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WORLD HEALTH ORGANIZATION



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A. STATUS OF IMPLEMENTATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

Introduction

1. The Pan American Health Organization (PAHO) transitioned from the United Nations System Accounting Standards (UNSAS) to International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 in accordance with Resolution CSP27.R18 of the 27th Pan American Sanitary Conference on 5 October 2007. This transition to IPSAS aligns the Organization with the July 2006 decision of the United Nations General Assembly, set forth in Resolution A/RES/60/283, for the United Nations to implement IPSAS effective 1 January 2010.

Background

2. The 48th PAHO Directing Council, through Resolution CD48.R1 (2008) entitled “Use of Program Budget Income Exceeding the Authorized Effective Working Regular Budget 2006-2007,” approved the initial phase of IPSAS. The project “Strengthening the Organization’s capacity to be IPSAS compliant by the year 2010” was supported immediately with US\$ 300,000.¹ These financial resources have enabled the Organization to:

- (a) contract a project manager for the IPSAS implementation;
- (b) contract professional actuarial services for determining the long-term liabilities for: accrued annual leave, repatriation grant and travel, household removal, and after-service health insurance;
- (c) secure the services of a member of the IPSAS Board to provide expert advice on the application of the new accounting standards, as well as to offer corporate-wide training on IPSAS; and
- (d) participate as a member of the United Nations Task Force on the Implementation of International Public Sector Accounting Standards.

¹ Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

Situation Analysis

Completion of implementation activities for International Public Sector Accounting Standards prior to 1 January 2010

3. The implementation activities which were completed prior to the 1 January 2010 transition are identified in the chart “Status of Implementation of International Public Sector Accounting Standards as of 31 March 2010” (Table 1). Significant implementation achievements included:

- (a) the approval and funding of the IPSAS implementation project by the Organization’s Governing Bodies;
- (b) the revision and subsequent approval of the Organization’s Financial Regulations and Rules by the Governing Bodies;
- (c) corporate-wide IPSAS trainings after-which more than 1,200 PAHO staff and associated personnel passed the IPSAS overview exam with a score of 80% or better;
- (d) the establishment of policies, procedures, and information systems for the accrual of revenue, expenses, salaries, terminal entitlements, staff health insurance, etc;
- (e) the determination of the “fair value” of the Organization’s land parcels and buildings by real estate valuation professionals;
- (f) the determination of the Organization’s long-term liabilities for terminal entitlements and after-service health insurance by professional actuaries;
- (g) the establishment of policies and procedures for the capitalization of fixed assets with a value exceeding \$5,000, as well as the associated depreciation charge;
- (h) the identification of categories of “in-kind” contributions provided by Member States to PAHO, including services of ministry of health staff and consultants, office space, utilities, vehicles, and other services provided by the governments;
- (i) the identification of PAHO inventories held for sale or used in support of PAHO’s mission (the sale of pharmaceutical drugs, and the storage of medications and vaccines); and
- (j) the modifications made to PAHO’s financial systems to support the IPSAS requirements.

Implementation activities for the International Public Sector Accounting Standards in progress as of 1 January 2010

4. A significant majority of the implementation requirements were completed prior to the 1 January 2010 deadline. The following IPSAS implementation activities have been completed during 2010:

- (a) finalization of the IPSAS-compliant accounting manual, including the revised procedures as they are updated during the initial application of IPSAS to the PAHO financial accounts in early 2010;
- (b) the analysis of PAHO's legal relationships with various centers, such as the Caribbean Epidemiology Center and the Caribbean Food and Nutrition Center. The aim of their analysis is to determine whether they meet the requirements for being a PAHO-controlled entity and, whether they should be consolidated into PAHO's financial statements;
- (c) a determination of the structure for the financial statements reporting (segments and explanatory notes); and
- (d) discussions with the Organization's External Auditor regarding the detailed application of IPSAS to PAHO's activities.

Changes in financial statements due to the implementation of the International Public Sector Accounting Standards

5. As a result of the implementation of IPSAS, the Organization's financial statements will change significantly. Changes will include revisions in the names and formats of the statements and in the financial categories and figures which are reported.

6. The names of PAHO's IPSAS-compliant financial statements and their sequence in the financial report will be as follows:

- (a) the Statement of Financial Position (formerly known as the Balance Sheet);
- (b) the Statement of Financial Performance (formerly known as the Statement of Income and Expenditure and Changes in Fund Balances);
- (c) the Statement of Changes in Net Assets/Equity (new);
- (d) the Statement of Cash Flow;

- (e) the Comparison of Budget and Actual Amounts on the Basis of the Budget (formerly known as the Statement of Regular Budget Appropriation for the Financial Period); and
- (f) Notes, comprising a summary of significant accounting policies and other explanatory notes (formerly known as Explanatory Notes).

7. Furthermore, the IPSAS changes will result in increases and decreases in assets, as well as significant increases and some decreases in liabilities, effective 1 January 2010, as identified on the attached “Impact of International Public Sector Accounting Standards on PAHO’s Statement of Financial Position.” (Table 2).

8. The increases in assets are due to:

- (a) Accrual of \$32.4 million in unpaid quota assessment balances on 1 January 2010.
- (b) Recognition of inventories held for sale or for the purpose of achieving PAHO’s mission (pharmaceutical drugs).
- (c) Recognition of PAHO land parcels and buildings at their “fair value,” including the following increases:
 - i. Increase of \$33.1 million in the value of PAHO’s headquarters building and land parcel from the \$6.9 million historical cost when the structure was built in 1965, to \$40 million “fair value” on 1 January 2010 (\$10 million for the land parcel and \$30 million for the building);
 - ii. Increase of \$11.6 million in the value of PAHO’s annex across from the headquarters building from the \$3.4 million appraised value in 1985, to the \$15 million “fair value” on 1 January 2010. This figure includes the portion of the building which PAHO owns as a result of its projected full ownership of the property at the end of the 60 year lease in 2045;
 - iii. increase of \$14.7 million in the “fair value” of PAHO’s premises in:
 - Buenos Aires, Argentina
 - Bridgetown, Barbados
 - Brasilia, Brazil
 - Guatemala City, Guatemala
 - Port-au-Prince, Haiti
 - Asunción, Paraguay
 - Lima, Peru
 - Caracas, Venezuela

- iv. therefore, the beginning balance as of 1 January 2010 for the Fixed Asset category “Land and Buildings” will reflect a total increase of \$59.4 million to reflect the “fair value” of the Organization’s land parcels and buildings;
 - v. as a result of the earthquake in Port-au-Prince, Haiti, PAHO’s Country Office building sustained substantial damage. Therefore, the beginning balance as of 1 January 2010 will reflect the “fair value” on that date. However, the ending balance on 31 December 2010 will reflect the status of the land parcel and the building as of the end of 2010.
- (d) Accrual of earned interest on the Organization’s investment portfolio. The interest accrued on this investment portfolio as of 31 December 2009 was \$1.5 million, which is included in the 1 January 2010 beginning balance.
- (e) Accrual of the market value of the investment portfolio. The book value of the Organization’s investments as of 31 December 2009 was \$154.86 million. However, its market value was \$156.07 million, not including the \$312,600 increase in the market value of the Provision for Termination and Repatriation Entitlements Fund. Therefore, the \$1.21 million net increase in the market value of the portfolio is reflected in the 1 January 2010 beginning balance.
9. Increases or decreases in investments may occur due to the recognition of market value, or “fair value,” of investment instruments in the Organization’s portfolio at the end of each financial period. These increases and decreases reflect changes in the financial markets.
10. A decrease in liabilities is expected due to the implementation of the “delivery principle,” which requires that services and goods be completed or delivered by the last day of the financial period, in order for the expenditures to be reflected in the financial statements.
11. Increases in liabilities will occur due to the first-time recognition in the Organization’s financial statements of the future terminal entitlements for current staff and the after-service health insurance for current retirees and staff.
- (a) The future terminal entitlement liability for current staff as of 1 January 2010, as determined by professional actuaries, was \$9.9 million. Since 1972, the Organization has been accruing 6% of net salaries for this entitlement. As of 1 January 2010, the Organization had a market balance of \$32.2 million available to cover the actuarial valuation of \$9.9 million for this entitlement, which resulted in a net balance of \$22.3 million.

- (b) Thus, the balance of \$22.3 million was transferred from the Provision for Termination and Repatriation Entitlements Fund to assist with funding the after-service health insurance actuarial valuation, which reflects the anticipated cost of the future health insurance expenses for current retirees and staff.
- (c) The after-service health insurance, as determined by professional actuaries, resulted in an actuarial liability of \$202.5 million. After crediting the \$22.3 million transfer from the terminal entitlements accrual, the net after-service health insurance liability decreased to \$180.2 million.
- (d) Also, the Organization adjusted the 6% of net salaries accrual for terminal entitlements to 2% in order to better align with the financial resources required to meet this liability. The remaining 4% of net salaries balance will now assist in funding the after-service health insurance liability.

12. As a result of these increases and decreases in the Organization's assets and liabilities, the Organization had a \$85.7 million unfunded liability on 1 January 2010. This unfunded liability was mainly due to the first-time recognition in the Organization's financial accounts of the after-service health insurance \$202.5 million liability. The Member States may wish to consider funding the \$85.7 million unfunded liability over 30 to 40 years.

Recurrent costs associated with the implementation of International Public Sector Accounting Standards

13. The implementation of International Public Sector Accounting Standards will result in various recurrent costs for the following activities:

- (a) annual audits of the Organization's financial statements by the External Auditor;
- (b) the services of professional actuaries to value the Organization's long-term liabilities;
- (c) the services of real estate valuation professionals to value the Organization-owned land parcels and buildings; and
- (d) the services of financial investment experts to value the Organization's investment portfolio.

Significant challenge associated with the implementation of International Public Sector Accounting Standards

14. One of the challenges experienced throughout the IPSAS implementation involved limitations in the Organization's current corporate financial and accounting system (the Financial Accounting and Management Information System (FAMIS)) and the PAHO-designed Office Management Information System (OMIS), used by Country Offices to support accrual accounting standards. A modern financial system could provide robust support for accrual accounting and International Public Sector Accounting Standards, resulting in better real-time financial information throughout the Organization.

15. As part of the overall review of the Organization's corporate management information systems, the PAHO Management Information System Committee is leading a review of business process analyses related to budgetary, financial, payroll, human resources, and other activities and transactions. The intent is to identify gaps between the Organization's current business processes and industry standard best practices.

Action by the Directing Council

16. The 50th Directing Council is requested to analyze this progress report related to the implementation of IPSAS by PAHO, and provide guidance and recommendations to the Organization on its implementation.

Annexes

**Table 1: Status of the Implementation of
International Public Sector Accounting Standards
as of 31 July 2010**

Requirements/Activities	Completed	In Progress
1. Receive approval and funding from Governing Bodies to implement IPSAS in 2010	√	
2. Receive agreement from the External Auditors to perform annual audits of PAHO's financial accounts beginning in 2010	√	
3. Implement the Expense Recognition Policy for all funds	√	
4. Provide introductory corporate training on IPSAS	√	
5. Implement Expense Accrual: Record financial commitments in year when responsibility is assumed—i.e., services completed or goods delivered: <ul style="list-style-type: none"> <li data-bbox="300 940 1073 1010">• Expense Recognition Policy—accrue for activities, goods, and services in appropriate year <li data-bbox="300 1010 1003 1041">• Salaries—accrue and pay each month's salary as earned <li data-bbox="300 1041 1073 1140">• Statutory entitlements (i.e., education grant and travel, home leave, etc.)—accrue percentage each month as earned and pay as claims are presented <li data-bbox="300 1140 1073 1239">• UN Joint Staff Pension Fund (UNJSPF)—accrue percentage each month as earned and transfer funds to UNJSPF for the payment of future pension benefits <li data-bbox="300 1239 1016 1308">• Staff health insurance—accrue percentage each month as earned and pay as claims are presented 	<ul style="list-style-type: none"> <li data-bbox="1166 940 1187 972">√ <li data-bbox="1166 1010 1187 1041">√ <li data-bbox="1166 1041 1187 1073">√ <li data-bbox="1166 1140 1187 1171">√ <li data-bbox="1166 1239 1187 1270">√ 	
6. Determine Valuations of Long-term Liabilities <ul style="list-style-type: none"> <li data-bbox="300 1346 1024 1444">• Internal PAHO Estimate: <ul style="list-style-type: none"> <li data-bbox="358 1377 1024 1444">– Terminal entitlements accrual (i.e., annual leave, repatriation grant/travel and household goods removal) <li data-bbox="300 1444 1024 1577">• Professional Actuarial Valuations <ul style="list-style-type: none"> <li data-bbox="358 1476 919 1507">– After service health insurance (ASHI) accrual <li data-bbox="358 1507 1024 1577">– Terminal entitlements accrual (i.e., annual leave, repatriation grant/travel and household goods removal) 	<ul style="list-style-type: none"> <li data-bbox="1166 1377 1187 1409">√ <li data-bbox="1166 1476 1187 1507">√ <li data-bbox="1166 1507 1187 1539">√ 	
7. Capitalize “fixed assets” <ul style="list-style-type: none"> <li data-bbox="300 1614 1024 1684">• A new category of Fixed Assets (i.e., Property, Plant, and Equipment) established in PAHO's Financial Accounts <li data-bbox="300 1684 1065 1753">• Individual “fixed assets” exceeding \$5,000 will be assigned a useful life and the depreciation will be expensed <li data-bbox="300 1753 1040 1787">• Managers must ensure control and reporting of fixed assets 	<ul style="list-style-type: none"> <li data-bbox="1166 1614 1187 1646">√ <li data-bbox="1166 1684 1187 1715">√ <li data-bbox="1166 1753 1187 1785">√ 	
8. Identify “in-kind contributions” in PAHO—i.e., services of MOH staff and consultants, office space provided by the ministries, utilities, etc.	√	

Requirements/Activities	Completed	In Progress
9. Identify PAHO's inventories held for sale or used in support of missions—i.e., medications, etc.	√	
10. Determine which entities will be consolidated into PAHO's financial statements—i.e., centers, etc.	√	
11. Establish current valuations for PAHO's land and permanent buildings	√	
12. Submit proposed changes in Financial Regulations and Rules to the Governing Bodies: 144th Executive Committee, 49th Directing Council, and 145th Executive Committee <ul style="list-style-type: none"> • Income accrual • Fixed asset capitalization and depreciation • Recognition of long-term liabilities • Annual external audits 	√ √ √ √	
13. Establish application of IPSAS accounting standards to PAHO's accounts	√	
14. Develop and implement financial and information system modifications to support IPSAS <ul style="list-style-type: none"> • Income accrual • Expenditure accrual • Fixed asset capitalization and depreciation 	√ √ √	
15. Provide Corporate Training on IPSAS <ul style="list-style-type: none"> • "Expert" training by a member of the IPSAS Board • PAHO staff member pass the IPSAS test 	√ √	
16. Finalize Accounting Manual <ul style="list-style-type: none"> • Policies and procedures • Financial statement reporting 	√ √	
17. Determine beginning balances for all accounts on the Statement of Financial Position	√	

**Table 2: Impact of International Public Sector Accounting Standards
on PAHO's Statement of Financial Position**

Account	Initial Impact on Assets and Liabilities	Increase/ <decrease> in US\$ millions	Comments
Assets			
Cash and Cash Equivalents	—	—	—
Accounts Receivable:			
- Quotas	Increase asset	32.4	Accrual of unpaid quota assessment balances through 31 December 2009.
- Sundry	—	—	—
- Inter-party Transfers: WHO/PAHEF/ Centers	—	—	—
Inventories (Goods for Sale)	Increase asset	—	New category with recognition of inventories held for sale (pharmaceutical drugs, etc.).
Fixed Assets (Property, Plant, and Equipment)			
- Land and Buildings	Increase asset	59.4	Land and buildings recognized at "fair value" as of 1 January 2010 based on opinion of real estate valuation professionals.
- Other Fixed Assets	Increase asset	—	Recognition of new assets with value > \$5,000 as of 1 January 2010 and implementation of depreciation expense.
Investments	Increase/ decrease asset	1.5 1.2	Accrual of interest on investments. Accrual of the market value of investment portfolio, not including the accrual of the market value of the Provision for Termination and Repatriation Entitlements Fund.

Account	Initial Impact on Assets and Liabilities	Increase/ <decrease> in US\$ millions	Comments
Liabilities and Funds			
Accounts Payable:			
- Deferred revenue	—	—	Funds received in advance of recognition/ implementation.
- ULO	Decrease liability	—	Accrual of liabilities for services/goods completed/delivered by end of financial period (i.e., calendar year for PAHO).
Terminal Entitlements	Increase liability	<9.9> 9.9	Accrual of future terminal entitlement expenses for current staff determined by professional actuaries. Available funding.
After-Service-Health Insurance (ASHI)	Increase liability	<202.5> 22.3	Accrual of future health insurance expenses for current retirees and staff by professional actuaries. Available funding, including the accrual of the market value of the Provision for Termination and Repatriation Entitlements Fund.
Working Capital Fund	—	—	
Surplus/Unfunded Liability”	Increase/ Decrease	<85.7>	Net Change Due to IPSAS— i.e., Net Unfunded Liability of \$85.7 million.

B. MASTER CAPITAL INVESTMENT PLAN

Periodic Report on the Implementation of the Master Capital Investment Plan

Introduction

1. This document summarizes the Master Capital Investment Plan activities and projects for 2008-2009 and those proposed for 2010-2011, as well as for 2012-2019, that are funded by the Master Capital Investment Fund (MCIF) and by the PAHO Holding Account (HA).

Master Capital Investment Plan

2. The Master Capital Investment Plan reflects the Organization's increasing efforts to maintain and improve the building infrastructure, equipment, and information technology at its installations throughout the Region in a systematic manner. In an effort to improve transparency and show the coordination between related activities and projects in the Master Capital Investment Plan that are funded by the Master Capital Investment Fund and by the Holding Account, the Secretariat has included references to both MCIF and HA activities and projects in this document and in Annexes A and C.

3. The Holding Account was created as a result of excess budget availability from the 2006-2007 biennium. One-time major infrastructure projects in the administrative and technical areas were authorized by the 48th Directing Council in Resolution CD48.R1 (October 2008). Among others, these included the Emergency Operations/Knowledge Center and the installation of energy-efficient windows in the Washington Headquarters Building. Specific project descriptions for Holding Account projects are found in Document CE146/27. Details on the Master Capital Investment Fund are outlined below.

Master Capital Investment Fund - 2010-2011 Biennium Funding

4. The Master Capital Investment Fund was initially funded in January 2008 with US\$ 2 million[†] for the Real Estate and Equipment Subfund and \$6 million for the Information Technology Subfund. As of 1 January 2010, the unobligated balances remaining from the 2008-2009 biennium were \$1.2 million in the Real Estate and Equipment Subfund and \$2.0 million in the Information Technology Subfund. The purpose of the Real Estate and Equipment Subfund is to support the ongoing major repairs, upgrades and renovations at the various PAHO office sites throughout the Region. The Information Technology Subfund supports the acquisition of computer hardware, telecommunications equipment and software licenses at Headquarters and the

[†] Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

Country Offices. The MCIF is critically dependent upon regular infusions of new funding at the start of each biennium.

5. In accordance with Resolution CSP27.R19 (October 2007), the Director shall notify the Executive Committee of the transfer of \$2 million of excess income over expenditure from the 2008-2009 Regular Program Budget to the Master Capital Investment Fund for the 2010-2011 biennium. The same resolution requires the Director to seek the Committee's approval for the transfer of an additional \$2 million of excess income over expenditure from the 2008-2009 Regular Program Budget funds to the Master Capital Investment Fund. The funding will be divided between the two subfunds.

Real Estate and Equipment Subfund

Projects at Headquarters

6. The three Real Estate and Equipment projects that were completed at PAHO Headquarters in 2008-2009 are identified in Annex A. Components of those completed projects are:

- installation of a domestic booster pump to ensure proper water flow to the chillers for the building's air conditioning equipment;
- installation of previously purchased simultaneous-interpretation equipment in conference rooms B and C;
- completion of a space study to reassign staff members to locations in accordance with the Organization's new structure, as established by the Director.

7. Assuming that sufficient funds are available for the Master Capital Investment Plan in 2010-2011, the elevator project, which was postponed from 2008-2009, will commence upon the completion of the roof repair project (a Holding Account project) and the achievement of substantial progress on the window replacement project (also a Holding Account project). Furthermore, two engineering studies approved in 2008-2009—the first on the conference area and the second to review building conditions—should proceed in 2010-2011. The three MCIF projects for Headquarters which are currently slated for implementation in 2010-2011 are listed in Annex C.

Projects in PAHO/WHO Country Offices

8. In 2008-2009, the Director initially approved 26 projects in Country Offices valued at \$1.1 million. Five of these projects were not started in that biennium and have

been carried over to 2010-2011. The full list of MCIF projects completed in 12 countries in 2008-2009 is found in Annex B.

9. The list of postponed 2008-2009 projects and carried forward into 2010-2011 includes:

- the architectural/engineering studies to support construction, at Member State expense, of a new PAHO/WHO Representative (PWR) office in Santiago, Chile;
- the renovation costs to relocate Uruguay's PWR office in a Ministry of Health building;
- the replacement of the air conditioning unit in the PWR office in Panama.

10. Thirty-one MCIF projects planned 2010-2011 will be distributed among PWR offices and Washington, D.C., Headquarters. They are described in Annex C by major categories. Based on the experience in 2008-2009, some projects may be delayed or cancelled once local priorities and local circumstances are reexamined during the 2010-2011 biennium.

11. Several of the new projects for 2010-2011 are now under review by the PAHO Infrastructure Investment Projects Committee (PIIP), a committee created by the Director in September 2009 to analyze the Master Capital Investment Plan projects in both subfunds and to provide recommendations on their feasibility and priority within the limited funds available.

Information Technology Subfund

12. A total of \$4.3 million was expended in 2008-2009 on various Master Capital Investment Plan information technology projects (Annex A), including:

- the procurement of desktop computers, laptops, and peripherals (printers and other equipment);
- the procurement and installation of servers and hosting infrastructure;
- the upgrading and renewal of existing software and procurement of new software;
- information security.

13. The projects planned for the 2010–2011 biennium (Annex C) include:
- software licenses;
 - network infrastructure;
 - licenses and replacement systems for telephone systems, primarily at country level;
 - information security hardware and software;
 - servers and hosting infrastructure at Headquarters and Country Offices;
 - replacement of desktops, notebooks, and peripherals, including printers and scanners.

Next Steps

14. Given the limited financial resources and uncertainty over future funding availability, the Organization is committed to constant monitoring and reassessment of essential projects and their estimated costs.

Action by the Directing Council

15. The Directing Council is invited to take note of this report.

Annexes

**Master Capital Investment Plan 2008-2009
(In US\$)**

Location	Project Description	Current Status for the 2008-2009 Biennium	Available Funding in the 2008-2009 Biennium	Total Expenses 2008-2009	Funding Source	Category
Regional	Desktops and laptops	Completed	740,910	739,861	MCIF	Information Technology
Regional	Peripherals, including printers and other equipment	Completed	603,032	573,106	MCIF	Information Technology
Regional	Servers and hosting infrastructure	Completed	700,787	700,787	MCIF	Information Technology
Regional	Information security	Completed	155,514	155,514	MCIF	Information Technology
Regional	Telephony	Completed	567,710	523,828	MCIF	Information Technology
Regional	Network infrastructure	Completed	360,131	351,378	MCIF	Information Technology
Regional	Upgrade and renew existing software and purchase of new software	Completed	1,297,203	1,297,203	MCIF	Information Technology
Regional	Modernization of the Service Model for the Delivery of IT and Knowledge Management (KM) services (Holding Account Profile 3B)	In progress	500,000	0	Holding Account	Information Technology

**MCIF (Real Estate and Equipment Subfund)
Completed Projects by Categories - 2008-2009**

Location	Project	Final Cost
Barbados	Various security/ building upgrades	36,300
Belize	Costs associated with relocation to a new location	35,000
Bolivia	Replacement carpet	15,000
Bolivia	Document center repairs	12,000
Costa Rica	Install computer cables and other office remodeling for new office space	15,000
Cuba	Major rehabilitation of office space	20,000
Dominican Republic	Closed Circuit TV system	15,551
Dominican Republic	Install fire detection system	12,024
Dominican Republic	Security fence around PWR building	10,395
Dominican Republic	Remodel office space	18,038
Dominican Republic	Remodel technical area offices	15,350
Guyana	Rehab office conference room	30,000
Haiti	Purchase land for parking lot (not completed due to earthquake)	300,000
Nicaragua	General remodeling (replace ceiling, change vinyl walls, anticyclone windows)	100,000
Nicaragua	General remodeling (phase two approved May 2009)	100,000
Nicaragua	Install combined identity card and fire alarm system	31,200
Panama	General remodeling plus steel door money	21,000
Suriname	50% of renovations cost for Corner House	130,000
Venezuela	Roof Repairs (July)	17,587
Venezuela	A/C project (electrical upgrade)	3,521
Venezuela	Roof Repairs (May)	14,712
Venezuela	Replace A/C	22,500
HQ/Washington, D.C.	Install interpretation equipment in Rooms B and C	68,710
HQ/Washington, D.C.	Install water booster pump	36,751
HQ/Washington, D.C.	Space study of DC offices	112,800

**Master Capital Investment Plan 2010-2011
(In US\$)**

Location	Project Description	Current Status (as of 30 June 2010)	Available Funding to 30 June 2010	Additional Funds Requested for 2010-2011	Total Projected Expenses 2010-2011	Funding Source	Category
Regional	Desktops and laptops	In progress	248,500	151,500	400,000	MCIF	Information Technology
Regional	Peripherals, including printers and other equipment	In progress	227,500	72,500	300,000	MCIF	Information Technology
Regional	Servers and hosting infrastructure	In progress	343,000	257,000	600,000	MCIF	Information Technology
Regional	Information security	In progress	196,020	203,980	400,000	MCIF	Information Technology
Regional	Telephony	In progress	105,000	180,000	285,000	MCIF	Information Technology
Regional	Network infrastructure	In progress	0	110,000	110,000	MCIF	Information Technology
Regional	Upgrade and renew existing software and purchase of new software	In progress	620,480	879,520	1,500,000	MCIF	Information Technology
Regional	Modernization of the Service Model for the Delivery of IT and Knowledge Management (KM) services (Holding Account Profile 3B)- -1st funding source	In progress	500,000	1,000,000	1,500,000	Holding Account	Information Technology
	Modernization of the Service Model for the Delivery of IT and Knowledge Management (KM) services (Holding Account Profile 3B)- -2nd funding source	Planning stage	0	730,000	730,000	MCIF	Information Technology
Regional	Strengthening Communications through Improved Country Office Connectivity (Holding Account Profile 2C)--1st funding source	In progress	250,000	1,750,000	2,000,000	Holding Account	Information Technology
	Strengthening Communications through Improved Country Office Connectivity (Holding Account Profile 2C)--2nd funding source	In progress	0	100,000	100,000	Other Sources	Information Technology
	Subtotal - Information Technology Infrastructure		2,490,500	5,434,500	7,925,000		

Master Capital Investment Plan 2010-2011 (cont.)

Location	Project Description	Current Status (as of 30 June 2010)	Available Funding to 30 June 2010	Additional Funds Requested for 2010-2011^{1/}	Total Projected Expenses 2010-2011	Funding Source	Category
HQ/WDC*	Emergency Operations Center (EOC) and Knowledge Center (KC) (Holding Account Profile 1A)--1st funding source	In progress	1,500,000	1,400,000	2,900,000	Holding Account	Real Estate and Equipment
HQ/WDC	Emergency Operations Center (EOC) and Knowledge Center (KC) (Holding Account Profile 1A)--2nd funding source	In progress	0	500,000	500,000	Other Sources	Real Estate and Equipment
Country Offices	Improvements to Facilities: Minimum Operating Security Standards (MOSS) Upgrades and Security Measures (Holding Account Profile 4A)	In progress	113,162	0	113,162	Holding Account	Real Estate and Equipment
HQ/WDC	Improvements to Facilities: Energy-Saving Measures (Holding Account Profile 4B)	In progress	620,000	1,100,000	1,720,000	Holding Account	Real Estate and Equipment
HQ/WDC	Improvements to Facilities: Plaza Drainage System Repairs (Holding Account Profile 4C)	Planning stage	375,000	0	375,000	Holding Account	Real Estate and Equipment
HQ/WDC	Improvements to Facilities: Security and Sanitary Measures (Holding Account Profile 4D)	Planning stage	330,000	0	330,000	Holding Account	Real Estate and Equipment
HQ/WDC	Improvements to Facilities: HQ Office Tower Roof Repairs (Holding Account Profile 4E)	In progress	250,000	97,000	347,000	Holding Account	Real Estate and Equipment

* WDC = Washington, D.C.
 CD50/INF/8, Rev. 1 (Eng.)
 Annex B

Master Capital Investment Plan 2010-2011 (cont.)

Location	Project Description	Current Status (as of 30 June 2010)	Available Funding to 30 June 2010	Additional Funds Requested for 2010-2011	Total Projected Expenses 2010-2011	Funding Source	Category
HQ/WDC	Improvements to Facilities: Renovation of Headquarters Buildings (Holding Account Profile 4F)—1st funding source	Planning stage	975,000	0	600,000	Holding Account	Real Estate and Equipment
HQ/WDC	Improvements to Facilities: Renovation of Headquarters Buildings (Holding Account Profile 4F)—2nd funding source	Planning stage	0	100,000	100,000	Other Sources	Real Estate and Equipment
Country offices	Several repair, maintenance and relocations requests (to be evaluated)	Planning stage	500,000		500,000	MCIF	Real Estate and Equipment
HQ/WDC	Architects and engineering for 2nd floor conference area (approved by the Director in June 2008)	In progress	50,000		50,000	MCIF	Real Estate and Equipment
HQ/WDC	Conduct cost-benefit engineering study of major repairs for HQ building (approved 2008-2009)	In progress	30,000		30,000	MCIF	Real Estate and Equipment
HQ/WDC	Rehab elevators in HQ building (approved by the Director in March 2008)	In progress	700,000		700,000	MCIF	Real Estate and Equipment
	Subtotal – Real Estate and Equipment		5,443,162	3,197,000	8,265,162		
	Total		7,933,662	8,631,500	16,192,162		

**Security Improvements under Holding Account Project 4A:
Improvements to Facilities: Minimum Security and Safety Standards (MOSS)
Upgrades and Security Measures**

Funds provided from January 2008 to June 2010

Location	Items Purchased	Total US\$ Expenditures
Bahamas	Radios	7,380.00
Belize	Radios, satellite telephones and other communications equipment	7,800.00
Chile	Alarm system and radios	17,747.68
Colombia	Radios and satellite telephones	9,521.44
Costa Rica	Radios	9,211.50
Dominican Republic	Radios	11,839.94
Guatemala	Shatter film for car windows, radios, and other communications equipment	25,944.87
Honduras	Installation of steel front door and emergency exit signs	4,500.00
Jamaica	Radios	9,920.00
Nicaragua	Anti-shatter film on office windows	29,300.00
Panama	Radios	1,370.00
Peru	Metal detector and alarm systems	3,027.45
Trinidad and Tobago	Anti-shatter film on office windows	24,904.00
Uruguay	Satellite telephone	2,030.00
Venezuela	Closed circuit TV (CCTV) And perimeter wire	22,340.76
Total		186,837.64

Total funds approved	\$300,000.00
Balance to be allocated	\$113,162.36

C. STATUS OF THE AUDIT COMMITTEE OF PAHO

1. The 49th Directing Council, held from 28 September to 2 October 2009, established an Audit Committee in the Pan American Health Organization (PAHO).
2. The Audit Committee is to function pursuant to the Terms of Reference approved in Resolution CD49.R2 (Annex A). According to those Terms of Reference, the Committee serves the Director of the Pan American Sanitary Bureau (PASB) and PAHO's Member States in an independent expert advisory capacity. Through the Executive Committee, the Audit Committee advises on the operation of the Organization's financial controls, reporting structures, risk management processes, and other audit-related controls. The Committee is to be composed of three members appointed by the Executive Committee.
3. Audit Committee members shall reflect the highest level of integrity and must be fully independent of PAHO. The criteria for membership established in the Terms of Reference requires that candidates have recent and relevant senior-level financial, audit, and/or other oversight related experience.
4. According to the Terms of Reference, the process for identifying candidates for Audit Committee membership requires that the Director of the PASB draw up a list of qualified candidates to be submitted to the Subcommittee on Program, Budget, and Administration (SPBA) prior to the Session of the Executive Committee where the election is to take place.
5. In order to identify a broad pool of highly qualified candidates in time for consideration by the Fourth Session of the SPBA that was to take place on 17–19 March 2010, the Director of the PASB retained the services of an executive search firm. Working closely with the executive search firm, PAHO's Secretariat developed a detailed advertising strategy, which included the development of a sourcing list of 76 persons. These individuals were then contacted in order to obtain names of potential candidates. A target list of United Nations organizations, international organizations, multilateral financial institutions, professional associations, and private sector entities was also developed. Advertisements were placed in leading print and online publications worldwide. A timeline was established in order to meet the deadlines established for the recruitment process. The closing date for submission of applications was 25 January 2010. The search firm received and screened 118 applications, out of which 32 qualified candidates were identified. The Director then selected six candidates from among this pool to be presented to the SPBA for consideration. Detailed curricula vitae of the six candidates were sent to Subcommittee members.

6. The Fourth Session of the SPBA appointed a Working Group consisting of the representatives of Barbados, Bolivia, and Guatemala to review the candidates' qualifications and summaries of their personal interviews, and draw up a ranked list. The Subcommittee emphasized that, in the interest of gender equity, at least one of the top three candidates on the list should be a woman.

7. Based on the Working Group's evaluation, the SPBA recommended that the first three candidates on the list be appointed, but included a fourth candidate in order to give the Executive Committee a choice. In order of preference, the candidates were: (a) Mr. Alain Gillette, (b) Mr. Peter Maertens, (c) Ms. Carman LaPointe, and (d) Ms. Amalia Lo Faso.

8. In accordance with the Audit Committee's Terms of Reference, the 146th Session of the Executive Committee, held on 21–25 June 2010, was requested to select three out of the four candidates recommended by the SPBA.

9. After extensive discussions, the Executive Committee agreed to follow the SPBA's recommendation and select the first three candidates proposed. It was subsequently determined by drawing of lots that Mr. Alain Gillette would serve on the Audit Committee for four years; Ms. Carman LaPointe, for three years; and Mr. Peter Maertens, for two years. To this end, the Executive Committee adopted Resolution CE146.R5, confirming the above-mentioned selections.

10. The individuals selected as members of PAHO's first Audit Committee were notified of their appointment by the Director of the PASB in July 2010. All three accepted their appointments. On 23 August 2010, however, Ms. Carman LaPointe informed the Director that she would not be able to serve her three-year term as a result of her recent appointment as the Under-Secretary-General of the United Nation's Office of Internal Oversight Services in New York.

11. In view of the resulting vacancy, the Director of the PASB contacted Ms. Amalia Lo Faso, the fourth finalist considered by the 146th Session of the Executive Committee. Ms. Lo Faso confirmed her continued interest and availability to form part of PAHO's Audit Committee and agreed that her name be submitted to the upcoming Executive Committee session that will take place on 1 October 2010 for consideration as an Audit Committee member for a three-year term.

12. If the 147th Executive Committee is able to fill this vacancy, it is anticipated that the inaugural session of the Audit Committee will take place in October or November 2010 in Washington D.C. This would enable the Audit Committee to begin its important work in time for the audit cycle that begins in January 2011.

Action by the Directing Council

13. The Directing Council is invited to take note of this report.

Annex

RESOLUTION

CD49.R2

ESTABLISHMENT OF THE AUDIT COMMITTEE OF PAHO

THE 49th DIRECTING COUNCIL,

Having reviewed the document *Proposal for the Establishment of an Audit Committee* (Document CD49/26);

Acknowledging the Organization's ongoing efforts to establish a governance framework that reflects international best practices;

Noting the proposal to establish an independent expert advisory body to advise the Director and PAHO's Member States on the operation of the Organization's financial controls and reporting structures, risk management process, and other audit-related controls,

RESOLVES:

1. To establish the Audit Committee of the Pan American Health Organization.
2. To approve the Terms of Reference for the PAHO Audit Committee (see Annex).

Annex

(Second plenary, 28 September 2009)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF PAHO

Guiding Principle

1. An Audit Committee shall be established by the Directing Council of the Pan American Health Organization (PAHO) to exercise an independent consultative function, providing the Director of the Pan American Sanitary Bureau ("the Director") and the PAHO Member States, through the Executive Committee, with advice on the operation of the Organization's financial controls and reporting structures, risk management processes, and other audit-related controls. The Committee shall perform this function

through independent reviews of the work carried out by PAHO's system of internal and external controls, including PAHO's Office of Internal Oversight and Evaluation Services, the External Auditor, and the administration and management of the Organization. The work of the Audit Committee shall be conducted in accordance with internationally accepted standards and best practices and in compliance with PAHO's policies, regulations, and rules. The Audit Committee does not substitute the function of the Executive Committee of PAHO or of its Subcommittee on Program, Budget, and Administration (SPBA).

Role of the Committee

2. The PAHO Audit Committee shall:
 - (a) review and monitor the adequacy, efficiency, and effectiveness of the Organization's risk assessment and management processes, the system of internal and external controls (including PAHO's internal oversight and External Auditor function), and the timely and effective implementation by management of audit recommendations;
 - (b) advise on issues related to the system of internal and external controls, their strategies, work plans, and performance;
 - (c) report on any matter of PAHO policy and procedure requiring corrective action and on improvements recommended in the area of controls, including evaluation, audit, and risk management;
 - (d) comment on the work plans and the proposed budget of the internal and external audit functions;
 - (e) advise on the operational implications of the issues and trends apparent in the financial statements of the Organization and significant financial reporting policy issues;
 - (f) advise on the appropriateness and effectiveness of accounting policies and disclosure practices and assess changes and risks in those policies; and
 - (g) advise the Director in the selection process of the Auditor General of PAHO, and advise the Executive Committee in the selection of the External Auditor.

Membership of the Committee

3. The Audit Committee shall be composed of three members who shall reflect the highest level of integrity and be fully independent from PAHO. The Audit Committee shall be appointed by the Executive Committee of PAHO. Members shall serve in their

personal capacity. Each Member shall serve as Chairperson of the Committee for one year on a rotational basis.

Criteria for Membership

4. All members of the Committee must have recent and relevant senior-level financial, audit, and/or other oversight related experience. Such experience should reflect, to the extent possible:
 - (a) experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues faced by PAHO, including an understanding of relevant accepted accounting principles;
 - (b) an understanding of and, if possible, relevant experience in the inspection, monitoring, and evaluation processes;
 - (c) an understanding of internal control, risk management, investigation, and procedures for financial reporting; and
 - (d) a general understanding of the organization, structure, and functioning of international organizations in the UN system.

Terms of Appointment

5. The Members of the Audit Committee shall be appointed to serve no more than two full terms of three years each. The election cycle shall be fixed upon establishment of the Committee. Members may be reelected for a second and final term of three years, with the exception of the initial three Members of the Committee, who shall be appointed by drawing of lots to serve an initial term of two, three, or four years. Former members of the Audit Committee may be reappointed to the Committee subject to not serving more than two full terms.

Call for Proposals

6. The Director shall recommend a list of qualified candidates. The list will be notified to the SPBA prior to the Executive Committee Session and must include an extended CV of each of the candidates.

7. The list of candidates will be subject to assessment, which may include requests for additional information and subsequent modification. The highest ranked candidates, according to the Criteria for Membership, will be proposed by the SPBA to the Executive Committee for decision.

Responsibility of Members

8. In performing their functions, Members of the Audit Committee shall neither seek nor receive instructions from any national government authority. They shall act in an advisory, non-executive, capacity and be fully independent from any government or PAHO body, structure, or entity. Members shall be guided solely by their expertise and professional judgment, taking into account the collective decisions of PAHO's Governing Bodies.

9. Members of the Audit Committee shall be required to sign a confidentiality statement at the beginning of their tenure, as well as a PAHO Declaration of Interest Form. Where an actual or potential conflict of interest arises, the Member shall declare such interest to the Committee and will be excused from the Committee's discussion on the corresponding issue.

Meetings and Rules of Procedure

10. The PAHO Audit Committee shall normally meet in a regular session twice a year. Additional meetings may be scheduled on an *ad hoc* basis as necessary. The Chairperson of the Committee shall determine the timing of meetings and the need for any additional meetings in the course of the year. He/she shall also set the agenda of the meetings, taking into account relevant requests from the Director and/or the Executive Committee of PAHO. The meetings shall be convened by the Secretariat of the Committee on behalf of the Chairperson. Members of the Audit Committee shall normally be given at least four weeks' notice of meetings.

11. The Director, the External Auditor, the Auditor General of PAHO, the Director of Administration of PAHO, and the Financial Resources Manager of PAHO shall attend meetings of the Audit Committee at the invitation of the Chairperson of the Committee.

12. The Audit Committee may decide to meet in closed session from time to time as determined by the Committee.

13. The Audit Committee shall endeavor to work on the basis of consensus.

14. Members serve in their personal capacity and cannot be represented by an alternate attendee.

15. The administrative and secretariat support function of the Audit Committee, including the preparation and maintenance of minutes of the meetings, shall be carried out by independent staff hired on an as needed basis for that purpose, and will report directly to the Chairperson on matters relating to the work of the Audit Committee.

Disclosure

16. The Audit Committee secretariat, observers, and any third party invited by the Committee to attend its sessions shall not make any document or information public without the Committee's prior authorization.

17. Any Audit Committee Member reporting on the Committee's work shall ensure that confidential materials are secured and shall keep other Members adequately informed.

Access

18. The Audit Committee shall have access to all records and documents of the Organization, including, but not limited to, audit reports and work documents of the Office of Internal Oversight and Evaluation Services, and reports issued by the External Auditors.

19. The Audit Committee shall be able to call upon any PAHO staff member or employee, including senior management of the Organization, and request meetings with any parties, as it deems necessary to obtain information relevant to its work.

20. PAHO's External Auditors and Auditor General shall also have unrestricted and confidential access to the Chairperson of the Committee.

21. The Audit Committee may obtain legal or other independent professional advice if it is considered necessary.

Reporting

22. The Chairperson of the Audit Committee shall interact regularly with and report to the Director on the results of the Committee's deliberations, as well as any issues relevant to its business.

23. The Audit Committee shall prepare an annual report of its work for the Executive Committee of PAHO. The Audit Committee may also prepare ad-hoc reports as requested by the Executive Committee. The Director shall be given the opportunity to comment on all reports prior to their submission to the Executive Committee.

Resources

24. The Audit Committee shall be provided with such resources as are necessary to undertake its duties. Funds shall be included in the biennial budget of the Organization to provide for administrative support, travel, and accommodation costs in relation to

Committee Members' duties. Such travel shall be conducted in accordance with PAHO regulations and rules. The Members shall serve without remuneration from PAHO.

Review of the Terms of Reference

25. The Executive Committee will periodically review the output of the Audit Committee, assess its effectiveness and make appropriate recommendations, in consultation with the Director, regarding its membership and Terms of Reference. The Terms of Reference of the Audit Committee may be modified by the Directing Council as necessary.
