340 248
TOTAL LIABILITIES AND NET ASSETS / EQUITY		1 762 222	1 796 151

Pan American Health Organization
Statement of Financial Performance

For the year ended 31 December 2022
(In thousands of US dollars)

Description	Reference	31 December 2022	31 December 2021
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed Contributions	Note 15	105 275	105 275
Voluntary Contributions	Note 15	266 709	177 631
WHO Allocations	Note 15	115 915	135 647
Revenue from Exchange Transactions			
Procurement of Public Health Supplies	Note 15	1 113 024	1 372 018
Other Revenue	Note 15	1 253	6 811
Miscellaneous Revenue	Note 15	(23 802)	(2 937)
TOTAL REVENUE		1 578 374	1 794 445
EXPENSES			
Staff and Other Personnel Costs	Note 16	156 614	153 482
Supplies, Commodities, Materials	Note 16	1 153 407	1 382 555
Depreciation, Amortization, and Revaluation	Note 16	1 778	1 699
Contract Services	Note 16	174 271	158 769
Travel	Note 16	32 621	16 348
Transfers and Grants to Counterparts	Note 16	22 572	54 726
General Operating Costs	Note 16	10 328	17 525
TOTAL EXPENSES		1 551 591	1 785 104
NET SURPLUS / (DEFICIT)		26 783	9 341

Pan American Health Organization
Statement of Changes in Net Assets

For the year ended 31 December 2022
(In thousands of US dollars)

Description	Reference	31 December 2022	31 December 2021
Net assets at the beginning of the year		340 248	273 709
Actuarial gain / (losses) on employee benefits liabilities	Note 12.7	180 794	57 198
Total of items (revenue/expenses) recognized directly in Net Assets		180 794	57 198
Surplus/(deficit) for the Financial Period		26 783	9 341
Total recognized revenue and expenses for the year		207 577	66 539
Net assets at the end of the year	Note 14	547 825	340 248

Pan American Health Organization
Cash Flow Statement

For the year ended 31 December 2022
(In thousands of US dollars)

Description	Reference	31 December 2022	31 December 2021
Cash Flows from Operating Activities:			
Surplus / (Deficit) for the period		26 783	9 341
Adjustments to reconcile surplus for the year to net cash flows:			
Unrealized (gain)/loss on investments recognized in surplus	Note 4.2	39 801	11 712
Depreciation	Note 8	1 450	1 423
Amortization	Note 9	328	276
Changes in assets			
(Increase) / Decrease in Accounts Receivable	Note 6	(37 781)	(24 253)
(Increase) / Decrease in Inventories	Note 7	(8 630)	2 484
(Increase) / Decrease in Allowance for Doubtful Accounts Receivable	Note 6.2	2 692	(3 189)
Changes in liabilities and net asset			
Increase / (Decrease) in Accrued Liabilities	Note 10	6 535	(2 231)
Increase / (Decrease) in Accounts Payable	Note 11	49 055	19 008
Increase/(decrease) in employee benefits liabilities	Note 12.7	(158 922)	(36 089)
Actuarial (loss)/gain on employee benefits liabilities	Note 12.7	180 793	57 198
Increase / (Decrease) in Deferred Revenue	Note 13	(127 884)	243 865
Increase / (Decrease) in Short Term Provision	Note 23	(10 290)	(933)
Net Cash Flows from Operating Activities		(36 070)	278 612
Cash Flows from Investment and Financing Activities			
Purchases of investment	Note 4	(1 013 059)	(1 243 268)
Maturities and sales of investment	Note 4	1 083 059	780 835
Interest received	Note 4	(14 693)	(7 463)
Gain on sale of investments	Note 4	2 107	2 234
Purchase of/adjustments to property, plant and equipment and intangible assets	Note 8 / 9	(9 724)	(933)
Proceeds from sale of property, plant and equipment		(17)	(37)
Net Cash Flows from Investing Activities		47 673	(468 632)
Net Increase / (Decrease) in Cash and Cash Equivalents		11 603	(190 020)
Cash and Cash Equivalents at the beginning of the Year		167 326	357 346
		178 929	167 326

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

As at 31 December 2022
(In thousands of US dollars)

Outcome No	Outcome short title	2022-2023		Amended Program Budget 2022-2023	FY 2022		FY 2023		Total 22-23 Expenditures as % of Approved Program Budget
		Approved Program Budget 2022-2023	Variations		Apportioned Budget	Expenditures (With Accruals)	Total 2022 Expenditures as % of Apportioned Budget	Apportioned Budget	
		[a]	[b]	[c]=[a]+[b]	[d]=[c]*[0.5]	[e]	[f]=[e]/[d]	[g]=[c]*[0.5]	[k]=[j]/[c]
Base Programs									
OUTCOME 1	Access to comprehensive and quality health services	25 500	1 400	26 900	13 450	7 927	59%	13 450	29%
OUTCOME 2	Health throughout the life course	35 000		35 000	17 500	9 788	56%	17 500	28%
OUTCOME 3	Quality care for older people	4 000		4 000	2 000	849	42%	2 000	21%
OUTCOME 4	Response capacity for communicable diseases	70 000	1 000	71 000	35 500	30 115	85%	35 500	42%
OUTCOME 5	Access to services for NCDs and mental health conditions	20 300	800	21 100	10 550	11 799	112%	10 550	56%
OUTCOME 6	Response capacity for violence and injuries	3 000		3 000	1 500	962	64%	1 500	32%
OUTCOME 7	Health workforce	12 500	300	12 800	6 400	3 992	62%	6 400	31%
OUTCOME 8	Access to health technologies	36 400	1 600	38 000	19 000	12 148	64%	19 000	32%
OUTCOME 9	Strengthened stewardship and governance	10 100	750	10 850	5 425	3 784	70%	5 425	35%
OUTCOME 10	Increased public financing for health	4 400	950	5 350	2 675	1 730	65%	2 675	32%
OUTCOME 11	Strengthened financial protection	4 100		4 100	2 050	636	31%	2 050	16%
OUTCOME 12	Risk factors for communicable diseases	26 000	800	26 800	13 400	8 141	61%	13 400	30%
OUTCOME 13	Risk factors for NCDs	27 000	600	27 600	13 800	5 020	36%	13 800	18%
OUTCOME 14	Malnutrition	6 000	300	6 300	3 150	2 826	90%	3 150	45%
OUTCOME 15	Intersectoral response to violence and injuries	3 000		3 000	1 500	1 117	74%	1 500	37%
OUTCOME 16	Intersectoral action on mental health	5 000	500	5 500	2 750	1 671	61%	2 750	30%
OUTCOME 17	Elimination of communicable diseases	26 000	300	26 300	13 150	8 037	61%	13 150	31%
OUTCOME 18	Social and environmental determinants	17 000	600	17 600	8 800	5 975	68%	8 800	34%
OUTCOME 19	Health promotion and intersectoral action	6 000	500	6 500	3 250	1 304	40%	3 250	20%
OUTCOME 20	Integrated information systems for health	16 400	300	16 700	8 350	7 450	89%	8 350	45%
OUTCOME 21	Data, information, knowledge, and evidence	16 500		16 500	8 250	6 666	81%	8 250	40%
OUTCOME 22	Research, ethics, and innovation for health	3 800		3 800	1 900	1 342	71%	1 900	35%
OUTCOME 23	Health emergencies preparedness and risk reduction	27 000	11 600	38 600	19 300	7 946	41%	19 300	21%
OUTCOME 24	Epidemic and pandemic prevention and control	26 000	11 600	37 600	18 800	6 913	37%	18 800	18%
OUTCOME 25	Health Emergencies Detection and Response	25 000	2 500	27 500	13 750	18 083	132%	13 750	66%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	7 000	200	7 200	3 600	2 202	61%	3 600	31%
OUTCOME 27	Leadership and governance	78 500	2 900	81 400	40 700	38 539	95%	40 700	47%
OUTCOME 28	Management and administration	98 500		98 500	49 250	47 173	96%	49 250	48%
Subtotal - Base Programs		640 000	39 500	679 500	339 750	254 134	75%	339 750	37%
	Foot and mouth disease elimination program	11 000		11 000	5 500	6 062	110%	5 500	55%
	Smart hospitals	5 000	5 000	10 000	5 000	9 695	194%	5 000	97%
	Outbreak and crisis response	31 000	149 000	180 000	90 000	148 941	165%	90 000	83%
	Polio eradication maintenance	1 000		1 000	500	127	25%	500	13%
Subtotal - Special programs		48 000	154 000	202 000	101 000	164 825	163%	101 000	82%
TOTAL - Program Budget		688 000	193 500	881 500	440 750	418 959	95%	440 750	48%

The Approved PAHO Program Budget 2022-2023 (PB22-23) amounts to \$881.5 million, \$679.5 million in Base programs and \$202 million in Special Programs.

It was revised and approved by the Pan American Sanitary Conference (Official Document CSP30/6 of 1 July 2022) as an integrated budget. The Program Budget revisions increased the Base Programs by \$39.5 million and Special Programs by \$15 million. The corresponding increase by outcome is shown in the column "Variance".

The Program Budget sets out the corporate results and targets for the Pan American Health Organization (PAHO) for the next two years. It presents the budget that the Pan American Sanitary Bureau (PASB or the Bureau) will require to deliver on biennial results and support Member States in improving health outcomes while contributing to the achievement of health targets set out in existing regional and global frameworks.

The figures in the columns "Approved Program Budget 2022-2023" and "Amended program Budget 2022-2023" indicate total resource requirements (often called "budget ceiling" or "envelopes") and not actual funds available.

Although the PAHO Program Budget is approved by Governing Bodies on a biennial basis, for practical and reporting purposes only and following IPSAS, the Program Budget has been apportioned at 50% for each fiscal year (2022 and 2023).

The 2022 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

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 120 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)¹, 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 him by the Pan American Sanitary Conference, as stated in Resolution CSP30.R7 of September 2022.

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.

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

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

- 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 Financial Performance. 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 receivable 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 (PAHO Member States and Non-PAHO Member States), international organizations (United Nations and Non-United Nations), non-governmental organizations, foundations, for-profit organizations, and others; (2) the National Voluntary Contributions, which includes financial resources from PAHO Member States exclusively for internal projects; and (3) the Voluntary Contributions for Emergency Preparedness and Disaster Relief, which includes financial resources from governments (PAHO Member States and Non-PAHO Member States), international organizations (United Nations and Non-United Nations), non-governmental organizations, foundations, for-profit organizations, and others. 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 2022, the Organization classified all the accounts receivable balances of Voluntary Contributions expiring prior to 31 December 2023, 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 2023 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 represent 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.

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 and other relief efforts.

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 impairment losses when applicable. 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 whether expensed or capitalized in the year they occur, will be included in the future revaluation and adjusted accordingly.

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 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), non-governmental organizations, foundations, for-profit organizations, and others, 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. Deferred revenue that is in the accounts for longer than a year is reclassified as long-term.

To determine the current portion of deferred revenue from Voluntary Contributions as of 31 December 2022 the Organization classified all the deferred revenue balances of Voluntary Contributions expiring prior to 31 December 2023 as well as those grants with an indefinite status, as current deferred revenue. In addition, deferred revenue balances of Voluntary Contributions agreements extending beyond 2023 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, but are not limited to, Sales of Services, Program Support Costs, Master Capital Investment, Statutory Entitlement, SHI servicing costs, including the After Service Health Insurance, Post Occupancy Charge, the allowance for doubtful debts, etc.
 - **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.

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. 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.

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. This standard will replace the existing IPSAS 29 – Financial Instruments and sets out new requirements for recognition and measurement of financial instruments, including a forward looking expected credit loss model, derecognition and general hedge accounting. After an initial review, PAHO has identified the need for change in its approach to expected credit loss. PAHO is currently assessing the impact of the changes, and currently does not anticipate a significant overall impact.
- 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 2022	31 December 2021
Cash on Hand, US\$	170 826	151 703
Cash on Hand, Other Currencies	8 103	15 622
Money Market Funds	2 902	2 473
Less: Plan Assets	(2 902)	(2 473)
Total	178 929	167 326

Due to the post-pandemic uncertainty, the Organization continued to maintain higher cash balances in 2022 to meet unexpected needs. However, with the Federal Open Market Committee interest rate hikes starting in March 2022, PAHO increased the investments in short term maturities in order to maximize the yield on excess liquidity. As a result, PAHO took advantage of the seven consecutive rate hikes from 0.25% in March to 4.50% in December, as well as the flattening of the US Treasury yield curve during the second half of the year.

4. Investments

PAHO's investment policy mitigates risk by stipulating high-quality assets aimed at preserving principal. The PAHO Investment Committee has worked closely with the Portfolio Managers to assess the risk and take advantage of the opportunity presented by the rapidly increasing short term interest rates.

There has been an overall increase in investment income of \$ 10.0 million which was caused by the FOMC actions in 2022 as explained in note 3. 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 2022	31 December 2021
Certificates of Deposit	50 959	174 063
Total	50 959	174 063

Accrued interest of \$449 562 (2021: \$184 662) 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 2022	31 December 2021
Net Increase in Long-term Investments		
Increase (decrease) in Long-term Investments	25 889	470 123
Unrealized Net (Gains)/Losses	39 801	11 712
Net Increase in Long-term Investments	65 690	481 835
Cash Flows from Long-term Investments		
Interest Revenue	15 421	8 191
Realized Net Gains/(Losses)	(3 738)	(523)
Cash Flows from Long-term Investments	11 683	7 669

Valuation of Long-term Investments	31 December 2022		31 December 2021	
	Cost	Market	Cost	Market
Fixed Income Notes	19 542	14 115	18 447	19 004
Managed Portfolios	1 024 758	981 684	959 068	955 795
Less: Plan Assets	(19 542)	(14 115)	(18 447)	(19 004)
Total	1 024 758	981 684	959 068	955 795

Long-term fixed income instruments held in the TAREP portfolio are issued by the U.S. Government. Accrued interest of \$45 707 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 \$4 588 485 (2021: \$2 431 184) 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 unrealized losses on the managed portfolios was \$43 073 997 as of 31 December 2022 (2021: \$11 360 821), reflecting the rapid increase in short term interest rates and longer duration of portfolios. In agreement with the Investment Committee decision, external managers choose to sell some securities in order to take advantage of the new yields which will result in higher income in the long term but considering a rational level of realized losses.

Within the managed portfolios, temporary cash balances are the result of repositioning, rebalancing or natural maturities. At 31 December 2022, the cash balance was \$4 290 846.

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.

	2022 Amortized Cost	2022 Fair Market Value	2021 Amortized Cost	2021 Fair Market Value
Cash and Cash Equivalents				
Cash and Cash Equivalents	178 929		167 326	
Cash and Cash Equivalents (Plan Assets)	2 902		2 473	
Short-term Investments				
Certificates of Deposit (held to maturity)	50 959		174 063	
Long-term Investments				
Fixed Income Notes (Plan Assets)		14 115		19 004
Managed Portfolios (available for sale)		981 684		955 795
Accounts Receivable	380 810		338 618	
Accounts Payable	90 503		41 448	
Total	704 103	995 799	723 928	974 799

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
Total Cash and Cash Equivalents	<90 days	4.47%		2 902	178 929
Short-term Investment					
Certificates of Deposit	31 days	6.53%	50 959		
Long-term Investments					
Plan Assets	Immediate	1.97%	14 115		
Managed Portfolios	4,50 years	4.62%	981 684		
Total			1 046 759	2 902	178 929

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	9 248	1.83%	16-Nov-35	31-Dec-22
Federal Farm Credit Bank	4 821	2.23%	29-Sep-36	31-Dec-22

This represents Principal only and does not include accrued interest of \$45 707.

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 on 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 12-31-22	Increase of 100 basis points	Change in Fair Market Value	Decrease of 100 basis points	Change in Fair Market Value
981 843	964 357	(17 487)	999 752	17 909

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 33% of the total cash, short-term and long-term investments.

Credit Rating	2022		2021	
Cash and Cash Equivalents	83 792	8.4%	75 063	7.7%
AAA	656 217	66.0%	537 826	55.2%
AA	64 825	6.5%	107 675	11.0%
A	145 789	14.7%	209 402	21.5%
BBB	43 602	4.4%	45 082	4.6%
Total	994 226	100%	975 049	100%

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 \$2 901 855 held in the TAREP Money Market.

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

Investment Type	2022	2021
Money Market Funds	7 193	13 834
Government & U.S. Agency Issues	587 736	471 509
Mortgage-backed and Asset-backed Securities	61 594	53 676
Corporate Notes	290 529	370 980
Bank Deposits	37 454	61 229
Municipal Bonds	9 722	3 820
Total Long Term Investments	994 226	975 049

The Market Value total in the two charts above does not included Accrued Interest of \$4 634 191 and Accrued Fees of \$159 399.

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 increased by \$2.7 million in 2022 resulting in total impairments of \$36.0 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. As of December 31, a balance of \$ 2.8 million remains in Cuba for operational purposes and an immaterial balance (\$19 869) is held in Venezuela. 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 2022	31 December 2022	31 December 2021	31 December 2021
Current				
Assessed Contributions ¹		64 992		74 782
Tax Equalization Fund				
Voluntary Contributions		133 672		121 873
Voluntary Contributions - Emergency Preparedness and Disaster Relief	37 389		17 868	
Voluntary Contributions	63 068		75 095	
Voluntary Contributions - National Voluntary Contributions	33 215		28 910	
Procurement of Public Health Supplies		82 983		62 192
Revolving Fund for Access to Vaccines	76 096		56 882	
Regional Revolving Fund for Strategic Public Health Supplies	6 887		5 310	
Balance due from WHO for Interorganization Funding Activities		195		
Advances to Staff		2 924		3 010
Prepaid Expenses		4 538		11 641
Miscellaneous Receivables		8 628		5 231
Allowance for Doubtful Accounts Receivable ²		(35 972)		(33 280)
TOTAL		261 960		245 449
Non-Current				
Voluntary Contributions		108 992		90 503
Voluntary Contributions - Emergency Preparedness and Disaster Relief	20 591		786	
Voluntary Contributions	18 380		18 645	
Voluntary Contributions - National Voluntary Contributions	70 021		71 072	
Real Estate Maintenance and Improvement Contributions		1 250		1 250
PAHO Assessed Contributions and Miscellaneous		27		27
Procurement of Public Health Supplies		13 119		13 030
Revolving Fund for Access to Vaccines	11 529		11 440	
Regional Revolving Fund for Strategic Public Health Supplies	1 590		1 590	
TOTAL		123 388		104 810

¹ See Note 6.1

² See Note 6.2

6.1 Accounts Receivable from Assessed Contributions

	Arrears	2022	Total 2022	Total 2021
Antigua and Barbuda		36	36	
Argentina	3 139	3 361	6 500	6 054
Aruba	28	36	64	28
Bahamas		7	7	
Bolivia		79	79	
Brazil	5 511	13 957	19 468	11 172
Chile		529	529	2 168
Colombia				1 714
Costa Rica				19
Curacao	92	36	128	92
Dominica		36	36	
El Salvador		86	86	154
France		5	5	1
Grenada		36	36	
Guyana				2
Haiti				28
Netherlands		36	36	
Paraguay	91	97	188	91
Peru				699
Puerto Rico	300	58	358	415
Saint Kitts and Nevis		36	36	
Saint Lucia	7	36	43	7
Sint Maarten	21	36	57	21
Saint Vincent and the Grenadines		36	36	
Suriname				28
United Kingdom				27
United States		25 140	25 140	42 146
Venezuela	9 916	2 208	12 124	9 916
TOTAL *	19 105	45 887	64 992	74 782

* Assessed Contributions outstanding totaled \$65.0 million, a decrease of \$9.8 million over 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.

6.2 Movement in the Allowance for Doubtful Accounts Receivables

Description	31 December 2021	Increase / (Decrease)	31 December 2022
Assessed Contributions	17 469	3 038	20 507
Other (e.g. VAT)	2 072	(286)	1 786
Revolving Fund for Access to Vaccines	11 454	91	11 545
Revolving Fund for Strategic Public Health Supplies	1 614	(42)	1 572
PROMESS	573	(41)	532
PANAFTOSA	66	(59)	7
Special Fund for Program Support	32	(29)	3
Voluntary Contributions - National Voluntary Contributions		20	20
TOTAL	33 280	2 692	35 972

7. Inventories

In 2022 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 2022	31 December 2021
PROMESS	1 126	1 048
CLAP	25	39
PAHO Emergency Preparedness & Disaster Relief	15 985	7 569
Pan American Foot and Mouth Disease Center	468	318
Ending Balance of inventory	17 604	8 974

8. Property, Plant and Equipment

2022	Land	Buildings	Assets Under Construction	Other ^{1/}	Total
Cost as of 1 January	107 494	31 394		3 995	142 883
Additions			8 343	663	9 006
Disposals				(154)	(154)
Impairments					
Adjustments					
Net Revaluations					
Cost as of 31 December	107 494	31 394	8 343	4 504	151 735
Depreciation as of 1 January		920		2 872	3 792
Charged in current period		920		530	1 450
Disposals				(155)	(155)
Adjustments					
Net Revaluations					
Depreciation as of 31 December		1 840		3 247	5 087
Net book value as of 31 December 2022	107 494	29 554	8 343	1 257	146 648
2021	Land	Buildings	Assets Under Construction	Other	Total
Cost as of 1 January	107 494	31 394		3 834	142 722
Additions				399	399
Disposals				(238)	(238)
Impairments					
Adjustments					
Net Revaluations					
Cost as of 31 December	107 494	31 394		3 995	142 883
Depreciation as of 1 January				2 607	2 607
Charged in current period		920		503	1 423
Disposals				(238)	(238)
Adjustments					
Net Revaluations					
Depreciation as of 31 December		920		2 872	3 792
Net book value as of 31 December 2021	107 494	30 474		1 123	139 091

^{1/} Includes vehicles for \$1.0 million.

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 and 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
Sub-total Buildings	Note 8		31 394
Land			
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
Sub-total Land	Note 8	ACP	107 494
Total			138 888

*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 2022	31 December 2021
Intangible Assets Available for use		
Cost as of 1 January	4 724	4 313
Additions	735	571
Disposals		(160)
Cost as of 31 December	5 459	4 724
Amortization as of 1 January	4 081	3 965
Charged in current period	328	276
Disposals		(160)
Amortization as of 31 December	4 409	4 081
Total Intangible Assets	1 050	643

10. Accrued Liabilities

	31 December 2022	Total 31 December 2022	31 December 2021	Total 31 December 2021
Voluntary Contributions		17 992		14 877
Voluntary Contributions - Emergency Preparedness and Disaster Relief	4 409		1 342	
Voluntary Contributions	1 412		847	
Voluntary Contributions - National Voluntary Contributions	12 171		12 688	
Procurement of Public Health Supplies		3 813		748
Revolving Fund for Access to Vaccines	3 813		61	
Reimbursable Procurement on Behalf of Member States			42	
Regional Revolving Fund for Strategic Public Health Supplies			645	
WHO - Voluntary Contributions		1 839		1 177
Epidemic Emergency		7		
Staff Health Insurance				386
Income from Services		40		31
Special Fund for Program Support		77		692
Assessed Contribution and Miscellaneous Revenue		680		4 295
Post Occupancy Charge		6 394		5 402
Provision for Terminal Entitlements		1		
Master Capital Investment		1 853		118
Provision for Statutory Entitlements		29		
Tax Equalization		1 285		
SHI Pass-through Administrative Expenses to be transferred to WHO				1
AMRO Regular Budget		252		
Total		34 262		27 727

11. Accounts Payable

	31 December 2022	31 December 2021
Current		
Assessed Contributions Received in Advance	575	53
Voluntary Contributions Expired Agreements	2 532	2 219
Procurement of Public Health Supplies	71 595 *	23 150
Balance due to the World Health Organization due to inter-agency transactions		3 779
Miscellaneous	15 801	12 247
Total	90 503	41 448
Non-Current		
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.2)	8 659	8 659
Total	8 659	8 659

* Includes \$64.3 million refund due to the Ministry of Health Brazil

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.

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.

The 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 (GOC) is established to decide on medical claims referred to it in accordance with the SHI rules. The GOC also recommends amendments to the SHI rules and practices. PAHO has a representative in this committee.

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 ASHI is not subject to any outside regulatory or statutory framework. However, WHO's overall financing is governed by input from its member nations.

(iii) 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 2022 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 PAHO, as a member organization of the WHO Staff Health Insurance, is subject to the policies implemented by the WHO Advisory Investment Committee. The committee periodically reviews the investment portfolios to ensure that the level of returns and the level of investment risk are appropriate for the Fund. The long-term funds are managed by external fund managers who invest primarily in government and corporate bonds, and in equities. The fixed income portfolio of investments is hedged in the proportions of 50% US\$, 30% CHF, 20% EUR to match the currencies of the Fund's liabilities.

During 2022, the hedging proportions were adjusted to 50% US\$, 40% CHF, and 10% EUR to match the updated currency proportions of disbursements in recent years.

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

147 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 SHI investment portfolios are periodically reviewed by the WHO Advisory Investment Committee to ensure that the level of returns and the level of investment risk are appropriate for the Fund. The long-term funds are managed by external fund managers who invest primarily in government and corporate bonds, and in equities. The fixed income portfolio of investments is hedged in the proportions 50% US\$, 30% CHF, 20% EUR to match the currencies of the Fund's liabilities.
- 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(c) There are no plan amendments, curtailments, or settlements occurring in the plan for the 2022 plan year.
- 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 TAREP holds the following Financial Instruments: Cash and Cash Equivalents in a Money Market Account totaling \$2 901 855 (details on Note 3), and debt Instruments in Long Term US Federal Agency Notes with AAA rating and total Market Value of \$14 155 255 as of December 31, 2022 (details on Note 5.3) .
- 145 TAREP has no transferable financial instruments.
- 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 note 12.8. The table may include hypothetical scenarios in which discount rates are negative. The discount rates can become negative, if warranted based on corporate bond yields at the measurement date.

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 \$17.0 million in assets. In addition, the Organization has a balance of \$ 2.2 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 2022, 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 2022	Total 2021
Current Liability		3 033	3 033 ¹	2 717
Non-current Liability	133 139	3 765	136 904	296 142
Total	133 139	6 799	139 938	298 859

¹ PAHO has \$2 218 751 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. (2021: \$1 142 644)

- Gains 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 2023 are estimated at \$10 847 830 for After-Service Health Insurance Fund and \$1 779 663 for Termination and Repatriation Entitlements Fund.

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

During 2022, 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 6% 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
Accounting Standard	International Public Sector Accounting Standard 39	
Measurement Date	31 December 2022	
Discount Rate	5.6 %	5.1 %
General Inflation	2.4%	2.3%
Medical Costs Increases	U.S.—4.5% in 2023, decreasing gradually to 3.85% in 2030 and later years. Non-U.S. Americas—7.3% in 2023, decreasing gradually to 3.9% in 2034 and later years.	Not Applicable
Future Participant Contribution Rate Changes	The participants contribution rates (as a percentage of the pay/pension) are not scheduled to change after 2022. Any changes in these rates will be treated as plan amendments and reflected in Past Service Cost for accounting purposes.	Not Applicable
Life Expectancy	Mortality rates match the rates recommended by the U.N. Task Force via harmonization guidance.	
Average Medical Costs	U.S. and non-U.S. costs projected from recent experience, adjusted for market trends and for SHI cost savings measures	Not Applicable
Uptake of coverage at retirement	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 2022	Total 2021
Reconciliation of Defined Benefit Obligation				
Defined Benefit Obligation (beginning balance)	380 345	24 541	404 886	432 421
Service Cost	9 945	2 561	12 506	14 109
Interest on Defined Benefit Obligation	11 824	598	12 422	11 993
Actual After Service Gross Benefit Payments and Medicare Reimbursements	(11 707)	(2 561)	(14 268)	(11 026)
Actual After Service Administrative Expenses	(805)		(805)	(839)
Actual Contributions by After Service Participants	2 676		2 676	2 554
Plan Amendments Adopted				
Changes in Accounting Methods				
(Gain)/Loss on DBO due to Financial Assumption Changes	(126 036)	(1 899)	(127 935)	(9 736)
(Gain)/Loss on DBO due to Other Assumption Changes	(60 061)	575	(59 486)	(33 784)
Interests on Incurred But-Not-Paid Reserve	189		189	195
(Gain)/Loss on DBO on Incurred But-Not-Paid Reserve	1 760		1 760	(1 001)
Defined Benefit Obligation as of 31 December 2022	208 130	23 815	231 945	404 886
Reconciliation of Plan Assets				
Market Value of Plan Assets (beginning balance)	84 550	21 477	106 027	97 473
Gross Benefit Payments and Medicare Reimbursements	(21 409)	(2 561)	(23 970)	(18 443)
SHI Administrative Expenses	(1 578)		(1 578)	(1 681)
SHI Contributions by Participants	8 720		8 720	6 448
Organization Contributions, Excluding 4% of Pay Contributions	13 886		13 886	17 719
Organization Additional Contributions	3 245	2 561	5 806	2 153
Interest on Net Assets	2 628	537	3 165	2 689
Gain/(Loss) on Plan Assets	(15 050)	(4 997)	(20 047)	(330)
Plan Assets as of 31 December 2022	74 992	17 017	92 009	106 028
Reconciliation of Funded Status				
Defined Benefit Obligation				
Active	83 133	23 815	106 948	171 385
Incurred but not paid	117 138		117 138	5 910
Inactive	7 859		7 859	227 591
Total Defined Benefit Obligation	208 130	23 815	231 945	404 886
Plan Assets				
Gross Plan Assets	74 992	17 017	92 009	106 027
Total Plan Assets	74 992	17 017	92 009	106 027
Net Liability (Asset) Recognized in Statement of Financial Position				
Current		3 033	3 033	2 717
Non-current	133 139	3 765	136 904	296 142
Total Net Liability (Asset) Recognized in Statement of Financial Position	133 139	6 799	139 938	298 859
Expenses for 2022				
Service Cost	9 945	2 561	12 506	14 109
Interest Cost	9 386	61	9 447	9 499
Plan Amendments Adopted				
Total Expense Recognized in Statement of Financial Performance	19 331	2 622	21 953	23 608
Expected Contributions during 2023				
Contributions by / for Active Staff, Net of Claims / Admin Costs	5 385		5 385	8 016
Contributios by PAHO for Inactives	5 462	1 780	7 242	7 884
Total Expected Contributions for 2023	10 847	1 780	12 627	15 900

Note: From the total annual actuarial activity totaling \$-158 921 297 (2021: \$-36 090 008) there is the following distributions: \$180 794 274 (2021: \$57 197 543) is disclosed in the Statement of Changes in Net Assets, \$21 872 977 (2021: \$23 607 535) is disclosed the Statement of Financial Performance.

In addition to the Plan Assets held in the TAREP trust, the Organization has a balance of \$2 218 751 (2021: \$1 142 644) in the Provision for Terminal Payments Fund, to cover current and future termination indemnities.

The ASHI DBO changed from \$380.3 million in 2021 to \$208.1 million in 2022. The main changes were: \$95.8 decrease due to the discount rate from 3.2% to 5.6%; \$30.2 decrease due to the update of Medical Cost Assumptions; \$11.9 decrease due to the Change in census data for new retirees; \$19.1 decrease due to Actual inactive mortality versus expected; \$14.2 due to Change in annual pension base; and, \$11.4 decrease due to update of post adjustment void in 2019.

The TAREP DBO changed from \$24.5 million in 2021 to \$23.8 million in 2022 due to changes in the discount rate from 2.5% to 5.1%, and also a decrease from \$10.9 million at 31 December 2021 to \$9.4 million at 31 December 2022. The decrease is due primarily to changes in economic assumptions (general inflation and the discount rate), partially offset by the net impact of other factors.

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. Medical sensitivity does not apply to the TAREP data.

	ASHI Defined Benefit Obligation as of 31 December 2022	ASHI Defined Benefit Obligation as of 31 December 2021
Medical Sensitivity Analysis		
Current Medical Inflation Assumption Minus 1%	163 738	311 540
Current Medical Inflation Assumption	200 271	380 345
Current Medical Inflation Assumption Plus 1%	241 642	468 527
Discount Rate Sensitivity Analysis		
Current Discount Rate Assumption Minus 1%	232 053	460 180
Current Discount Rate Assumption:	200 271	380 345
Current Discount Rate Assumption Plus 1%	172 125	319 896
	TAREP Defined Benefit Obligation as of 31 December 2022	TAREP Defined Benefit Obligation as of 31 December 2021
Discount Rate Sensitivity Analysis		
Current Discount Rate Assumption Minus 1%	24 344	25 279
Current Discount Rate Assumption	23 816	24 541
Current Discount Rate Assumption Plus 1%	23 343	23 896

The approximate duration of the Defined Benefit Obligation is 2.1 years for the TAREP and 15 years for the ASHI.

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 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4 % in the 2019 valuation) when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, 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 (PAHO and employees' share) paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to \$78.7 million. Total contributions paid to the Fund by all participating entities during this period were \$8,505.2 million. The resulting liability under Article 26 for PAHO would be 0.93% of any actuarial deficiency.

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.

13. Deferred Revenue

	31 December 2022	31 December 2021
Current		
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	74 292	74 981
Voluntary Contributions	96 159	117 194
Voluntary Contributions - National Voluntary Contributions	99 947	94 225
Procurement of Public Health Supplies		
Revolving Fund for Access to Vaccines	375 319	404 091
Regional Revolving Fund for Strategic Public Health Supplies	94 678	183 548
Reimbursable Procurement	674	809
Income from Services	438	465
Total	741 507	875 313
Non-Current		
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	21 391	7 919
Voluntary Contributions	27 337	38 197
Voluntary Contributions - National Voluntary Contributions	150 801	147 491
Total	199 529	193 607

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 2021	Revenue	Expenses	Transfers	Actuarial Valuation	Balance as of 31 December 2022
Fund Balances:						
Strategic Public Health Supplies-Capitalization	31 341	136 379	(133 251)			34 469
After-Service Health Insurance	(295 795)		(18 714)		181 370	(133 139)
Voluntary Contributions	37	70 393	(70 392)			38
Voluntary Contributions - National Voluntary Contributions	(10 290)	66 547	(56 277)			(20)
Income from Services	9 025	2 648	(2 454)			9 219
Provision for Staff Entitlements	8 184		580			8 764
Revolving Fund for Access to Vaccines	249 088	956 597	(935 379)			270 306
Reimbursable Procurement		164	(164)			
PAHO Assessed Contributions and Miscellaneous Revenue	84 436	68 766	(95 593)			57 609
Provision for Termination and Repatriation Entitlements	853	1	(2 228)		(576)	(1 950)
PAHO Post Occupancy Charge	8 787		2 206			10 993
SHI Servicing Costs	(12)	569	(557)			
AMRO Regular Budget		39 789	(39 789)			
AMRO Voluntary Funds for Health Promotion		71 383	(71 383)			
AMRO Special Account for Servicing Costs		4 744	(4 744)			
Subtotal	85 654	1 417 980	(1 428 139)		180 794	256 289
Reserves:						
Working Capital Fund	50 000					50 000
Tax Equalization Fund	4 710	8 075	(7 150)			5 635
Master Capital Investment Fund	41 113	199	(1 526)	5 412		45 198
Special Fund for Program Support	141 140	40 273	(11 276)			170 137
Voluntary Contributions - Emergency Preparedness and Disaster Relief	10 373	111 836	(103 384)			18 825
Special Fund for Health Promotion	816	11				827
Budgetary Surplus Fund	3 310			(3 310)		
Epidemic Emergency Fund	1 030		(116)			914
PMIS Funding PAHO IPSAS Surplus Fund	2 102			(2 102)		
Revenue Surplus Fund						
Subtotal	254 594	160 394	(123 452)			291 536
Total	340 248	1 578 374	(1 551 591)		180 794	547 825

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.

Due to the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the \$50.0 million of the Working Capital Fund, as well as an additional \$3.4 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 2022	Credits from the Tax Equalization Fund	Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2022
Canada	30	847	807	40	56	14
Colombia	16	142	142			16
United States	4 584	3 986	(4 014)	8 000	7 079	5 505
Venezuela	80	168	133	35	15	100
Other		2 357	2 357			
Total	4 710	7 500	(575)	8 075	7 150	5 635

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.

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 2022	Total 2021
Revenue from Non-Exchange Transactions		
Assessed Contributions		
PAHO Assessed Contributions and Miscellaneous	97 200	97 200
Tax Equalization Fund	8 075	8 075
Subtotal	105 275	105 275
Voluntary Contributions		
Voluntary Contributions	70 393	56 635
Voluntary Contributions - National Voluntary Contributions	66 567	74 142
Voluntary Contributions - Emergency Preparedness and Disaster Relief	111 799	35 013
Special Fund for Program Support	17 950	11 841
Subtotal	266 709	177 631
WHO Allocations		
AMRO Regular Budget	39 788	38 587
AMRO Voluntary Funds for Health Promotion ¹	71 383	93 037
AMRO Special Account for Servicing Costs	4 744	4 023
Subtotal	115 915	135 647
Revenue from Exchange Transactions		
Procurement of Public Health Supplies		
Revolving Fund for Access to Vaccines	956 688	1 027 661
Reimbursable Procurement on Behalf of Member States	164	6 568
Regional Revolving Fund for Strategic Public Health Supplies ¹	136 337	314 645
Special Fund for Program Support	19 835	23 144
Subtotal	1 113 024	1 372 018
Other Revenue		
PAHO Assessed Contributions and Miscellaneous		
Income for Services	2 548	2 733
Special Fund for Health Promotion	10	5
After Service Health Insurance		1
Master Capital Investment Fund	200	314
Special Fund for Program Support	618	27
SHI Servicing Costs	569	542
Decrease/(Increase) in allowance for doubtful accounts ²	(2 692)	3 189
Subtotal	1 253	6 811
Miscellaneous Revenue		
PAHO Assessed Contributions and Miscellaneous		
Interest Earned	18 372	8 431
Valuation Gains and Losses	(43 363)	(13 985)
Investment Management Fees	(993)	(839)
Other Miscellaneous	304	12
Special Fund for Program Support	1 841	2 494
Voluntary Contributions - National Voluntary Contributions		933
Voluntary Contributions - Emergency Preparedness and Disaster Relief	37	17
Subtotal	(23 802)	(2 937)
Total	1 578 374	1 794 445

^{1/} The Organization received considerable funding in response to the COVID-19 pandemic in these two revenue items in 2021.

^{2/} See Note 6.2

16. Expenses

	Total 2022	Total 2021
Staff and Other Personnel Costs		
International and National Staff	147 404	146 742
Temporary Staff	9 210	6 740
Subtotal	156 614	153 482
Supplies, Commodities, Materials		
Vaccines / Syringes / Cold Chain	935 380	1 001 829
Medications and Medical Supplies ¹	133 414	313 724
Other Goods and Supplies	84 613	67 002
Subtotal	1 153 407	1 382 555
Depreciation, Amortization, and Revaluation		
Depreciation / Amortization	1 778	1 699
Subtotal	1 778	1 699
Contract Services		
Contracts ²	174 271	158 769
Subtotal	174 271	158 769
Travel		
Duty Travel	32 621	16 348
Subtotal	32 621	16 348
Transfers and Grants to Counterparts		
Letters of Agreements	13 451	17 417
Small Financials	400	321
Donations to Third Parties ³	8 721	36 988
Subtotal	22 572	54 726
General Operating Costs and Other Direct Costs		
Maintenance, Security and Insurance	20 618	17 525
Decrease in Provisions	(10 290)	
Subtotal	10 328	17 525
Total	1 551 591	1 785 104

¹ Decrease due to the end on response to the COVID-19 emergency.

² Increase (\$15.4 million vs 2021) mainly for consultants, IPC & NPC payments, technical writing.

³ Decrease in Donations to third parties (\$32 million vs 2021) mainly for WHO Voluntary Contributions -Emergencies Fund and decrease in Letters of Agreements (\$0.3 million vs 2021).

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 2022 is presented below:

Activity	Operating	Investing and Financing	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	(418 959)		(418 959)
Basis Differences	4 401		4 401
Timing Differences			
Presentation Differences		47 673	47 673
Entity Differences	378 487		378 487
TOTAL	(36 070)	47 673	11 603

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	418 959
Basis Differences	(13 003)
Timing Differences	
Presentation Differences	
Entity Differences	1 145 635
TOTAL	1 551 591

17.3 2022 Expenses vs Funding

Outcome No	Outcome short title	FY 2022		FY 2023		Total 22-23
		Funds Available as of 31 Dec 2022	Expenditures (with accruals)	Expenditures (with accruals)	Total 22-23 Expenditures	Expenditures as % of Funds Available
Base Programs		[a]	[b]	[c]	[d] = [b] + [c]	[e] = [d] / [a]
OUTCOME 1	Access to comprehensive and quality health services	12 418	7 927		7 927	64%
OUTCOME 2	Health throughout the life course	14 309	9 788		9 788	68%
OUTCOME 3	Quality care for older people	1 305	849		849	65%
OUTCOME 4	Response capacity for communicable diseases	47 838	30 115		30 115	63%
OUTCOME 5	Access to services for NCDs and mental health conditions	15 913	11 799		11 799	74%
OUTCOME 6	Response capacity for violence and injuries	1 552	962		962	62%
OUTCOME 7	Health workforce	7 775	3 992		3 992	51%
OUTCOME 8	Access to health technologies	17 906	12 148		12 148	68%
OUTCOME 9	Strengthened stewardship and governance	5 592	3 784		3 784	68%
OUTCOME 10	Increased public financing for health	2 604	1 730		1 730	66%
OUTCOME 11	Strengthened financial protection	952	636		636	67%
OUTCOME 12	Risk factors for communicable diseases	12 724	8 141		8 141	64%
OUTCOME 13	Risk factors for NCDs	7 717	5 020		5 020	65%
OUTCOME 14	Malnutrition	4 576	2 826		2 826	62%
OUTCOME 15	Intersectoral response to violence and injuries	1 572	1 117		1 117	71%
OUTCOME 16	Intersectoral action on mental health	2 275	1 671		1 671	73%
OUTCOME 17	Elimination of communicable diseases	14 188	8 037		8 037	57%
OUTCOME 18	Social and environmental determinants	12 212	5 975		5 975	49%
OUTCOME 19	Health promotion and intersectoral action	1 973	1 304		1 304	66%
OUTCOME 20	Integrated information systems for health	13 030	7 450		7 450	57%
OUTCOME 21	Data, information, knowledge, and evidence	9 688	6 666		6 666	69%
OUTCOME 22	Research, ethics, and innovation for health	1 794	1 342		1 342	75%
OUTCOME 23	Health emergencies preparedness and risk reduction	20 271	7 946		7 946	39%
OUTCOME 24	Epidemic and pandemic prevention and control	14 409	6 913		6 913	48%
OUTCOME 25	Health Emergencies Detection and Response	30 647	18 083		18 083	59%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	3 390	2 202		2 202	65%
OUTCOME 27	Leadership and governance	46 837	38 539		38 539	82%
OUTCOME 28	Management and administration	83 740	47 173		47 173	56%
Subtotal - Base Programs		409 206	254 134		254 134	62%
	Foot and mouth disease elimination program	8 740	6 062		6 062	69%
	Smart hospitals	11 568	9 695		9 695	84%
	Outbreak and crisis response	213 779	148 941		148 941	70%
	Polio eradication maintenance	150	127		127	85%
Subtotal - Special programs		234 237	164 825		164 825	70%
TOTAL - Program Budget		643 443	418 959		418 959	65%

This Note serves as a supplement to the standardized information presented in Statement of Comparison of Budget and Actual Amounts. Given that the approved PAHO Program Budget is typically not fully funded especially during the first year of the biennium, 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, the expenditures, including accruals for the Program Budget in the 2022-2023 biennium was 65% of available funds as of 31 December 2022, explained by 62% expenditures in Base Programs and 70% in Special Programs.

Absolute and relative levels of financing varied greatly within Base Programs. One Outcome (Outcome 25 - Health Emergencies Detection and Response) shows an over funding with respect to its approved budget for the biennium. In contrast, five Outcomes showed a financing level below 60%: Outcomes 7 (Health workforce), 17 (Elimination of communicable diseases), 18 (Social and environmental determinants), 23 (Health emergencies preparedness and risk reduction) and 24 (Epidemic and pandemic prevention and control).

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 2022	Total 2021
ASSETS							
Current Assets							
Cash and Cash Equivalents	178 929					178 929	167 326
Short Term Investments	50 959					50 959	174 063
Owed From Other Segments *		255 288	943 543	53 633	(1 252 464)		
Accounts Receivable	52 029	133 761	74 413	1 757		261 960	245 449
Inventories		15 985	1 619			17 604	8 974
Total Current Assets	281 917	405 034	1 019 575	55 390	(1 252 464)	509 452	595 812
Non-Current Assets							
LongTerm Investments	981 684					981 684	955 795
Accounts Receivable	27	108 992	13 119	1 250		123 388	104 810
Net Fixed Assets	117 387			29 261		146 648	139 091
Intangible Assets	125		915	10		1 050	643
Total Non-Current Assets	1 099 223	108 992	14 034	30 521		1 252 770	1 200 339
TOTAL ASSETS	1 381 140	514 026	1 033 609	85 911	(1 252 464)	1 762 222	1 796 151
LIABILITIES							
Current Liabilities							
Accrued Liabilities	932	19 838	3 930	9 562		34 262	27 727
Owed To Other Segments *	1 252 464				(1 252 464)		
Accounts Payable	11 476	4 504	74 439	84		90 503	41 448
Employee Benefits				3 033		3 033	2 717
Deferred Revenue		270 398	471 109			741 507	875 313
Short Term Provision							10 290
Total Current Liabilities	1 264 872	294 740	549 478	12 679	(1 252 464)	869 305	957 495
Non-Current Liabilities							
Accounts Payable	8 659					8 659	8 659
Employee Benefits				136 904		136 904	296 142
Deferred Revenue		199 529				199 529	193 607
Total Non-Current Liabilities	8 659	199 529		136 904		345 092	498 408
TOTAL LIABILITIES	1 273 531	494 269	549 478	149 583	(1 252 464)	1 214 397	1 455 903
Fund Balances and Reserves							
Fund Balances	57 609	18	313 994	(115 332)		256 289	85 654
Reserves	50 000	19 739	170 137	51 660		291 536	254 594
TOTAL NET FUND BALANCES and RESERVES	107 609	19 757	484 131	(63 672)		547 825	340 248
TOTAL LIABILITIES AND FUND BALANCES / RESERVES	1 381 140	514 026	1 033 609	85 911	(1 252 464)	1 762 222	1 796 151

* 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 2022	Total 2021
REVENUE							
Revenue from Non-Exchange Transactions							
Assessed Contributions	97 200			8 075		105 275	105 275
Voluntary Contributions		266 709	17 950		(17 950)	266 709	177 631
WHO Allocations	39 788	71 383	4 744			115 915	135 647
Revenue from Exchange Transactions							
Procurement of Public Health Supplies			1 132 857		(19 833)	1 113 024	1 372 018
Other Revenue	(2 752)	13 284	4 804	30 118	(44 201)	1 253	6 811
Miscellaneous Revenue	(25 680)	37	1 841			(23 802)	(2 937)
TOTAL REVENUE	108 556	351 413	1 162 196	38 193	(81 984)	1 578 374	1 794 445
EXPENSES							
Staff and Other Personnel Costs	101 998	25 820	13 450	44 685	(29 339)	156 614	153 482
Supplies, Commodities, Materials	2 571	80 421	1 089 949	1 857	(21 391)	1 153 407	1 382 555
Depreciaton, Amortization, and Revaluation	476		272	1 030		1 778	1 699
Contract Services	16 760	147 527	3 472	6 512		174 271	158 769
Travel	3 546	28 877	185	13		32 621	16 348
Transfers and Grants to Counterparts	1 005	34 871			(13 304)	22 572	54 726
General Operating Costs	9 026	(2 659)	1 330	2 631		10 328	17 525
Indirect Support Costs		17 950			(17 950)		
TOTAL EXPENSES	135 382	332 807	1 108 658	56 728	(81 984)	1 551 591	1 785 104
NET SURPLUS/ (DEFICIT)	(26 826)	18 606	53 538	(18 535)		26 783	9 341

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

The amounts in this note are not rounded to thousands of dollars.

In 2022 the Organization recorded the following:

- \$ 7 417 were recorded as write off from receivables from former staff (2021: \$ 53)
- There were no write-offs from fraudulent transactions (loss) in commercial payments (2021: \$ 13,333)
- There were no write-offs from receivables from the PAHO funds for Income from Services (2021: \$25,712)
- \$ 9 427 were recorded as write-offs from participants of the Revolving Fund for Access to Vaccines (\$2021: \$ 0)
- No Ex-Gratia Payments were paid in 2022. (2021: \$0)

20. Cases of Fraud and Presumptive Fraud

The amounts in this note are not rounded to thousands of dollars.

In 2022, a total of 20 cases related to fraud, theft, damage, or loss of property valued at \$16,680.60 were reported. PAHO recovered \$7,136.73 of this amount, leaving a net loss of \$9,543.87 to the Organization. The 20 cases reported are described below.

There were 13 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 \$8,748.76.

Three cases involved alleged occupational fraud, and two of those three cases resulted in investigations by the Investigations Office. The amount of the net loss to the Organization was \$783.12.

There were three cases involving the misuse of PAHO corporate travel credit cards committed by people outside the Organization. In these cases, the fraudulent charges, amounting to \$808.19, were reimbursed by the financial institutions concerned.

Finally, there was one transaction involving a cyber-scammer, who tested a stolen credit card on the PAHO donation portal to verify that the card was active, presumably in order to continue using it fraudulently on other e-commerce sites. The Department of Financial Resources Management (FRM) identified the transaction as suspicious, however a chargeback fee \$12 was levied, and PAHO suffered a net loss of \$12.

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 2022, the number of key management personnel totaled Four, on a Full Time Equivalent Basis. (2021: Four)

Key Management Personnel	2022	2021
Compensation and Post Adjustment	895	841
Entitlements	334	334
Terminal Entitlements		45
Pension and Health Plans	342	291
Total Remuneration	1 571	1 511

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 2022, the Organization released a provision that related to potential losses against revenues recognized in previous periods. The Organization has reassessed the obligation and determined that it was no longer required. As a result, the provision was reversed in the current year, and the amount of the provision previously recognized was recognized against expense in the statement of financial performance for the year ended December 31, 2022.

	31 December 2021	Increase / (Decrease)	31 December 2022
Provisions	10 290	(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.

Services Received In-Kind			
Country Office or Center	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		
Mexico	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 2023

PAHO

External Auditor's Report on the 2022 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.

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.

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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 governance and internal control and opportunities to transform the way PAHO operates. 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 2022 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.

Financial management

7 PAHO has reported a surplus of revenue over expenses of \$26.8 million (2021: surplus \$9.3 million). Overall, levels of financial activity reduced from those achieved in 2021. This reflected, a reduction in revenues and expenses attributable to the earlier pandemic response which had resulted in a significant increased use of the procurement funds during the previous years. Despite this reduction in the fund's activities, the continued prioritisation of special programmes, including the outbreak and crisis response programme, inevitably impacted on the delivery of the Base Program Budget, contributing to a continued reduction in the rate of its implementation at 75 per cent.

8 PAHO's financial position has significantly improved in 2022. This improvement resulted from the substantial reduction in the long-term employee benefit liabilities, arising from the external factor of the increase in the long-term discount rates applied to the liability. Despite the improved financial position, there remains pressure on the liquidity of core funded activities, and the Working Capital Fund (WCF) was again exhausted during 2022, with additional internal borrowing required to manage cash pressures. While arrears of Assessed Contributions have decreased by \$9.8 million to a total of \$65.0 million, until arrears of receivables are comprehensively reduced, the WCF will continued to be fully utilised each year.

9 Overall, net assets have increased to \$547.8 million (2021: \$340.2 million). There have been sizeable movements in many balances, the most significant was the reduction in the net liabilities in respect of employee benefits of some \$158.9 million. Changes arose from actuarial movements, reflecting favourable claims experience; and an increase in the discount rate, offset by an increase in medical inflation rates. With inflationary trends and market instability, staff benefit liabilities will continue to experience volatility.

10 While currently assessed by PAHO as remote, it also continues to face 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. PAHO will need to manage increasing risks of financial market instability, the current Investment controls require attention, to ensure more active due diligence given the significant resources PAHO places with the market. This should include more regular meetings and systematic reporting in line with the Investment Policy, with input from independent market advisors to review strategy and performance. We have also highlighted the need to

review the arrangements for evidencing PAHO's share of the pooled investments held within the Staff Health Insurance Fund, and in the control of its inventories.

Governance and internal control

11 Member States take assurance from the sound operation of PAHO's internal control environment. We review this each year, and while the control environment has continued to support the Organization in obtaining an unqualified audit opinion. We have highlighted areas where action needs to be taken to strengthen the control environment to better demonstrate how it is proactively maintained, reviewed and assured. This would then enhance the assurances which can then be given in the Statement on Internal Control.

12 We reported last year that PAHO lacked a clear and comprehensive accountability framework, and we understand this under consideration by the new Director. In support of this review, we have highlighted the unusual approach of PAHO in separating budgeting from the financial reporting function. In our view, this reduces the oversight of the allocation, use and reporting of resources, and we have recommended that PAHO considers these arrangements and their relative merits.

13 We have noted that management have taken steps to make the Performance Monitoring Assessment (PMA) more proportionate, but there remains a need to better design the performance metrics to identify the valued added by the Secretariat to the work of PAHO. While recognising the establishment of an evaluation programme to consider the effectiveness of the Secretariat, this should be separated from operational management, to ensure it is seen as independent and objective.

14 We have noted continued developments in the approach to risk management, but we remain of the view that the outputs are not actively used to support decision making. After several years undertaking the valuable exercise of collating corporate risks, we consider that it would be timely to assess the cost benefits of the current risk management process and to clearly ascertain the aims and outcomes desired from the operation of these processes. We understand that an external review will be commissioned during 2023. It is important that this has a focus to ensure that risk management is useful to support decision making by both cost centres and senior management.

15 During 2022, the Secretariat has further reviewed the compliance framework and recently recruited and appointed a Compliance Officer. However, there were no substantive compliance activities during 2022. The absence of a compliance function, proactively assessing compliance in risk areas, represents a weakness in the control environment. It also reduces the assurance to support the Statement on Internal Control. Over our mandate, observations in this area are supported by the comments made by the Office of Internal Audit (OIA) in its Annual Report.

16 In respect of the third line of defence we have considered OIA, Investigations and ethics functions as key mechanisms to provide assurance on the operation of the control environment. We noted the outcomes from the work of OIA, and the positive

outcome from the external peer review process. We have however, highlighted that the audit opinion could be extended to annually cover internal control, risk management and governance. We have also stressed the importance of a focus on high-risk areas, including ICT security and cyber threats, which has not been subject to audit for several years. The investigation function has continued to undertake its work in reviewing cases. We have recommended that the resilience and independence of the investigation function could be strengthened by the creation of an oversight function, incorporating internal audit and investigations at an appropriate point. This would be further strengthened by the future introduction of term limits for the senior posts within this function to gain benefits from rotation.

17 We noted that the revised Code of Ethics is due to be issued during 2023. The launch of the revised code should be accompanied by a clear plan to respond to the results of the ethics climate survey and we Adherence to the code should be confirmed on an annual basis by all PAHO personnel. This is an integral part of setting the right tone on ethical issues. We had noted that the Ethics Officer had been appointed as the PAHO Ombudsperson. We were pleased to note the new Director has decided to separate these roles, which we regard as an important to ensure objectivity and independence.

Modernisation of PAHO's Management

18 Early 2023 saw a change of senior leadership within PAHO, which brings with it new thinking for the direction and future of the Organization. The new Director has stressed the importance of accountability, transparency and data driven decision making. We are aware that research is being undertaken in various key areas of operation to inform future change plans. We have therefore taken this opportunity to review PAHO's previous approach to change; the need to adopt systematic change management practices; and highlighted key areas where new approaches could provide opportunities for efficiency and effectiveness.

19 PAHO considered significant change in response to the financial pressures arising in 2020, when the Organisational Development Initiatives (ODIs) were launched. It was difficult to see how these initiatives were managed as a holistic programme, or that there was co-ordination and oversight of deliverables. There was an absence of clear aims and targets for individual initiatives, and these were approached in isolation. There are some important lessons from the ODI programme which can be used to inform the approach to planned changes in 2023 and beyond.

20 PAHO should establish a target operating model to articulate how it can best deploy its resources to achieve its strategic objectives, detailing what work will be delivered, by which staff, in which locations. This shapes a coherent end goal, which then frames the design of the change programme and its outputs. Successful change programmes need to be carefully planned and executed, supported by sufficient resourcing and staff capabilities. There should be a clear accountability structure, with visibility and reporting to Member States on progress and outcomes.

21 We consider that PAHO has not fully exploited the options available for

efficiencies in its operations, such as adopting a shared service model, outsourcing transactional services or delivering them from lower cost locations. While ad hoc steps have been taken, in some very specific areas, there has been no costed analysis of savings that could be made more widely by adopting a shared services approach. We have noted external consultants have been engaged to inform management on options. The Secretariat has not fully explored the cost benefits of the options or explored the appetite for change with Member States.

22 Similarly, the Secretariat could obtain greater efficiency in the use of its estates. There is currently no clear Estates Strategy to articulate PAHO's needs or how it uses its resources to best support delivery of its objectives. The Secretariat's resourcing model provides a flexible workforce. This, together with changing working practices and opportunities for delivering transactional services differently will give rise to further surplus capacity. The opportunity to review the needs at Headquarters may release capital and PAHO should consider how this might support future capital investment.

23 PAHO's workforce remains its most significant resource. We have revisited the recommendations we made in our 2019 report and reflected against progress made. We have noted the updated People Strategy 2.0 since we reported. We understand that a new strategy will be developed, pending the new Director's initiatives. In the interim we note that there have been improvements in the analysis of management competencies. A gap analysis has identified the key management skills required to effectively deliver PAHO's current operations, though we see limited evidence that the approach anticipates or identifies specific competency gaps required within the PAHO departments and cost centres.

24 We observed that the performance management system is not moderated to ensure the consistency of marking across the Organization. In our experience, 'outstanding' assessments would be awarded to a small cohort of staff delivering exceptional performance. In 2021, some 58 per cent of staff received 'outstanding' ratings and just two staff were 'below expectation'. With such a significant proportion of staff receiving the highest performance rating, it is difficult to see how this would achieve PAHO's objective of attracting top talent and retaining its best staff.

25 We continued to note that some 65 per cent of PAHO personnel are not required to undertake a performance assessment, despite the similarity of the role of non-staff in many cases. Overall, PAHO should consider whether the current performance management systems deliver the data it requires to identify skills and training needs to align personnel with operational needs.

Previous recommendations

26 Of the 33 recommendations raised for 2021 and those from earlier years that remained in progress, PAHO has implemented or partially implemented 12 recommendations, we have closed a further nine recommendations either due to being superseded (2), or on the basis that PAHO does not intend to do any further work (7). Twelve recommendations remain open or are in progress. We continue to support the Audit Committee in its tracking of these recommendations.

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 2022 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 With the lifting of restrictions on international travel, we were able to make more regular visits to PAHO headquarters for the 2022 audit. We also performed work at two country offices as part of the year's audit in Argentina and Chile.

Financial commentary

1.4 PAHO reported an overall surplus of \$26.8 million (2021: surplus \$9.3 million), with total revenues of \$1,578 million (2021: \$1,794 million) and expenses of \$1,562 million (2021: \$1,785 million). The reduction in revenues and expenses compared to 2021 was primarily due to reduced activities through the Procurement Funds as Member States procured less pandemic related emergency vaccines and supplies. While Procurement Fund activity reduced, PAHO continued to receive additional funding via the World Health Organization (WHO), as well as voluntary contributions 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 2022.

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

Revenue streams	2022	Percentage of total revenue (2021 equivalent in brackets)
Procurement activities on behalf of Member States	\$1,113.0m	70.5 (76.4)
Voluntary (including National) contributions	\$266.7m	16.9 (9.9)
WHO revenue	\$115.9m	7.3 (7.6)
Assessed contributions	\$105.3m	6.7 (5.9)
Other and Miscellaneous revenue	-\$22.5m ⁷	-1.4 (0.2)
Total revenue	\$1,578.4m⁸	
Expense streams	2022	Percentage of total expenses (2021 equivalent in brackets)
Procurement activities on behalf of Member States	\$1,153.4m	74.3 (73.7)
Contract services	\$174.3m	11.2 (8.9)
Staff and other personnel costs	\$156.6m	10.1 (8.6)
Transfers and grants	\$22.6m	1.5 (3.1)
Other expenditure	\$44.7m	2.9 (5.7)
Total expenses	\$1,551.6m	

Source: NAO analysis of PAHO financial statements

1.5 The Statement of Comparison of Budget and Actual Amounts shows expenditure against the approved biennial budget, as revised⁹, with actual expenditure in the first year of the 2022-2023 biennium of \$419.0 million, against an apportioned budget of \$440.8 million. This gave an overall delivery of 95 per cent. For the base programmes, PAHO reported expenditure of \$254.1 million against a budget of \$339.8million (75 per cent delivery) and for the special programmes, it reported expenditure of \$164.8 million against a budget of \$101.0 million (164 per cent).

1.6 The special programme expenditure predominantly related to the outbreak and crisis response programme with reported expenditures of \$148.9 million. In addition, the SMART hospitals project expenditure was \$9.7 million, with the remainder of the expenditure on foot and mouth and polio programmes. Three donors, including the WHO, contributed 85 per cent of the funding for the outbreak and crisis response programme. Most of the remaining funding was provided by various multilateral organisations. We did note however, one PAHO Member State provided funding of \$3.1 million which was conditional on it being spent in country. In our view, this

⁷ The negative revenue reported in 2022 includes PAHO's unrealised losses on investments of \$43.1 million (Note 4.2).

⁸ Includes \$40.3 million of programme support revenue of which \$11.3million was released to fund expenditure in 2022.

⁹ The revised budget was approved by the Pan American Sanitary Conference (CSP30/6 of 1 July 2022)

revenue and associated expenditure should be treated as a national voluntary contribution and not included in the special programmes.

1.7 As observed last year, we note the continued significant variances on the special programmes. While understanding the need for greater flexibility on the “Outbreak and crisis response” programme, it is less clear why such flexibility is necessary for the “Smart hospitals” programme. It is our intention to perform a substantive follow-up on our work from 2020 on this programme next year.

Figure 2: Special programmes 2022 (\$'000)

Special programme	Budget	Expenditure
Foot and mouth	5,500	6,062
Smart hospitals	5,000	9,695
Outbreak and crisis response	90,000	148,941
Polio eradication maintenance	500	127
Total special programmes	101,000	164,825

1.8 Overall, because of actuarial gains on the valuation of the After Service Health Insurance (ASHI) and lower levels of deferred revenue, offset by lower overall investments and a reduction in working capital (payables and receivables); net assets increased to \$547.8 million (2021: \$340.2 million). Total assets decreased by \$33.9 million to \$1,762.2 million and included cash and investments of \$1,211.6 million (2021: \$1,297.2 million) and property, plant and equipment holdings with a net value of \$146.6 million (2021: \$139.1 million). Receivables increased to \$385.3 million (2021: \$350.3 million) after impairment of \$36.0 million, of which \$24.8 million related to a single Member State and a further \$5.8 million related to a second Member State. We continue to note 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.

1.9 Total liabilities reduced by \$241.5 million to \$1,214.4 million. Liabilities include total deferred revenue for voluntary contributions and the procurement funds of \$941.0 million (2021: \$1,068.9 million) and the net actuarial valuation of the staff benefit liabilities in 2022 of \$139.9 million (2021: \$298.9 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 only \$0.60 of current assets for every \$1 of current liabilities, demonstrating

that current liabilities exceed current assets. 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 20 per cent of current liabilities meaning that PAHO cannot meet its immediate obligations from core¹⁰ 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	2022	2021	2020	2019	2018
Current ratio					
Current assets:	0.6 (0.2)	0.6 (0.3)	1.1 (0.6)	1.1 (0.6)	1.2 (0.6)
Current liabilities					
Total assets: Total liabilities					
Assets: Liabilities	1.5 (1.1)	1.2 (1.1)	1.2 (1.2)	1.2 (1.1)	1.4 (1.1)
Cash ratio:					
Cash and short-term investments: Current liabilities	0.3 (-0.03)	0.4 (-0.02)	0.7 (0.00)	0.7 (-0.05)	0.8 (-0.02)
Investment ratio:					
Cash and investments: Total assets	0.7 (-0.03)	0.7 (-0.01)	0.7 (0.00)	0.7 (-0.04)	0.7 (-0.02)

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. During 2022, the Secretariat has enhanced the presentation of its Statement of Cash Flows to better present the information in line with IPSAS. . With the assistance of external consultants, PAHO has also considered the impact of new reporting standards on financial instruments and will make changes to how it approaches the valuation of financial instruments in its 2023 financial statements. We are working with management to assess the impacts and the planned disclosures.

¹⁰ 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

1.13 Alongside changes made by the Secretariat, there were areas where we recommended greater disclosures, particularly around the employee benefit liabilities. We continue to believe there are opportunities for PAHO to enhance its reporting to Member States, to make the financial statements more accessible. In the final year of our mandate, we will encourage further development to improve the transparency of financial reporting.

Investments

1.14 PAHO hold significant investments, the value of its investment portfolio at 31 December 2022 was \$1.03 billion. There are detailed disclosures in Notes 4 and 5 to the financial statements which provide more information on the nature and spread of those investments. Due to adverse market conditions in 2022, PAHO reported unrealised losses of \$43.1 million predominantly due to increasing interest rates impacting the valuation of PAHO bond holdings.

1.15 PAHO's investment policy establishes the investment committee which comprises the Director of Administration, the Deputy Director, the Director of Financial Resources Management, and the Treasurer. Given the scale of PAHO's investment portfolio, we would expect the committee to have access to independent investment experts to enable it to understand the wider market environment and provide challenge to its investment managers. This is particularly important given the heightened market instability and movements in interest rates.

1.16 Current policy requires that committee to meet at least twice a year and more frequently if necessary due to market conditions. It also requires PAHO to formally prepare quarterly investment reports for the Committee detailing portfolio holdings including their par value, market value and earnings rate for each security, the average maturity calculation, diversification statistics and performance results. We reviewed the activity of the investment committee and noted it met only twice in respect of 2022 investment performance, despite the very significant movements in the financial markets. We also noted that quarterly reports were not prepared for March and June 2022. The controls over investments require attention, the size of PAHO's portfolio should necessitate more regular meetings to demonstrate due diligence.

PAHO should:

R1 a) take urgent steps to review the adequacy of its current policy and the oversight of investment performance; and b) ensure its investment policy is subject to objective expert input to adequately manage the risks to investment strategy.

Inventory

1.17 PAHO reports inventory holdings of \$17.6 million, representing a significant increase over previous years. This increase is due to PAHO holding more medical related supplies funded from the Emergency Preparedness and Disaster Relief Fund,

some \$12.9 million of these were held in Panama. As part of our audit, we reviewed the year end reports and found some inconsistencies with the inventory reported in Venezuela. This resulted in adjustments of \$1.2 million to remove items erroneously recorded as inventory such as six vehicles, which should have been treated as “plant and equipment” and other errors such as recording items in US dollars that should have been reported in the local currency. Following adjustment, we found PAHO had still not followed the appropriate accounting treatment for the vehicles. Given control failings, we had little confidence in the reliability of the residual inventory balance in Venezuela. At \$2.4 million, the residual balance was not material to the financial statements as a whole and therefore does not impact our audit opinion. We discussed with management the control failings which we identified, which highlight weaknesses in the controls over, and the monitoring of, inventories which requires management attention.

1.18 Separately, OIA completed an audit of inventory in November 2022. Overall, OIA found good day-to-day administration and handling of inventories across the Organization, which was supported by positive sample stock count results in several countries, including Panama. OIA raised some important observations related to the inventory policy and how records are maintained. We concur with their recommendations and should PAHO determine it is appropriate to hold inventory, it needs to ensure that the policy framework and control environment is appropriately developed.

Post-employment benefits

1.19 The most significant liabilities which PAHO recognises in its financial statements are 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 \$231.9 million (2021: \$404.9 million). The liabilities are offset by plan assets of \$92.0 million (2021: \$106.0 million), that PAHO has earmarked to partially meet those liabilities, leaving a net unfunded liability of \$123.8 million (2021: \$298.9 million).

Figure 3: Employee Benefit liabilities: with changes in the market conditions and positive changes in demographic assumptions, the net liability has reduced significantly over the last three years.

Composition of employee benefit liabilities (\$'000)			
	After service health insurance (ASHI)	Termination and repatriation entitlements (TAREP)	Total
1 January 2022	380,345	24,541	404,886
Current service cost	9,945	2,561	12,506
Interest cost	11,824	598	12,422
Claims, contributions and administrative costs	(9,836)	(2,561)	(12,397)
Actuarial gains	(186,097)	(1,324)	(187,421)
Other	1,949		1,949

31 December 2022	208,130	23,815	231,945
Plan assets	74,992	17,017	92,009
Net liability	133,139	6,799	139,938
31 December 2022			

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

	2022	2021	2020	2019	2018
ASHI	133,139	295,795	330,330	270,249	198,792
TAREP	6,799	3,064	4,618	7,292	4,435
Total	139,938	298,859	334,948	277,541	203,227

Source: PAHO financial statements

1.20 The most significant factors that have impacted the valuation of the liability are the actuarial assumptions, which are designed to provide the best estimate of future liability costs in today's money. For 2022, these adjustments reduced the liability by \$186.1 million (Figure 3) and comprise:

- \$126.0 million gain on financial assumption changes. These cover updates to assumptions such as discount rates, inflation, medical trends and salary increases. The gains related primarily to a 3.4 per cent increase in the discount rate which resulted in a \$95.8 million reduction in the liability and a reduction in the medical cost trend rate resulting in a further \$30.2 million actuarial "gain". This is explored further below.
- \$60.1 million gain on demographic assumption changes. These cover updates to assumptions such as turnover, mortality and disability, retirement and age-related adjustments to medical cost claims. The gain related to demographic changes in the population since the last full valuation performed in 2019 and these changes are in line with our expectation given a three-year inter-valuation period.

Medical cost trend rate

1.21 It is common for organisations to set medical cost inflation assumptions with a short-term cost trend rate which trends to a lower long-term rate. PAHO has set its short-term rates for its United States members at 4.5 per cent trending to 3.85 per cent from 2030. Similarly, for the non-US members the rate is set at 7.3 per cent trending to 3.95 per cent. The US short-term rate and the long-term rates for both were below our expected ranges.

1.22 PAHO's justification for the lower short-term rates is based on evidence of costs on claims experience from 2016-2019, which increased at a lower rate than overall market trends. This led to an adjustment factor reducing the inflation assumptions to 75 per cent of the market trends. We discussed with the Secretariat the need to refresh the analysis to reflect post-pandemic trends in medical claims to support future actuarial valuations.

1.23 For the long-term rates, we would expect to see assumptions at least 0.65 per cent higher than those adopted. PAHO's actuary provided additional sensitivity analysis which is disclosed in Note 12.8 to the financial statements. This shows that a 1 per cent increase in medical inflation rates would increase the liability by some \$41.3 million.

1.24 While overall for 2022 there have been significant reductions in the net liabilities of the ASHI Fund, the obligations associated with the commitment to provide these benefits to staff remain a very significant liability which PAHO needs to manage. PAHO cannot control the discount rate, which is determined by movements in interest rates, nor can it control medical inflation costs. Consequently, if interest rates reduce, or medical costs increase the liability will increase. As we have reported in previous years, the impacts of the ASHI liabilities require ongoing management attention.

1.25 We continue to note that management does not obtain its own direct assurance from WHO on PAHO's plan assets held by WHO in advance of the certification of WHO SHIF funds by WHO's auditors, which takes place after the preparation of PAHO's accounts. At 31 December 2022 these were valued at \$75.0 million. We consider it important that such assurances are regularly obtained by management, and not purely for the purposes of the external audit.

UN Joint Staff Pension Fund

1.26 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.

1.27 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 2021, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations, as its funding ratio had improved since its last actuarial report to 117 per cent (2019: 107.1 per cent). 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.

Mais Medicos lawsuit

1.28 In 2018, four Cuban doctors filed a class action lawsuit in the United States against PAHO in respect of its role in the Mais Medicos programme which ran in Brazil 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.

1.29 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. PAHO has submitted a factual motion to dismiss the case.

1.30 PAHO believes its disclosures in the financial statements remain 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

1.31 The Director is responsible for ensuring effective financial administration of the Organization in accordance with the Financial Regulations. PAHO 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. We continue to report that PAHO has a solid basis for exercising internal control through PMIS functionality. Our audit has not identified any significant or material internal control weaknesses although we continue to highlight areas for improvement to management.

1.32 PAHO uses the concept of the "three lines of defence model" in its articulation of internal control within PAHO.

- The first line of defence: 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: functions that oversee or who specialise in corporate compliance or the management of organisational risk.
- The third line of defence: 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.

1.33 It will be important for the new Director to be content that the existing arrangements provide not just the framework, but also provide the quality of assurances he considers necessary to fulfil his role. Over our mandate, we have identified areas for improvement, and we are taking the opportunity to reiterate those areas which would enhance the three lines of defence model at PAHO. Improvements in these areas could significantly enhance the Statement on Internal Control leading to greater transparency and accountability.

Accountability framework

1.34 In our report last year, we recommended that PAHO establish an overall accountability framework. Such a framework would bring together: the three lines of defence; planning; financial and performance reporting; evaluation; the schemes of delegation and authority; and ethics to provide a clear framework for reporting to Member States. As we have highlighted, many of these elements are in place at PAHO, but articulating this in an overall conceptual framework and describing how the elements interact would significantly enhance transparency and efficiency of control processes. We note that the Secretariat deferred the implementation of this recommendation until the new Director was in post and we are happy to support management in any discussions on plans to formulate a coherent framework.

Programme, Budgeting and Evaluation

1.35 In our report last year, we considered the effectiveness of PAHO's strategic budgeting and results-based management. We made a series of recommendations which were considered by the Secretariat. Several of the responses did not address the substance of the observations we made, particularly related to the need to:

- better articulate the specific and measurable contribution of the Secretariat to the overall Strategic Plan for the Americas;
- target the Secretariat's prioritisation of resources to the areas it can demonstrate the greatest impact and effectiveness; and
- develop a balanced suite of indicators that would enable the Secretariat to demonstrate its contribution to the outcomes expected by Members States.

1.36 We have considered the responsibilities of the Programme, Budget and Evaluation (PBE) function and again draw attention to the fact that PAHO has a unique approach in combining the strategy and planning functions with that of budgeting, monitoring and evaluation. The combination of these roles represents an inherent conflict and an erosion of the separation of duties we would normally expect. We would expect the financial and management accounting functions under the same Directorate. Our experience shows that it is important to have this full integration between management accounting, cashflow management and financial accounting and reporting to have a coherent and holistic approach to financial management within PAHO. Currently we consider the two functions of PBE (management accounting) and **Financial Resources Management** (financial reporting) to be disconnected, which weakens the overall monitoring processes. Similarly, we would normally expect the process of establishing strategy to be held separately from the responsibility to allocate resources. PBE have stressed the perceived organisational advantages of the current approach, we consider it important for these to be tested against the benefits of having a holistic approach to financial management.

1.37 We welcome the changes that have been made to establish an effective evaluation programme. The absence of evaluation has been a weakness in PAHO's control environment during our mandate, reducing the assurance which can be gained

from analysing and assessing the effectiveness of how PAHO delivers its services. The Secretariat's evaluation work has begun well, by assessing its effectiveness in delivering Pandemic Response, and this is a demonstration of a clear risk focus of the new function. We understand that the new Director plans to publish the results of evaluations, which we welcome as a clear example of the commitment to transparency to PAHO's stakeholders. PAHO informs us that it will review experiences and lessons in operating the new evaluation modalities. While the arrangements that have been established are sound, it is too early to fully assess the effectiveness of the arrangements, and we will consider this in our final year.

1.38 We note that the fourth planned evaluation is in respect of Results Based Management, the department's core responsibility. Considering our findings last year, we believe this is an important review, and this evaluation should consider the cost benefits of the current Performance Monitoring Assessment (PMA) process which we continue to see as a disproportionate effort which provides limited visibility of the real impact of the Secretariat. PAHO informs us that it has developed a PMA 2 Report, which simplifies the process, we will consider these changes once made in our final year. PAHO has informed us that changes have been made to the PMA process that will be effected in the 2023 mid-year assessment. We understand this will result in a differentiated and lighter approach.

1.39 Our work at Country Office level continues to see disproportionate effort dedicated to planning products and services which are largely notional, as a means of allocating funds. We felt that the tracking of performance through the delivery of these products and services shed little light on the real performance or value added of the Secretariat. We continue to stress the need for real key performance indicators to be developed to better measure the Secretariat's performance and added value.

1.40 We are concerned that evaluation forms part of the PBE responsibilities. Combining this evaluation role with the core functions of resource planning, allocation and performance monitoring represents a conflict which could be perceived to undermine its independence and results. While mitigations have been put in place to manage the process, we believe there is an inherent conflict in the evaluation of the Results Based Management systems, with PBE "independently" reporting on its own performance and systems. Performance monitoring is a management function, whereas evaluation is an assurance function. In this respect it is unusual to position these two disciplines within a single operational unit.

PAHO should:

R2: Consider the advantages and potential disadvantages of separating strategy and planning from the management accounting and budget functions, and the merits of combining financial and budget monitoring into a single finance unit.

R3: Given the risks to objectivity, separate evaluation from the operational process of reporting and monitoring performance.

Risk management

1.41 Risk management disciplines are important to drive good behaviour in setting a transparent culture to identify, control and monitor risks. In 2020, we highlighted that corporate risk management processes at the local level were not actively used for decision making. Following the relaxation of pandemic restrictions, we resumed our country office programme and found little change in the use of risk management locally, or in the value that the corporate process added to their work. Generally, local management were aware of risk issues and mitigated these in their day-to-day operations, but such practices were not documented, and use of the corporate system was cursory.

1.42 Over the course of our mandate, we have made various recommendations related to risk management and processes have matured. PAHO has extended risk management to cover voluntary contribution agreements and is now documenting its risk mitigations. While this has layered additional responsibilities on cost centre focal points, it remains difficult to see how the risk management process informs and influences decision making locally, or corporately. In light of our continued observations, we discussed with management the need to evaluate the cost benefits of the current risk management processes. We understand that an external review will be undertaken during 2023, and we consider it important to focus on how risk management can be proportionate and better support regular management decision making.

Compliance

1.43 In 2021, we reported that PAHO's compliance function did not maximise its potential to provide evidenced assurance to support the assertions made within the Statement on Internal Control. We previously found that compliance had not operated within an overall accountability framework and its focus was not supporting and assuring the key and material risks of PAHO's financial operations. While further steps were taken in respect of the design of the compliance function, there was no substantive compliance activity in 2022, awaiting the on-boarding of a new compliance officer in mid-2023. We believe this weakness in the control environment should have been explicitly reflected in the Director's Statement on Internal Control

1.44 Earlier in our report we highlighted failings in inventory management that should have been identified by both first- and second-line control activities. We reiterate our previous view that PAHO must develop a suite of functional reports to confirm key areas of compliance, to identify trends and patterns to inform risk assessments and other responses. An effective compliance function can complement moves towards more efficient and effective business processes. Our associated recommendations from previous years remain in progress until management completes its work to review PAHO's compliance framework. At present the compliance function is not performing proactive work to support the operation of the second line of defence within PAHO. This is a weakness in PAHO's internal control environment.

Office of Internal Audit (OIA)

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. Its work should cover all operational and institutional functions, including information technology systems.

1.46 During 2022, OIA performed seven audit assignments:

- three country level audits and the audit of payroll covering expenses reported in the financial statements of \$96 million (six per cent of PAHO's total expenses);
- an audit of inventory, covering \$17.6 million assets reported in these financial statements (one per cent of total assets); and
- audits of the second line of defence and it reviewed business continuity and institutional resilience arrangements.

1.47 As highlighted earlier in our report, we identified weaknesses in the management of inventory in Venezuela and a lack of compliance activity in 2022; this latter issue, while recognised in the wider ranging OIA report, did not lead to an unsatisfactory opinion, but major improvements were identified.

1.48 In its annual report OIA 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". The annual report gave some prominence to the weaknesses in second line activities, and the potential impact this could have on the control framework. As noted previously, OIA does not provide a specific opinion covering the risk management processes, or the internal control environment, which we consider to be best practice.

1.49 In line with good practice, OIA commissioned an external quality assessment by the Institute of Internal Auditors (IIA) during 2022. OIA did not request a "Full External Quality Assessment" but did perform a self-assessment independently validated by the IIA. The assessment concluded that OIA "generally conforms" to the Institute's professional practices for the period 2017 to 2022, which represents compliance with standards.

1.50 While the outcome of the review was positive, we consider there is scope for a greater risk-based approach to planning, taking greater account of financial and operational risks to PAHO, for example we continue to note the absence of work on PAHO's ICT systems and cyber risks and would encourage OIA to further develop their annual opinion to encompass internal control, risk management and governance. While we understand OIA will commission a third party to review ICT system security

in 2023, we consider the absence of assurance work in this area over the last four years represents a significant risk, given the global threats to ICT systems.

Investigations

1.51 During 2022 we discussed investigation activity with the head of function and were satisfied that there were no significant cases that would impact on PAHO's internal control environment or my audit opinion. In our discussions, we considered the terms of reference against good practice and identified areas where PAHO's arrangements should be reviewed. We noted that the current reporting lines were to the Deputy-Director rather than to the head of the organisation as we would normally expect. We note however, there is a direct reporting line to the governing body.

1.52 The high level of non-staff personnel at PAHO, creates an unusual situation where many individuals in functional roles cannot be investigated without prior consultation with the Office of the Legal Counsel and the Department of Human Resources Management. While recognising the legal risks being managed by PAHO, it presents its own constraints to the normal independence of the investigative role. To protect the sustainability and integrity of the function, at an appropriate future time, PAHO should consider the creation of an oversight function, incorporating both internal audit and investigations, that reports directly to the head of the Organization.

Ethics Office

1.53 During the year we discussed the activities of the Ethics Office. We reviewed the results of PAHO's ethical "climate survey" which had previously been communicated to all staff. The survey identified, for example, that a low proportion (against the benchmark) of PAHO personnel had heard of the PAHO helpline or consulted the code of ethics. It also identified that the ethics office was helpful in resolving conflict and PAHO personnel do not feel pressure to compromise ethical principles. While management had intended to develop a formal action plan, the response was not prioritised and the results have not been actioned. To embed the appropriate culture within the Organization, we consider clear actions here a priority for PAHO. Especially given the risks arising from the nature of PAHO's operations, its use of non-staff personnel and its significant in-country operations.

1.54 A revised code of ethics has been drafted which we have noted was not finalised and issued by the former Director. The intention is for this to now be considered by the new Director and issued, followed by the development of a communication and training plan. Management is considering requiring an annual confirmation of adherence to the code. This is a practice we endorse to strengthen the accountability of all PAHO personnel and to establish a clear commitment to promote and enforce ethical standards.

1.55 During our conversations, many initiatives appeared to be constrained by capacity issues within the Ethics Office. We understand PAHO's declaration of interest programme consumes a significant amount of time to review the annual disclosure forms from staff in sensitive positions and those from all new staff and consultants.

There is merit in reviewing the risk that declared conflicts create significant reputation or financial consequences for PAHO. The real risk is the absence of declared conflicts, which PAHO cannot control. Identifying the real risks to PAHO and focusing review effort accordingly could reduce the administrative burden and allow a reprioritisation of effort.

Independence and objectivity

1.56 We noted that unlike PAHO's Auditor General, the Investigator has a term limited appointment. While OIA confirm in their annual report that there were no obstacles or interference to their independence, we have taken note of the UN Joint Inspection Unit's past observations in this area. They suggest limiting the term of the head of internal audit is an effective means to ensure independence and objectivity of the function. Term limits have the benefit of introducing periodic rotations, allowing refreshed focus and approaches to be introduced to the internal audit arrangements. At an appropriate point in the future, PAHO may wish to revisit the Charter to reflect this practice.

1.57 In our discussions with the Ethics Office, we noted that they had been tasked, without consultation, to assume the important role of Ombudsman. PAHO's policy envisioned the WHO Ombudsman would act in this role. This would be a cost-effective mechanism for PAHO to explore. There is a fundamental conflict with an ethics function performing this role, even as an interim measure

PAHO should:

R4: revise its Internal Audit Charter to introduce term limits for future "Auditor General" appointments.

R5: take immediate steps to establish an independent ombudsman to provide for fully confidential, neutral and impartial support outside the management chain.

Statement on Internal Control

1.58 PAHO's Statement on Internal Control should provide Member States with assurance over the Secretariat's internal control environment, the operation of the lines of defence and other control elements. The Statement represents the key accountability document to demonstrate to Member States how the responsibility for the control environment has been discharged. It provides an account of the quality of its operation and the assurances upon which the Director's conclusion on its operating effectiveness is based. In 2022 the operation of controls and the assurances around their robustness were the responsibility of the previous Director. The new incumbent has signed the Statement and concluded, based on assurances provided to him by his predecessor, senior management and the providers of assurance. He has also considered his knowledge and understanding as an existing member of senior management.

1.59 Earlier in our report we have highlighted the need for improvement in each of the three lines of defence. In our opinion, while the Statement on Internal Control is largely consistent with our understanding of the framework, we do not believe it provides a fully transparent account of the quality and extent of assurances which we would normally expect to underpin such a statement. Key elements should include:

- efficient business processes with focused detective controls and review;
- a compliance function which produces outputs which are used by management to identify trends and focuses its reports on key exceptions in critical or higher risk business areas to; and
- a fully risk based internal oversight plan which can provide a specific set of assurances on internal control and risk management relating to the period covered by the Statement.

1.60 While our audit confirms that there are no material weaknesses in internal control impacting on the transactions in the financial statements, improvements we have highlighted above would significantly enhance the quality of the assurances which can be given in the Statement on Internal Control. At present the statement considers improvements which may be delivered in future. It does not fully reflect the maturity of the existing arrangements or the extent to which activities have provided real evidence over the significant and material risks to PAHO over the period. Recommendations in this area (2021: Recommendation 3) remain in progress.

Part Two

Modernisation of PAHO's management

Introduction and scope

2.1 In any organisation, a change of leadership will inevitably give rise to new initiatives. Since the appointment of the previous Director, the Americas have experienced financial crisis, political instability and a global pandemic. In this environment it is unsurprising that changes are being considered. In our interactions with the new Director, he has stressed the importance of accountability, transparency and data driven decision making. These are all valuable concepts which we feel are important areas to position PAHO well with its stakeholders. The Director has indicated to us that he is in the process of considering changes and gathering information to decide on the best and most effective ways to provide services.

2.2 In our role as External Auditor, we seek to help inform decision making, by highlighting areas from our work which we consider might bring value to the Organization. Challenging existing ways of operating provides better assurance that decisions lead to the most effective and efficient outcomes. During our mandate, we have highlighted that previous decisions have not always articulated the cost benefits and we have regularly highlighted the need for a holistic approach to efficiency.

2.3 We are aware that the new Director has initiated several programmes and concepts to explore and consider the current ways of working and delivering services. We believe this is a real opportunity to consider how the Secretariat delivers its services to the Organization and Member States.

2.4 The need to change has been a theme over our mandate. We noted in our earlier reports that efficiency and change was largely seen through the lens of addressing immediate financial pressures and challenges. Last year we highlighted that the approach to efficiency should not only be based on the opportunistic savings which present themselves, as we have seen in respect of the previous approach to shared services. Instead, we have emphasised the need for a more structured and holistic approach to seeking efficiencies and improvements in effectiveness. We have looked at PAHO's approach in this area, which over the last few years has been focused through the Organisational Development Initiatives (ODIs) and we have sought to comment on what might be learned from the work of this programme.

Organisational Development Initiatives

2.5 As a response to the financial crisis which PAHO faced in 2020, Member States requested that management explore efficiencies in its ways of working. The Secretariat developed a range of initiatives, with 20 Organisational Development

Initiatives (ODIs). As a change programme, the overall scope and objectives of the ODI programme were unclear, and it lacked a clear accountability for the eventual outcomes to Member States. While an Oversight Committee was established to coordinate and oversee the implementation of the initiatives, there was no clear articulation of the expected cost savings or other benefits, and the individual projects were not managed as a coherent change programme.

2.6 In reviewing the ODIs, many of the initiatives had inter-dependencies, but the approach adopted considered each ODI in isolation, and it was difficult to see how these were considered and tracked. Consequently, the opportunities for synergies and a more holistic approach to change were lost. We noted that the momentum for change was reduced as financial pressures eased and a change of leadership was awaited. After two years, we found little evidence of tangible or measurable value being achieved. It was difficult to assess outcomes given the way the initiatives had been scoped, and the lack of clear objectives and aims.

2.7 In reflecting on the outcomes of the ODI programme, we encourage PAHO to take a more holistic approach to change initiatives and establish clear objectives, with measurable outcomes. The ODIs we reviewed lacked quantified cost benefits or an articulation of the case for investing to gain organisational efficiencies. The process also lacked overall co-ordination to manage the programme. In our view, there was insufficient, appropriately skilled resource dedicated to fully exploit the potential for efficiency and effectiveness improvements.

2.8 We understand the ODIs are being revisited under the new Director. At the time of our audit, it was not possible to review the options considered been considered. In taking the programme forward, it is important for management to consider the lessons from the existing programme. We plan to review PAHO's approach in this area during the final year of our mandate.

Effective management of a transformation programme

2.9 With a change in senior leadership, there are unique opportunities for the new administration to review current operating models. In considering change it is important to look to the overall organisational design and the overall approach to the delivery of services to Member States.

Target operating model

2.10 The implementation of change can be difficult to manage, and particularly so in an organisation such as PAHO which has well established ways of working and a unique organisational culture. It is important therefore to approach the new initiatives as a change programme and to resource them accordingly. Inevitably, it will create uncertainty, so there is a need to ensure clear communication, which we feel is best positioned in the context of a clear target operating model.

2.11 A target operating model is an articulation of how an organisation will deploy its resources to achieve its strategic objectives, detailing what work will be delivered, by which staff, in which locations. It describes all aspects of the organisation, both

programme delivery and administrative. Defining a target operating model can be a powerful way of shaping a coherent improvement plan and underpinning management decisions.

PAHO should:

R6: Develop a target operating model, to articulate its approach to the delivery of cost-effective services, with a focus on the efficiency of the enabling functions to support operational delivery.

Change programme management

2.12 Building on our observations of the ODIs process, we consider it is important for the new Director's initiatives to be articulated in an overall plan and co-ordinated and managed centrally within the frame of a target operating model. This should be underpinned by a team with clear skills and experience in delivering a change management programme; there is a need to invest to secure future benefits and return. Each project should have clear objectives, metrics to demonstrate cost benefits and underpinned by realistic implementation schedules and resources to implement. Such a dedicated portfolio management approach would enhance accountability and the assurance that the Director can obtain around the delivery of benefits. There should be a clear accountability structure, with a nominated lead for the delivery of the overall change programme.

2.13 There should also be a programme of post implementation reviews to learn lessons and track the realisation of benefits. To ensure appropriate accountability for the investments made in change programmes, there should be clear and transparent reporting of options and the outcomes to Member States.

PAHO should:

R7: a) Establish an overall change plan to bring together the various initiatives and proposals and for the transformation projects to be overseen and co-ordinated by a single project team to support cost centres in the realisation of identified cost benefits and in the management of change; b) Ensure adequate and sufficiently skilled resources are dedicated to change projects to ensure that the benefits of change can be fully exploited; and c) report progress and costed options to Member States to give full visibility of cost benefits.

Maximising cost effective enabling functions

Shared services

2.14 We noted the Secretariat engaged an external party to perform a review of the approach to shared services. This review followed up on their work in 2018 to further develop the efficiencies the Secretariat could achieve from the investment in PAHO's Management Information System (PMIS) where it was noted the benefits of PMIS were not being fully exploited. The 2022 review outlined the small steps taken towards shared services, which have presented themselves to date, namely, to reduce

a few individual posts where they have become vacant and to reassign responsibilities to the Brazil Regional Office.

2.15 The findings of the shared services report echo many of the observations we made about the approach to ODIs; it lacked clear governance, objectives and metrics to track benefits realisation. Shared services can offer important and significant opportunities for the efficiency of PAHO's operations. The consultants provided a roadmap to fully realise the benefits of the substantial investment in PMIS; to achieve efficiencies through the development of improved business processes and the introduction of more efficient shared services, with transactional functions being delivered through more efficient processes from lower cost locations. While the approach may take an investment of resources, we feel there is a need to evaluate and exploit the potential savings and benefits.

2.16 The results of this report have not received the attention or analysis we would expect. We specifically noted that when the Secretariat considered the approach there was no quantification of benefits that might be achieved in cost savings and improved service delivery.

2.17 The model offered in the report would provide an opportunity for transformational change which could give rise to significant cost savings, allowing resources to be deployed to front line operations. More widely, WHO and the UN system is exploiting the cost benefits of outsourcing or relocating transactional services to lower cost locations. We understand WHO has achieved significant savings from its shared service centre approach. We understand that WHO is implementing the same enterprise resource solution as PAHO operates. Alongside, consideration of shared service solutions, there could also be significant benefits in closer alignment to permit the future outsourcing of transactional services to WHO.

PAHO should:

R8: prepare an analysis of options identified from the shared services consultancy and engage Member States on the outcome.

Estates management

PAHO's property estate

2.18 PAHO has a large property asset base, valued at \$147 million. At 31 December 2022, land and buildings had a net book value of \$137 million. Assets under construction were held at a cost of \$8.3 million. As with all assets it is important that these are utilised to best effect in delivering the objectives of the Organization. To achieve this, it is essential to have a clear estates strategy agreed with Member States and a regularly updated operational plan to deliver this.

Estates strategic planning

2.19 In 2014, PAHO conducted an organisation-wide condition assessment survey of its real estate. This survey comprised a fire safety risk assessment, an initial environmental review, and a detailed inspection of the major building components of

all PAHO-owned buildings to identify their anticipated remaining design life and the cost implications of any necessary maintenance and renewal within the next 10 years. The results of this analysis were presented to the Executive Committee in May 2015 (CE156/24, Rev. 1). At that time, PAHO identified that the creation of a comprehensive, Organization-wide capital investment plan was considered a best practice. At that stage, PAHO presented the preliminary estimated costs of repairs and renovations identified through the 2014 condition assessment survey, as well as the options that exist to address the identified liabilities. Seven options were presented for consideration from a minimal restoration of the existing headquarters premises to a full relocation of headquarters to a new premises.

2.20 Noting the results of the condition survey, PAHO did not undertake an accommodation needs assessment alongside this survey. Any estates strategy should be predicated on organisational need, this is even more important given events related to the Pandemic which have given rise to significant changes in PAHO's working practices. As we reported in 2018, PAHO still does not have a comprehensive strategy for its property requirements. There is a need for a more transparent and strategic approach to the utilisation of the significant value of PAHO's estate.

2.21 A good estates strategy would have clear and measurable objectives aligned to the organisational needs and an evaluation of the cost benefits of the planned approach. This should include articulation of why other operating models, such as rental verses ownership where host countries do not provide suitable office accommodation and the realisation of capital from the sale of property, are not pursued. The assumptions underpinning such a strategy should be revisited regularly alongside the business planning cycle. The strategy should also consider PAHO's obligation as an international organisation to clearly demonstrate how it will embed environmental sustainability into decision making.

PAHO should:

R9: undertake a comprehensive assessment of its property needs to deliver its mandate, to inform the development of an organisational needs-based estates strategy.

Estates operational planning

2.22 In the absence of an overall estates strategy, the results of the previous condition survey are driving PAHO's plans for investing in its estate. This plan anticipated a profile of spend across the 10-year period covering all offices. We have noted that actual investment has been considerably different to that envisaged in 2014. While the need for change from the original plan is expected, we have noted that overall plan has not been revised or reprofiled to reflect actual expenditure and changing priorities. Current reporting on the Master Capital Investment Fund focuses on delivery in period.

2.23 Given the existing plan period ends in 2023, there is a need to create a revised investment plan alongside the over-arching strategy. This investment plan should be refreshed each biennium, alongside the organisational strategic planning to identify resource need. Regular updates of the plan and reporting against its progress, would enhance the accountability and transparency over investment decisions and better facilitate measurement of progress in addressing organisational needs. The resource needs should be factored into the planning process and appropriately funded, for example, with proposals to member states for a change to the programme budget, or a transfer from internal resources such as the accumulated programme support reserves. A credible operational capital plan must be matched by the allocation of resources to deliver it. A lack of allocated funding has impacted on the delivery of the current plan.

Following the development of a property strategy, PAHO should:

R10: agree a clear and funded financial and management plan for foreseen maintenance and development of the property estate.

R11: develop appropriate reporting mechanisms to track delivery against the plan, including regular revisions to reflect changes in assumptions and needs.

Current activity

2.24 In 2022, PAHO commenced a project to address three components related to the headquarters building that were initially identified for improvement in 2014:

- upgrading the air ventilation system throughout the building to address the deficiencies in air quality, heating, and cooling on the 10th floor and conference facilities;
- upgrading the outdated electrical system throughout the building; and
- renovating the 2nd and 10th floor conference rooms, including upgrading of all audio-visual systems.

2.25 At 31 December 2022, PAHO has spent \$8.3 million and the construction was in progress at the year end. A further \$4.5 million was incurred by 31 March 2023. The projected budget for this phase of works was \$28.7 million which includes \$1.8 million for design works, \$19.6 million for plant and refurbishment costs and \$7.3 million for ICT and audit visual equipment. Spend to date has been funded by the Master Capital Investment Fund (which is approved up to \$20.4 million of the total budget) and the remainder will be funded by the Special Fund for Programme Support; \$5.3 million and Post Occupancy Charge fund; \$3 million. To ensure PAHO operates within the Director's delegated limits on budget at the outcome level, the intention is to split the total project costs between outcomes 27 and 28. PAHO's rationale for this is that the audio-visual systems will benefit Governing Body meetings, communications, and capacity building initiatives. We believe it would be more transparent to gain specific governing body approval for such major capital expenditure.

2.26 In the September 2022 schedule update, construction works were planned to be completed by the end of March 2023 with installation of audio-visual equipment due to take place from the end of July through September. By 31 March, there had been some slippage and the works were not complete. A second phase of the project is envisaged to replace the exterior glazing which is estimated at \$21 million and upgrading the heating and ventilation systems on floors 3 to 9 at an estimated cost of \$5 million. While funding arrangements have been agreed for the current works, no funding source has yet been proposed for the additional works.

2.27 While we can understand the need to invest in the maintenance of the headquarters building, the absence of a strategy with clear objectives makes it difficult to evaluate the cost benefits of the investments. PAHO should consider ways in which it might measure the benefits arising from investment decisions and how they will maximise value from its estate. For example, there are currently no metrics or performance indicators on building utilisation or energy efficiency. We noted that organisational development initiative (ODI) 20 on reducing the need for physical space was on hold.

2.28 In 2019, we reported on the circumstances of the acquisition of 2121 Virginia Avenue. At that time, an unforeseen opportunity arose to acquire the lease, we highlighted the need for a comprehensive property strategy to be agreed with Member States. The recommendation was not adopted by the Secretariat. While recognising that there will be the opportunity to make better use of the building should further major works occur at headquarters, the building remains significantly under-utilised, with much space not currently being used for any purpose. At the last valuation, 2121 Virginia Avenue was valued on the open market at \$56.0 million. ODI 20 and any future property strategy should consider, the requirement for this considerable space, and how the value of capital asset could best serve the needs of the Organization.

2.29 As we observed in 2019, the realisation of the value of 2121 Virginia Avenue may provide opportunities for PAHO to better utilise its overall resources. We welcome the new Director's commissioning of a review to update the existing property condition surveys and to evaluate various scenarios for alternative uses or the disposal of the property. We understand this review will also consider the overall space utilisation in Washington. We will review the outcomes of this next year.

Human Resources Management (HRM)

Background

2.30 In 2019, we reported on PAHO's human resource management and the Organization's progress in implementing its People Strategy 2015-19. At that time PAHO's People Strategy was designed to "attract, retain and motivate the best talent...". Since then, PAHO has evolved its People Strategy and aligned it to support the 2020-2025 Strategic Plan with a focus on functional optimization, innovation, and agility.

2.31 As we reported last year, we are substantively reviewing progress on our previous recommendations considering the development of the new People Strategy 2.0, which was approved in 2021. The People Strategy aims to modernise and streamline administrative operations, develop flexible human resources policies, promote learning, and create an inclusive work environment. The objectives of PAHO's new strategy are agility ("we deliver"), functional optimization ("we update"), and innovation ("we transform") as outlined below:

- **agility:** to eliminate constraints and equip managers and staff to assume changing roles and make informed decisions on behalf of the Organization. Creating an adaptable workforce with a mix of experts and generalists who possess critical thinking skills and the ability to absorb new information, enabling them to respond to changing demands and work environments.
- **functional optimization:** The commitment to strengthening competencies in line with today's needs and reducing costs without compromising the quality of its services to Member States. The examination of job profiles, roles, and establish clear expectations of skills and behaviours to achieve organizational goals and enable career progression;
- **innovation:** the ability to remain relevant as the world transitions from physical offices to increasingly virtual workplaces, with greater reliance on artificial intelligence to perform tasks traditionally undertaken by humans. A workforce that embraces new technology and assumes responsibility for skills renewal to respond to evolving needs of Member States in a timely and effective manner. Expanding efforts to promote and recruit diverse candidates, including young and new talent, to further diversify its skill set and enhance its response capacity.

2.32 Human resources are PAHO's most important asset, and the Organization's performance is determined largely by how well it recruits, utilises and develops its people. Since our 2019 report, it has become even more important for the organisation to be more agile and for its workforce to be aligned to a changing environment which requires different skills and management techniques. The pandemic has changed the way PAHO operates and this has created different challenges and demands on HRM. There is a need to ensure that the current priority initiatives remain appropriate in this changed environment.

2.33 In this context, and with the inevitable changes from the focus of a new Director, it is important that appropriate time is taken to develop the next version of the People Strategy to ensure it becomes an enabler to successfully deliver change. This is an important opportunity for PAHO to challenging its existing operating model which could have significant consequences on workforce planning. PAHO's expectation is that the current iteration of the People Strategy will continue to support the Organization until 2025 when the new Strategic Plan is developed.

2.34 Since 2019, we have seen some positive progress as outlined in the recommendations annex and have taken the opportunity to close or refocus our HRM related observations. Our observations on developing a "Target Operating Model" for

PAHO means we have superseded our recommendation on workforce planning. We set out below in more detail those other areas where we believe further actions are necessary.

Skills and competencies gap analysis

2.35 There have been improvements in the analysis of management competencies and a gap analysis has identified, at a high level, the key management skills required to effectively deliver PAHO's current operations. PAHO has prioritized training solutions to better equip its personnel with the generic management skill sets. However, we see limited evidence that the approach anticipates or identifies specific competency gaps required within the PAHO departments and cost centres. PAHO cites a lack of funding as the main constraint to addressing specific skills shortages. It is important that a clear case is articulated to demonstrate the return that could be made on an appropriate investment in this area.

Strengthening performance management

2.36 We have noted improvements in the completion of mandatory performance appraisal of staff. However, we continued to observe that the performance management system is not underpinned by objective moderation to ensure the consistency of marking across the Organization. In our experience, 'outstanding' assessments would be awarded to a small cohort of staff delivering exceptional performance. In any organisation, there would be a similar small cohort of staff who would require further development to reach their potential.

2.37 When we examined this area previously, we found that 45 per cent of personnel achieved the highest 'outstanding' ratings while just 1 per cent received a 'below expectation' score. For 2021, some 58 per cent of staff received 'outstanding' ratings and just two staff were 'below expectation'. With such a significant proportion of staff receiving the highest performance rating, it is difficult to see how this would achieve PAHO's objective of attracting top talent and retaining its best staff.

PAHO should

R12: establish an expected profile of performance ratings for each category and develop and implement moderation processes to ensure the consistency of appraisal ratings across the Organization.

2.38 PAHO should consider whether the current performance management system is delivering the data it requires to identify skills and training needs to align personnel with operational needs. Unless PAHO has this data and has confidence in its integrity, it would be difficult to assess the extent to which the investment in the provision of training is delivering real benefits to the Organization. There is currently little evidence to demonstrate how the process creates measurable improvement.

2.39 We continue to note that non-staff personnel in PAHO (some 65 per cent of the workforce) who perform very similar, if not identical roles to staff are not assessed to the same degree. We believe this is a significant gap and there is a need for more

systematic evaluation to provide objective evidence of their performance. PAHO maintains that it is not appropriate to evaluate non-staff. While using the same appraisal process for staff might not be considered appropriate, we consider it is important to assess the performance of non-staff and to identify development needs if PAHO is to operate effectively.

Regular staff surveys

2.40 In our previous report, we highlighted the importance of PAHO undertaking regular staff engagement surveys to enable them to identify common issues, to measure improvement and track trends over time. In 2019, we reported on PAHO's first staff engagement survey which gave scores which were below most other organizations. PAHO required each cost centre to develop an action plan to address concerns raised. At that time 47 per cent of entities (27 out of 57) had submitted plans to HRM.

2.41 During 2022, PAHO undertook a further engagement survey, and the results were shared across the Organization. Each department was again required to create an action plan to take forward emerging issues. As of February 2023, 41 of 59 plans have been submitted (69 per cent). We understand that this further increased to 90 per cent by 31 March 2023.

2.42 Enhanced employee engagement should provide richer data to inform decision making and its frequency will mean that management can better monitor the impacts of the future changes being introduced within PAHO. We compared the two exercises and found a small improvement in the overall engagement score. While the surveys used the same methodology to permit analysis of the results over time, there was little evidence that this trend information informed the corporate strategy, the focus of HRM, or cost centre activities. Experience has shown that if there is a failure to address the issues identified, staff will lose confidence in the process and no longer actively engage, and participation will reduce. PAHO should monitor this risk closely to safeguard its commitment to staff members.

Part Three

Prior year recommendations

3.1 Of the 33 recommendations raised for 2021 and those from earlier years that remained in progress, PAHO has implemented or partially implemented 12 recommendations, we have closed a further nine recommendations either due to been superseded (2), or on the basis that PAHO does not intend to do any further work (7). Twelve recommendations remain open or are in progress.

3.2 We set out below the eight recommendations that we have closed where we do not consider PAHO's actions address the spirit of the recommendation, or where they are not going to take any further action.

Recommendation	Our view on management's action
Consider more granular performance measures in its output indicators which provide more measurable indicators linked to the key organisation and people strategy objectives.	PAHO's response does not address our recommendation to establish measurable indicators for HRM performance.
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.	No substantive changes have been made to the approach to non-staff contracts.
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.	There is no specific time-bound cost reduction strategy document and we do not consider the response addresses the recommendation.
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 inform local decision making and oversight.	We do not consider that risk management is embedded at the cost centre level. We have further commented in this year's report.

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.

We believe that this recommendation was not accepted by management.

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 do not believe management has considered the substance of the recommendation and note that no further action will be taken.

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

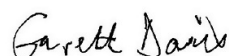
We do not believe management has considered the substance of the recommendation and note that no further action will be taken.

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 which could be aggregated to provide quantifiable measures of the Secretariat's performance

We do not believe management has considered the substance of the recommendation and note that no further action will be taken. We highlight the need for more effective performance measurement of the Secretariat in this year's report

Acknowledgments

3.3 We would like to thank the Director and his staff for their co-operation in facilitating our audit engagement.



Gareth Davies

Comptroller and Auditor General, United Kingdom – External Auditor

12 May 2023

Appendix One Prior year recommendations

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
2018 Long Form Report Rec 3	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.	Due to competing demands and priorities, PBE and FRM will engage external experts to conduct the study in 2023. PAHO's expected completion date is 31 December 2023.	We note that PAHO has deferred action on this recommendation.	Not implemented.
2018 Long Form Report Rec 17	Build a more systematic approach to risk management into its project approval and monitoring processes, so it becomes an integral part of project due	In the 2021 audit report, paragraph 1.41, the comments related to project management mentioned are not aligned with spirit of the original recommendation (2018 #17). It appears NAO is expanding the scope to project management per se, including evaluation. There have been ongoing efforts to strengthen the integration of risk management into the Organization's project management of voluntary contributions to support stronger governance and decision-making. A	We note PAHO has extended its risk management processes to cover voluntary contribution agreements. On this basis we are closing the recommendation. We will	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	<p>diligence. These risks assessment should be scalable to reflect the size and scope of a project and draw upon good practice examples within PAHO.</p>	<p>critical advancement has been the automation and integration of the VC review process tool with the Corporate Risk Register, which facilitates ERP's ability to manage entity compliance with the Review Process for Voluntary Contributions and Agreements policy and to capture different aspects of project complexity at the project design stage that may present potential risks for further assessment and mitigation during project implementation. The automated workflow has been in place for more than 1.5 years, with both ongoing training and ad-hoc support provided to entities (regional, subregional and country) by ERP and AM/ERM to address concepts of project management and risk management, as well as the seamless use of the tools. ERP also carries out corporate monitoring of active VC projects to identify projects with potential implementation challenges, and to discuss with implementing entities issues such as project bottlenecks, potential solutions, and risk mitigation actions. Corporate VC monitoring reports are shared periodically with the external auditors.</p> <p>Given that there is a systematic approach to risk management in VC projects, based on policy and using automated tools and methodologies to ensure compliance, accountability, and transparency in corporate processes, PAHO considers this recommendation implemented and no further actions will be taken.</p>	<p>revisit project risk management in our final year of mandate.</p>	
<p>2019 Long Form Report Rec 7</p>	<p>Establish a roadmap for the development of prioritised compliance reporting and provide managers with the tools to monitor internal controls</p>	<p>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.</p> <p>Update March 2021</p>	<p>We note management's response to this recommendation, however management in developing and implementing a revised approach to compliance</p>	<p>In progress.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	and business processes under their responsibility.	<p>The ERM Standing Committee reviewed the road map proposed by AM/ERM and the roadmap was accepted. The new compliance officer, once recruited, will implement the roadmap.</p> <p>The recruitment process is underway, and highly qualified candidates are on the short-list, therefore we are confident we will identify a strong candidate.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>	<p>which they expect to operationalise later in 2023.</p> <p>Consequentially, the recommendation remains in progress as no compliance activity has occurred in 2022.</p>	
2019 Long Form Report Rec 8	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.	<p>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 ERM Standing Committee and a focus group of Cost Center Managers to undertake this review and restructuring process.</p> <p>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>An external provider has been engaged to develop and integrate several PMIS dashboards using Power BI. A new portal related only to compliance will be established on the AM site. The Compliance Officer, once on board, will manage these existing compliance tools and further build out the compliance function and strategy.</p>	We note management's response to this recommendation, however management in developing and implementing a revised approach to compliance which they expect to operationalise later in 2023. Consequentially, this recommendation remains in progress as no compliance activity has occurred in 2022.	In progress.
2019 Long Form	Identify opportunities to further re-align the workforce as part of	We have implemented the identified actions: Completed Skills & Competencies Gap analysis (see PPT presented to the ODI Oversight	We have not seen a clear articulation of PAHO's approach to workforce	Superseded by our recommendation

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
Report Rec 9	changes to business processes and wider strategic planning.	<p>Committee by HRM); strengthened biennial HR planning exercise; developed HR Plan Implementation dashboard to assist with PMA.</p> <p>The dashboards include:</p> <ol style="list-style-type: none"> 1) Corporate Human Resources Dashboard 2) PAHO HR Plan Implementation PMAs 22-23 <p>These recommendations have been embedded into the Organization's standard operational planning process. The Organization will continue conducting the HR Planning process and the dashboard will have live data that are automatically updated with the changing biennium.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>	<p>planning. We note the competency and gap analysis has identified, at a high-level, the key management competencies required to effectively deliver PAHO's operations. PAHO has also identified training solutions to better equip its personnel with the generic management skill sets. However, we see limited evidence that the approach anticipates or identifies specific competency gaps required within the PAHO cost centres.</p>	<p>this year on Target Operating Model. Closed.</p>
2019 Long Form Report Rec 10	Review the root causes of recruitment times through analysis of PMIS data to inform future recruitment practice.	<p>Completed. We identified & analysed three root causes of recruitment times, and addressed each:</p> <ol style="list-style-type: none"> 1) financial situation & moratorium; 2) late confirmation of fund availability; 3) delayed review of shortlist by Hiring Manager. <p>New recruitment module for Contingent Workers implemented in Q1 2022. Plan to change recruiting system for staff positions from Stellis to Workday recruiting Module in 2024, when WHO will implement the Workday HCM.</p>	<p>We note management's response that outlines the actions to be taken to improve recruitment lead times. It will be important for PAHO to monitor the effectiveness of these measures over time.</p>	<p>Implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		<p>The Organization is taking every opportunity to streamline the recruitment process.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>		
2019 Long Form Report Rec 12	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.	<p>PAHO identified three points of action: 1. PAHO continues to promote use of existing learning platforms;</p> <p>2. Skills and Competencies Gap Analysis for the Strategic Plan 2020-2025 - completed.</p> <p>3. Action 3: HRM is in the process of establishing learning paths to address the findings and recommendations of the Skills and Competencies Gap Analysis.</p> <p>4. HRM launched the first learning path on 26 April 2022 using the UNSCC platform (copy attached).</p> <p>As approved by EXM, the Organization will continue using the learning path approach to implement the corporate learning plan on a biennial basis. As result of the work done around this topic, HRM has incorporated the recommendations into its workplan.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>	<p>PAHO engaged consultants to help identify the competency and gap analysis. PAHO has established a clear approach to training drawing on UN practices with a catalogue of offerings.</p> <p>The effectiveness of this relies on the programme receiving appropriate funding and the systematic evaluation of learning and its impact on the achievement of objectives.</p>	Implemented. Closed.
2019 Long Form	Undertake regular repeat surveys of staff engagement to mirror key	The survey was completed in June 2022 and the results were shared with the personnel during the Director's dialogue on 19 September 2022. Entity	During 2022, management performed a second survey, and the results were shared	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
Report Rec 14	elements of its delivery of the people strategy and to provide a focus to address areas of staff concern.	<p>managers are required to develop and present action plans by 30 November 2022.</p> <p>The Staff Engagement Survey is now a part of the corporate functions of the Organization. The results of the survey have already been shared with the Director elect as part of the briefing documents being provided. The progress of the entities' action plan will be reported during the PMA exercises.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>	<p>across the Organization. Each department has created an action plan to take forward emerging issues.</p> <p>We have commented on this more substantively in this year's report.</p>	
2019 Long Form Report Rec 15	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.	<p>PAHO identified 5 potential actions to strengthen performance management:</p> <ol style="list-style-type: none"> 1) continued monitoring and reporting to Cost Center Managers and EXM on staff compliance with performance evaluations; 2) differentiate levels of performance by evaluating achievement of objectives, values, core and managerial competencies to inform staff learning and development plans; 3) assess the feasibility of incorporating the "anytime feedback" into the performance review process; 4) link the Within Grade Increase to compliance with the performance review process, and 5) engage senior leadership to enforce compliance with performance appraisals. 	<p>We have noted improvements in compliance with the mandatory performance appraisal of staff. More can be done to permit accurate and fair differentiation of performance and potential. We have commented on this more substantively in this year's report.</p>	Partially implemented. Closed

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		<p>Action 4: No longer planned. PAHO has decided it does not have the resources to undertake the review of the business process to link compliance with the performance review to the within grade increase.</p> <p>As part of the managerial responsibilities, the following dashboard has been designed and is available in PMIS:</p> <p>PAHO HRM People Strategy Cost Center Manager in which Managers can monitor and take corresponding actions as necessary. The dashboard includes mandatory training compliance status, workforce composition, staff performance, projected retirement, contract management.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>		
<p>2019 Long Form Report Rec 17</p>	<p>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.</p>	<p>These recommendations have been embedded into the Organization's standard operational planning process. The Organization has an integrated HR Planning process which includes succession planning. Each cost center manager on a biennial basis is required to develop a biennial workplan and corresponding HR Plan. The implementation of these plans is monitored as part of the established PMA process every six months.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>	<p>We note management's response.</p> <p>We believe that more could be done to identify more critical posts across the Organization to ensure appropriate arrangements exist to maintain skills and continuity of service.</p>	<p>Implemented. Closed.</p>
<p>2019 Long Form</p>	<p>Consider more granular performance measures in its output indicators which</p>	<p>Intended Actions:</p>	<p>We note management's response.</p>	<p>Not implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
Report Rec 18	provide more measurable indicators linked to the key organisation and people strategy objectives.	<p>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;</p> <p>2) Develop an implementation Roadmap for the period 2021-2023;</p> <p>3) Develop a comprehensive budget for the allocation of resources to fund the initiatives of the Roadmap, and</p> <p>4) implement managerial accountability scorecards in PMIS, to measure performance at the managerial and department level.</p> <p>Actions 1, 2, 3: The People Strategy 2.0 was presented to the Director in March 2021 and has been implemented.</p> <p>Action 4: Corporate Human Resources. The information presented in the Corporate Human Resources dashboard enables cost center managers to make informed decisions regarding the staffing structure and compliance of their respective entities.</p> <p>We consider this recommendation completed and no further actions will be taken by PAHO.</p>	In our view, they do not address our recommendation to establish measurable indicators for HRM performance. This is a wider issue which we have identified across the Organization which requires senior management attention.	
2019 Long Form Report Rec 21	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	<p>Corporate dashboard directly aligned to the scorecards for People Strategy have been developed and are available in PMIS.</p> <p>All required dashboards have been developed and are available in PMIS. Therefore, this recommendation has been completed and no further actions will be taken by PAHO.</p>	<p>We note management's response and the actions taken by HRM to develop dashboards.</p> <p>We have considered PAHO's approach to</p>	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	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.		compliance more generally in this year's report.	
2019 Long Form Report Rec 22	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.	<p>A Working Group was convened to review the Consultants' Policy (May - July 2022). The Working Group reviewed the policy and made recommendations including the need to identify additional contractual mechanisms for temporary support to perform operational functions. The current policy remains in effect until further notice.</p> <p>HRM will continue to identify additional contractual arrangements to provide other options to complement staffing composition.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>	We note management's response and that no substantive changes have been made to the approach to non-staff contracts.	Not implemented. Closed.
2019 Long Form Report Rec 23	Establish clear mechanisms to centrally monitor and review the use of contracting arrangements to ensure compliance of cost centres with any new policies which emerge	The PMIS Recruiting Module was successfully launched on 17 January 2022 and is in operation. HRM has an oversight role within the system for new contracts and extensions.	We note management's response. It will be important for PAHO to evaluate the benefits arising from the new system and whether it has fully addressed the	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	following the April 2020 IES review. These should include more frequent reporting on key metrics and compliance aspects to senior management.	All required actions have been taken and are incorporated in the overall HR functions of the Organization. We consider this recommendation complete and no further actions will be taken by PAHO.	previous issues reported by internal audit.	
2020 Long Form Report Rec 3	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.	<p>The PASB is committed to an efficient and effective use of its resources. Although there is no specific time-bound cost reduction strategy document, efficiency and effectiveness are integral part of PAHO's Results-based Management (RBM) approach, which guides both the enabling and technical cooperation aspects of the Organization's work. Hence, strategies for cost reduction and cost containment are included in all processes and are reviewed on a regular basis.</p> <p>The approved Program Budget 2022-23 has incorporated a series of cost efficiencies. The Organization is engaged in a full assessment of opportunities to ensure that PAHO is fit for purpose and positioned to maximize its limited resources in support of Member States, through the work of the Organizational Development Initiatives.</p> <p>For instance, during the 2020-2021 biennium, PAHO has leveraged the capabilities of its Management Information System (PMIS) and Microsoft Office 365 cloud technology to implement a wide range of administrative streamlining initiatives. These innovations have significantly reduced the administrative personnel worktime required to carry out routine administrative tasks that support internal controls and enabling functions for technical cooperation.</p> <p>These innovations include, but are not limited to:</p>	We have further commented on PAHO's approach to cost-saving measures in the current report in the context of the ODI programme and highlighted the need for a more strategic approach to the use of resources.	Superseded by our current recommendations on transformation. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		<p>a) elimination of paper documents for internal transactions through electronic signatures;</p> <p>b) digitization of internal communications through SharePoint to eliminate repetitive printing and scanning of correspondence;</p> <p>c) establishing paperless document management and archiving, eliminating costs associated with printing, filing, and manual document retrieval;</p> <p>d) establishment of an online portal for Member States and vaccine vendors to streamline routine communications on vaccine delivery logistics.</p> <p>e) establishment of a governance structure and roadmap to expand Shared Services in a measured and methodical manner across the region will be completed this biennium.</p> <p>Other specific examples of achievements in cost reductions and/or increases in efficiencies over the 2020-21 biennium include: a) automation of the asset verification process b) automation of supplier invoice creation, c) authorization of stand-alone invoices for purchases of less than \$5,000, d) elimination of physical publications, except on demand, saving \$100,000, e) implementation of a pilot shared service center for processing selected financial transactions, f) automation of self-service employment related documentation, g) creation of a virtual meetings report tool, h) reduction of full time staff (10% reduction in General Services staff at HQ for the years 2018-2020) i) expanded use of short term consultants rather than full time positions to reduce fixed costs related to human resources, and j) installation of energy efficient upgrades to the HQ building that reduce utilities costs. Further cost efficiency strategies for 2022-23 include implementation of a new consultant policy and recruitment software and</p>		

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		<p>continued discussions with WHO for acceptance of use a Third-Party Administrator (TPA) for SHI claims processing for LAC members.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>		
2020 Long Form Report Rec 4	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.	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.	PAHO has not reflected on the risks and benefits of continued participation in the WHO Staff Health Insurance Fund in its response.	Not implemented.
2020 Long Form Report Rec 5	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 inform local decision making and oversight.	<p>This process has been institutionalized, including regular monitoring of the Risk Register, corporate reporting through the PMA and training and reminders for risk focal points at the Cost Center level.</p> <p>This recommendation is complete and no further actions will be taken by PAHO.</p>	<p>We note management's response and we have further commented on how embedded risk management is at the cost centre level in this year's report.</p> <p>We note that management plan to take no further action on this recommendation.</p>	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
2020 Long Form Report Rec 6	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.	<p>a) The mitigation section of the risk register has been enhanced. To assist users, we developed a menu of standardized potential mitigation actions, added scoring based on the status of the mitigation, a menu to indicate the level of escalation/review needed, and the responsible officer. These new features were announced on 7 June 2022. Specific trainings were developed, and reminders were sent to review the risk register and verify the information, with particular attention on the mitigation actions.</p> <p>b) There is a defined process for escalation of Voluntary Contribution risks to Member States when warranted.</p> <p>We consider this recommendation complete and no further action will be taken by PAHO.</p>	<p>We note the response and have further commented on mitigation in this year's report. PAHO's response b) does not address the recommendation.</p> <p>We comment further on risk mitigation in Section 1.</p>	Partially implemented. Closed.
2020 Long Form Report Rec 7	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.	<p>An Internal Audit of business continuity was carried out in the 2nd quarter (OIA Report No. 04/22). We will implement the OIA's recommendations during the next 12 months. Recommendations 2020 #7 and #8 will be covered as part of the implementation of recommendation of OIA Audit Report.</p> <p>Implementation date: 30 September 2023</p>	We note the future implementation date. We will revisit this recommendation as part of next year's audit.	In progress.
2020 Long Form Report Rec 8	We would expect this to include a clear incorporation of continuity plan responses within the assessment of local office risks, clear centrally	This recommendation will be addressed as part of the previous recommendation.	We note the future implementation date. We will revisit this recommendation as part of next year's audit.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	enforced policies across all PAHO operations to enforce home working where necessary; to gather critical data on key posts and to ensure there is control over any staff working on site during crisis periods.			
2020 Long Form Report Rec 12	Devise a comprehensive performance framework to enable more systematic analysis and reporting of progress against the Funds' objectives to Member States and Executive Management.	<p>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.</p> <p>Strategic and operational KPIs for both SF & RF are now available. Pending SIWG to finalize the alignment of the KPIs.</p> <p>Implementation date: 01 December 2023</p>	We note the future implementation date. We will revisit this recommendation as part of next year's audit.	In progress.
2020 Long Form Report Rec 14	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	Please note that PAHO cannot have a pricing strategy as suppliers do. As a global health agency with procurement capacities, PAHO has market access and procurement strategies to counterbalance suppliers' pricing strategies. Market access and procurement strategies are ongoing efforts of	We note PAHO's response. We will perform a follow-up on our previous audit of the	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	Member States to assess PAHO's purchasing power and value proposition.	<p>PAHO and being implemented each year with annual forecasting and tendering processes.</p> <p>In 2023, PAHO took important organizational and structural steps to amplify synergies between Revolving Fund for Access to Vaccines and Strategic Fund for Essential Health Supplies. Joint management of both procurement mechanisms will enable a coordinated approach on market shaping and procurement strategies which will in turn impact pricing by suppliers. This coordinated approach will take time to develop given the different market shaping strategies associated with the different products.</p>	procurement funds as part of our final audit next year.	
2020 Long Form Report Rec 15	Analyse and evaluate the lessons learned through operating the 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.	<p>In recent months, PAHO has been actively engaged with Governments of developed countries in advocating for, and coordinating donations to our Region, as well as supporting country 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 initiated.</p> <p>October 2022</p> <p>Reports on the various lessons learnt for the Revolving Funds were already presented.</p>	We note the future implementation date. We will revisit this recommendation as part of next year's audit.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		The external evaluation on PAHO's response to COVID-19 is scheduled to be completed by December 2022. Implementation date: 01 December 2023		
2020 Long Form Report Rec 18	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.	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 consider this recommendation complete and no further actions will be taken by PAHO.	We note management's response.	Implemented. Closed.
2020 Long Form Report Rec 19	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.	PBE will be coordinating a cost information analysis for the revolving funds, on the use of staff resources and the full cost of programmes and processes. Implementation date: 01 December 2023	We note the future implementation date. We will revisit this recommendation as part of next year's audit.	In progress.
2020 Long Form	(a) ensure that all future digital investment decisions are underpinned	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	We note the future implementation date. We will revisit this	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
Report Rec 20	<p>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) 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.</p>	<p>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.</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> <p>Regular meetings of the Member State Portal Steering Committee, including leadership from SF, RF, PRO, ITS and FRM, ensure the alignment of strategic objectives, governance and progress of the programs. Post-implementation reviews will be incorporated progressively as the programs are rolled out.</p> <p>Implementation date: 01 December 2023</p>	<p>recommendation as part of next year's audit.</p>	

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
2020 Long Form Report Rec 21	Ensure that the implementation of the portal is aligned with clear strategic objectives, including PAHO's information systems strategy	<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>PAHO has engaged external consultants to help develop the digital roadmap for the Procurement Funds.</p> <p>The Enterprise architecture position has been approved and the recruitment process has been initiated.</p> <p>Implementation date: 01 December 2023</p>	We note the future implementation date. We will revisit this recommendation as part of next year's audit.	In progress.
2021 Long Form Report Rec 1	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.	<p>The Organization considers that the Financial Regulations should not be revised to limit commitments and expenditure on Base Programs and to require a specific approval process for any supplementary budget when the original approved budget is likely to be exceeded.</p> <p>In fact, Financial Regulation III, The Program and Budget (item 3.6) states that "Supplemental proposals may be submitted by the Director when deemed necessary" and Financial Regulation IV (Item 4.1) states that "The Program and Budget approved by the Conference or the Directing Council shall constitute an authorization to the Director to enter into commitments and make payments for the purposes for which the Program and Budget was approved subject to availability of funding."</p>	We note the response and believe that this recommendation was not accepted by management.	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		<p>Given the emergency nature of the funds received during the 2020-2021 biennium and current biennium (2022-2023 Biennium) for special programs, and especially for Outbreak and Crisis Response, and the continued discussion with Member States on the COVID-19 pandemic response and its funding throughout the biennium (as attested in the official documents described in the next paragraph), it was not deemed necessary to submit a supplementary budget proposal for the 2020-2021 biennium. It is important to note that PAHO received and implemented more funds than expected in special programs, but not in base programs. The end-of-biennium report for 2020-2021 included detailed explanations of the funds received and used to respond to the pandemic.</p> <p>In the case of the 2022-23 biennium, given the unprecedented and unique situation as a result of COVID-19, the Pan American Sanitary Conference approved document CSP30/6 to amend the PAHO Program Budget. The PAHO PB 22-23 was amended to reflect the increase in the AMRO budget allocation for base programs, resulting in an overall increase in the PAHO budget for base programs from \$640 million to \$679.5 million. In the spirit of transparency and accountability with Member States, PAHO took the opportunity to update Governing Bodies on the placeholder for the Special Programs segment also, given the influx of funds already received for OCR and Smart Hospitals.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>		
2021 Long Form	a) further develop its approach to risk management with a greater focus on the	a) The mitigation section of the risk register has been restructured. To assist users, we developed a menu of standardized mitigation actions, and added scoring of status of the mitigation, and a menu to indicate the level of escalation/review needed. A training for focal points on the use of risk	We noted management's response. As we report this year, we have recommended that PAHO	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
Report Rec 2	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 ERM SC.	register and mitigation actions was held on 15 June 2022. By the end of the year, ERM will have more detailed information regarding risk mitigation. b) The draft Term of Reference are scheduled to be reviewed by ERM SC Standing Committee in the October session.	evaluate its approach to risk management.	
2021 Long Form Report Rec 3	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.	a) An updated internal control mapping using COSO components was developed with the purpose of scanning for changes in the Internal Control environment. We can compare the information provided in 2019 with August 2022. In addition, a full mapping of the e-manual at policy level was performed by the Office of Legal Counsel and the ERM program to detect policies that are obsolete, overlap with other policies, or require alignment with current procedures. This information will be presented to the ERM SC Standing Committee to inform the development of an Internal Control statement. It is expected that the full assurance map will be updated by the end of this year. b) The accountability framework will be addressed next year, under the new Director of PAHO.	On a) The substance of the response does not address the recommendation and the basis of the SIC has not changed. On b) this has a future implementation date.	In progress.
2021 Long Form Report Rec 4	Develop content within the Strategic Plan to better articulate the specific and measurable contribution of the Secretariat to the overall Strategic Plan for	Response: (4a) The Strategic Plan (SP) "sets out the Organization's strategic direction, based on the collective priorities of Member States (MS) ... and establishes the joint responsibility/commitment of PAHO Member States and the Pan American Sanitary Bureau..." (SP 2020-2025 paragraph 1), including a results chain defined jointly with Member States. Strategic Plan 2020-2025 Resolution CD57.R2 states that any amendments to the	We note management's response. We do not believe management has considered the substance of the recommendation and	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
	<p>the Americas, with more developed links to the significant other activities outside the core programme.</p> <p>We further reiterate previous recommendations to develop more defined strategies and measures for the Procurement and Special Funds and the Master Capital Investment Fund.</p>	<p>Strategic Plan 2020-2025 would need to be considered by the Directing Council. Additionally, it is important to clarify that as the SP focuses on high level strategic direction and as part of PAHO's technical cooperation, results are jointly delivered by MS, PASB, and partners. In this regard, the specific and measurable contributions of the Bureau is captured at a more operational level in the Program Budgets and operational plans. Accordingly, we request that the recommendation (#4a) related to changes to the SP be closed and delayed to a future time to coincide with the development of the SP 2026 – 2031 (to be proposed in 2025).</p> <p>In the interim, PASB will continue to enhance existing mechanisms to reflect and report on the contribution of the Secretariat. This includes the Program Budget which explicitly outlines, for all outcomes, key technical cooperation interventions which PASB will implement for the biennium. It is also noted that the Secretariat made additional efforts to document its contributions to the achievement of results in the PB 2020-21 End-of-Biennium Assessment Report which was presented to the 30th Pan American Sanitary Conference (Document CSP30/7 and CSP30/7 Add. I). The MS commended the Secretariat for its continued accountability and transparency through the EOB assessment. Nonetheless, the PASB will continue to explore how to better reflect this contribution for the remaining two years of the SP 2020-25 in the Program Budget 2024-2025, which will be proposed in 2023), and the Biennial Work Plans for all PASB entities, which are the sole responsibility of the Secretariat and are monitored every six months throughout each biennium.</p> <p>(4b) The Procurement and Special Funds and the Master Capital Investment Fund have established governance mechanisms, which are not part of the Strategic Plan and Program Budget. As necessary, these funds are considered as stand-alone items within the agendas of the Governing</p>	<p>note that no further action will be taken.</p>	

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
		<p>Bodies, in accordance with their governance mechanisms and standard operating procedures. Updated strategies and measures are therefore developed outside the realm of the strategic plan.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>		
2021 Long Form Report Rec 5	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.	<p>The Organization already has a prioritization methodology (document CD55/7) which is used to identify the programmatic priorities jointly with Member States considering the health situation, effectiveness and value-added of PAHO's technical cooperation. It is applied in the development of the Program Budget (PB), and to guide resource allocation and monitoring and assessment of PB implementation.</p> <p>Programmatic prioritization results are also used for planning in country offices (see paragraphs 37 and 70-73 of the Program Budget 2022-2023). In the end-of-biennium report for 2020-2021, figures 6, 7, and 8 and paragraphs 207-208 illustrate how the Bureau accounts for the implementation of outcomes by priority. PASB has been making steady improvements in aligning prioritization results with funding allocated to outcomes, reflecting the Bureau's continued efforts in this area. The Bureau will continue to monitor this information through its internal monitoring and assessment processes towards ensuring better alignment in the 2024-2025 biennium.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>	We note management's response. In our report last year, we recognised existing prioritisation processes, which did not consider where the Secretariat itself can add most value. We do not believe management has considered the substance of the recommendation and note that no further action will be taken.	Not implemented. Closed.
2021 Long Form	Review its approach to results-based management and develop	As Resolution CD57.R2 states that any amendments to the Strategic Plan 2020-2025 would need to be considered by the Directing Council, we request that this recommendation be closed and delayed to a future time to	We note management's response. We do not believe management has	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2023	External Auditor's view	Status
Report Rec 6	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 which could be aggregated to provide quantifiable measures of the Secretariat's performance.	<p>coincide with the development of the SP 2026 – 2031 (to be proposed in 2025).</p> <p>In the interim, the Bureau proposes to use existing mechanisms (described above) to reflect and report on its technical cooperation contribution to the current Strategic Plan. This includes the PASB/Member States joint assessment of output and outcome indicators, a mechanism agreed by the member states since the 2014-2015 biennium. The report of the end of biennium 2020-2021 recently presented to the 30th PASC, which included the results of the joint assessment, was well received by Member States.</p> <p>We consider this recommendation complete and no further actions will be taken by PAHO.</p>	considered the substance of the recommendation and note that no further action will be taken. We highlight the need for more effective performance measurement of the Secretariat in this year's report.	



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