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FINANCIAL REPORT OF THE DIRECTOR AND REPORT OF THE EXTERNAL AUDITOR

1 JANUARY 2020 – 31 DECEMBER 2020

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PAHO



Pan American
Health
Organization



World Health
Organization
REGIONAL OFFICE FOR THE
Americas

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

1 January 2020 – 31 December 2020

Washington, D.C, 2020

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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 2020 through 31 December 2020.

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

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

1. Main technical achievements from 2020

During 2020, PAHO remained an **authoritative voice for health in the Region, providing political, strategic, and technical guidance** on responding to the COVID-19 pandemic at the highest levels of government, non-state actors, and the UN and Inter-American Systems. In line with its principles of **solidarity and equity**, PAHO called for unity in addressing the impact of the pandemic and providing equitable access to COVID-19 response tools, while simultaneously advocating for continuity of essential health services to save lives and mitigate the devastating effects of the pandemic on hard-earned regional public health gains. The pandemic has called attention to the need for accelerated, quality data-driven efforts to reorganize and expand health service delivery to respond to the needs of COVID-19 cases, including critical care, while maintaining **essential health services** such as the diagnosis and treatment of cancer, mental health, and other noncommunicable diseases, and immunizations. Through its technical cooperation, PAHO continues to be a **catalyst** to improve the health and well-being of the peoples of the Americas, in collaboration with Member States and partners.

Important progress was made during 2020 toward the targets set in the PAHO Strategic Plan 2020-25 and the commitments in the Sustainable Health Agenda for the Americas 2018-2030 and the 2030 Agenda for Sustainable Development (SDGs). Some of the highlights include:

- With the support of PAHO, there has been a significant increase of **hospital and critical care capacity** during the response to COVID-19 in most countries. A study on four countries found that there was an average of 156% increase in intensive care unit (ICU) beds between March 2020 and January 2021. Even though many countries reached a breaking point in hospital occupancy rate (at or beyond 80% occupancy rate threshold) due to the surge demand for COVID-19 patients, without these accelerated efforts, many more deaths would have occurred. The use of innovative approaches such as **telemedicine strengthened the first level of care**, and there was improved coordination and **integration of health service delivery**.

- PAHO provided support and advice to Member States in preparation for **COVID-19 vaccines** through the COVAX Facility with the Gavi Alliance and UNICEF. PAHO also supported vaccine negotiations in order to maintain supply at previously negotiated or improved prices through at least 2021 given the severe economic impact of the pandemic, including for **pneumococcal conjugate vaccine (PCV), human papillomavirus vaccine (HPV), and rotavirus vaccine**.
- PAHO enabled increased access to **essential health supplies** for COVID-19 through advocacy, coordination, and negotiation within key global mechanisms, such as the COVID-19 global supply consortium and the three ACT A pillars (vaccines, diagnostics, and therapeutics). PAHO maintained formal representations in the consortium and in each pillar. Member States invested significant resources in improving access to medicines and medical devices (including diagnostics) to prevent, treat, and diagnose COVID-19. PAHO provided critical guidance through the list of essential medical devices and the list of essential medicines for critical care of COVID-19.
- With technical guidance from PAHO, 23 countries increased surge capacities through the deployment of 171 national **Emergency Medical Teams (EMT)** and the selection and set up of 198 alternative medical care sites (AMCS) for COVID-19. Thirty-two countries developed **COVID-19 preparedness and response plans**; 35 countries and territories improved their capacity for COVID-19 molecular **diagnosis**; and **infection prevention and control (IPC)** capacity was strengthened in all countries, with 33 countries and territories reporting having a national IPC program and water and sanitation (**WASH**) standards in health care facilities. Twenty-one countries have integrated COVID-19 into their routine severe acute respiratory illness/influenza-like illness (SARI/ILI) surveillance systems.
- Countries advanced in the implementation of the Plan of Action for **Human Resources for Health** (CD56/10, Rev. 1), helping to meet the significant need for larger and more qualified health workforce and to remedy inequities in the health workforce distribution, which were severely aggravated by the COVID-19 pandemic. During 2020, workforce planning surge capacity tools for COVID-19 were developed. The analysis of the health workforce in the context of COVID-19 in 12 Caribbean countries and case studies in Belize, Grenada, and Jamaica highlighted needs for the response. The **PAHO Virtual Campus for Public Health** has become a vital platform for ongoing capacity building and information-sharing for health professionals.
- A renewed **partnership with the UN Economic Commission for Latin America and the Caribbean (ECLAC)** facilitated analysis and advocacy for policies to control and mitigate the effects of the pandemic, reopening safely, and rebuilding in a sustainable and inclusive way. A key product from this partnership was the joint report published in July 2020 by ECLAC and PAHO which documented why the economies of the Region will only be restarted if the curve of contagion of the COVID-19 pandemic is flattened.
- In 2020, the **PAHO Strategic Fund** helped Member States procure \$186 million in medicines, supplies, and diagnostic tests across 23 therapeutic areas and services, supporting the treatment and diagnosis of over 18.8 million people (approximately an 83% increase over 2019). The pandemic has served as an opportunity to call attention to and improve **essential public health functions**, particularly those related to preparedness and the response to emergencies and investing in resilient health systems. In light of the ethical challenges for the public health response, PAHO provided technical cooperation for the integration of **ethics in the pandemic response**, including for surveillance, priority setting for scarce resources for critical care, and the use of unproven interventions for COVID-19 outside of research.
- In addition to the COVID-19 pandemic response, technical cooperation from PAHO supported 13 countries and territories in delivering **life-saving operations** during the course of concurrent ungraded health emergencies. All 139 events that were reported by 49 countries and territories during 2020 had a risk assessment completed within 72 hours of detection. The Region demonstrated substantial capacity to detect and report COVID-19 cases, with an average of 0.6 days between the time when the first COVID-19 case was detected to when it was reported to the **Event Management System** (range was from 0-2 days).

- PAHO continued to support countries in the implementation of the **Smart Hospitals** initiative, despite the restrictions and limitations caused by COVID-19. Twenty safer and greener healthcare facilities are now providing health care across seven countries in the Caribbean, with the finalization of retrofitting at Portsmouth Hospital in Dominica and Richford Health Centre in Saint Lucia. During 2020, Saint Lucia became the first of the seven countries to completed planned retrofitting of all 15 facilities within the project.
- There was continued progress in the implementation of the **Communicable Disease Elimination Initiative**. PAHO conducted a mission to certify the elimination of **malaria** in El Salvador, another milestone that is expected to have a catalytic effect for progress in neighboring countries. Two years have passed without malaria transmission in Belize, placing the country as a candidate for certification as malaria-free in 2022. All 19 malaria endemic countries continued implementing actions to ensure early diagnosis and treatment of malaria cases. Advances were made in the 2020-2021 Mass Drug Administration campaign to eliminate **filariasis** in Guyana. Colombia was able to advance in the control of the **Chagas** vector in 23 municipalities. Despite explosive **dengue** epidemics in several countries, the regional case fatality rate target of less than 0.05% was maintained.
- PAHO also contributed to the maintenance of **HIV prevention and control** services in Haiti, where the number of PrEP sites for HIV prevention rose from 7 to 31, and where a national HIV drug resistance surveillance system with the support of the WHO Collaborating Center of Martinique was launched. Dominica is soon expected to be validated as having eliminated maternal and child transmission (**MTCT**) of HIV and congenital syphilis.
- The number of reported confirmed **measles** cases in the Region fell, from 21,674 cases in 14 countries in 2019 to 8,720 cases in 9 countries in 2020. This was achieved by working with national authorities providing technical cooperation to increase immunization in these countries.
- In line with the PAHO Plan of Action on Antimicrobial Resistance (CD54/12, Rev. 1), four countries finalized implementation of their first 5-year **National Action Plans for antimicrobial resistance** and are moving forward with support from PAHO to implement a second 5-year plan, including a more comprehensive One Health approach that incorporates the environment, in addition to agriculture and animal health.
- PAHO generated new data, knowledge, and guidance on **NCDs and mental health and COVID-19**, including the modeling of the proportion of people with underlying conditions at risk of COVID-19 and guidance for the public and providers on reducing COVID-19 risk in people living with an NCD. As part of the HEARTS in the Americas initiative, twelve countries continue to implement the technical package and are demonstrating that hypertension control can be improved. In Trinidad and Tobago, the initiative expanded from 5 to 35 implementing sites and increased population coverage from 150,000 to over 500,000 people. For childhood cancer, Peru passed a law to guarantee access to free diagnosis and treatment services. PAHO also promoted policy dialogue across sectors on innovative solutions to address violence in the context of COVID-19, informed by new technical guidance.
- Thirty-one countries have now integrated **mental health into primary health care**, in line with the PAHO Plan of Action on Mental Health (CD53/8, Rev. 1). This represents a 34% increase since 2017 and a 100% increase since 2014. A Subregional strategy in Central America was approved by COMISCA with PAHO's technical cooperation, also in line with the Plan of Action. Capacity building was provided on Mental Health and Psychosocial Support (MHPSS), and MHPSS coordination mechanisms were established in countries as part of the emergency response.
- Several Member States developed stronger **regulations on tobacco control**. With new regulations issued in Paraguay in December 2020, public spaces in all South American countries are now smoke free in compliance with the WHO Framework Convention on Tobacco Control (FCTC) Article 8. Bolivia passed a new comprehensive tobacco control law in February 2020. There was also progress on discouraging the consumption of processed or ultra-processed products that are high in **sugar, fat, and salt**. Mexico joined Chile, Ecuador, and Peru in implementing **Front of Package Labeling** (FoPL). In January 2020, Peru established annual automatic indexation of taxes on cigarettes and **alcoholic beverages**, and in October Trinidad and Tobago increased tax on cigarettes, smoking tobacco, and water pipe tobacco.

- Through the **Revolving Fund**, PANAFTOSA supported the provision of canine and human rabies immunobiologicals for national rabies programs: 10 countries acquired more than 23,000,000 canine rabies vaccine doses for dog mass vaccination programs; 9 countries have acquired more than 94,000 vials of immunoglobulin for PEP; and 10 countries have acquired more than 2,100,000 human rabies vaccine doses for PEP and PrEP.
- There was increasing high-level political commitment and consensus within Member States to adopt the **Information Systems for Health (IS4H)** model, in line with the PAHO Plan of Action for Strengthening Information Systems for Health (CD57/9, Rev. 1). This has contributed to positioning Ministries of Health at the vanguard of the digital transformation of governments. In close coordination with PAHO, the Inter-American Development Bank (IDB) has formally incorporated the IS4H framework as a criteria for the allocation of loans for the health sector. It has since invested and planned over \$681 million in eleven countries to strengthen information systems and digital health. PAHO also delivered training and expanded its collaboration networks to rapidly roll out tools and knowledge capsules to equip health authorities to adapt and strengthen their information systems during this public health emergency.
- PAHO also developed and implemented methods for **monitoring SDG3 indicators and their inequalities** at the regional, subregional, and national levels, including a dashboard and database with relevant data and the sharing of target-setting and monitoring methodologies. PAHO completed the publication of the **Monitoring Framework for Universal Health**, which enables the integrated analysis of policy implementation and outcome indicators for universal health.
- The knowledge, evidence-base, and capacity of national policy makers, legislators, and health authorities have also been strengthened to integrate attention to **equity, gender and ethnic equality, and human rights** into public health programs, including for the COVID-19 response. Guidance documents with key considerations have been disseminated and used as a reference point by countries, including on the integration of gender into the response and on the needs of **indigenous peoples, afro-descendants, and other ethnic groups**. PAHO also provided safe spaces for **young people** to express themselves and discuss their questions and concerns regarding COVID-19, through weekly COVID-19 youth hangouts.

In support of these achievements and to advance on its priorities, PAHO strengthened and expanded **strategic alliances and partnerships**, including: a) the aforementioned initiative with ECLAC; b) engagement with the international financial institutions to ensure the financial support for countries' COVID-19 vaccines purchases and other critical public health supplies to combat the pandemic; c) dialogue with the Region's integration mechanisms (such as CELAC, CARICOM, and PROSUR) for an aligned response to COVID-19; and d) a Memorandum of Understanding with the International Organization for Migration (IOM) on key health risks affecting migrant populations, which have been exacerbated by the COVID-19 pandemic. PAHO signed agreements over this period with 29 new financial partners, representing a diverse group of foundations, public charities, academia, and development agencies.

During 2020, PAHO also began a process to reorient technical cooperation to Member States to ensure an **agile response** at the regional, subregional, and country levels in the context of an evolving environment with changes accelerated by the COVID-19 pandemic. Experiences and lessons learned regarding the **reorganization of health services, inter-programmatic collaboration, and innovations in service delivery modalities** have contributed to contain to some extent the impact of the pandemic in some countries. These valuable lessons will serve to guide interventions in 2021 and beyond to build resilience in health services, while continuing to work shoulder-to-shoulder with Member States and partners to protect, recuperate and accelerate public health achievements.

A more detailed review of PAHO's achievements can be found in the Annual Report of the Director.

<https://www.paho.org/en/documents/cd583-annual-report-director-pan-american-sanitary-bureau-saving-lives-and-improving>

2. Total Revenue

Main components of PAHO Revenue ¹		(\$million)	
	2020	2019	
Program Budget	338.7	284.8	
Procurement Funds ²	936.2	833.7	
National Voluntary Contributions	57.2	57.8	
Other Special Funds ³	8.0	17.8	
TOTAL	1,340.1	1,194.1	

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

² Includes allowance for doubtful accounts of \$6.8 million in 2020 and \$6.3 million in 2019.

³ In 2020: Other Special Funds include the Tax Equalization Fund (\$8.1 million), PALTEX (-\$0.2 million) and Provision for Termination and Repatriation Entitlements Fund (\$0.1 million). In 2019: Tax Equalization Fund (\$14.9 million) and PALTEX (\$2.3 million) and Provision for Termination and Repatriation Entitlements Fund (\$0.6 million).

Detail: Program and Budget Revenue		(\$million)	
	2020	2019	
Assessed Contributions ¹	97.2	97.1	
PAHO Voluntary Contributions	73.9	56.7	
WHO Voluntary Contributions	104.0	39.0	
Other WHO Funds ²	50.2	45.4	
Program Support Cost	16.8	18.8	
Miscellaneous Revenue ³	15.7	24.0	
Other ⁴	(19.1)	3.8	
TOTAL REVENUE	338.7	284.8	

¹ Net of Tax Equalization.

² In 2020: Other WHO Funds include WHO Assessed Contributions (\$46.6 million) and WHO Special Account for Servicing Costs (\$3.6 million). In 2019: \$37.9 million and \$7.5 million, respectively.

³ In 2020: Interest earned (\$11.2 million), valuation gains (\$4.9 million), other revenue (-\$0.4 million) In 2019: interest earned (\$21.1 million), valuation gains (\$3.2 million), other revenue (-\$0.3 million).

⁴ Includes allowance for doubtful accounts totaling \$23.4 million as per Financial Regulation 13.6 which 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.

3. PAHO Assessed Contributions and Budgeted Miscellaneous Revenue

Revenue of \$97.2 million from PAHO Assessed Contributions was recorded in full on 1 January 2020, the date it became due and payable. The cash receipts of current and prior years' Assessed Contributions in 2020 including Tax Equalization Fund assessments totaled \$41.9 million and \$67.7 million, respectively. In 2020, the rate of collection of current year Assessed Contributions including Tax Equalization Fund assessments was 40%, compared with 27% for 2019. During 2020, PAHO received payments towards current and prior years' Assessed Contributions from thirty-six Member States. Twenty-seven Member States paid their 2020 assessments in full, four Member States made partial payments toward their 2020 assessments, and eleven Member States made no payment toward their 2020 assessments.

Total Assessed Contributions payments outstanding, including amounts due for previous financial periods, decreased from \$88.9 million on 31 December 2019 to \$84.6 million on 31 December 2020. As a result of the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the balance of cash in the Working Capital Fund, as well as an additional

\$17.0 million in funds from other unrestricted internal sources. Therefore, the Organization began 2021 with a seriously reduced balance of resources to implement the 2020 - 2021 Program and Budget until such time as Member States meet their financial commitments to the Organization. PAHO has formally requested all Member States to pay their current assessment and outstanding assessments as early as possible in 2021 in order to alleviate this situation and ensure continuity of the organization's core activities.

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 2020, there was one Member State and one Associate Member subject to Article 6.B.

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. Total Miscellaneous Revenue available for the Assessed Contribution budget for 2020 was \$11.0 million and is comprised of \$11.2 million in investment revenue, investment management fees of \$0.5 million, and \$0.2 million of currency exchange gain, and \$0.1 million in other revenue.

4. Working Capital Fund and Internal Borrowing

As of 31 December 2020, the balance of the Organization's Working Capital Fund was \$28.7 million. The maximum authorized level of the Fund was increased from \$25.0 million to \$50.0 million by the Directing Council in Resolution CD58.R1. The Working Capital Fund received \$2.5 million from the Budgetary Surplus Fund as approved in Resolution CD58.R2 and \$1.3 million from the Revenue Surplus Fund.

Due to the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the \$28.7 million balance of the Working Capital Fund, as well as an additional \$17 million in funds from other unrestricted internal sources. Therefore, the Organization began 2021 with a seriously reduced balance of resources to implement the 2020 - 2021 Program and Budget until such time as Member States meet their financial commitments to the Organization.

5. WHO Assessed Contributions and Other WHO Funds

In 2020, the Organization received nearly double the 2019 level of funding from WHO, in response to the COVID-19 pandemic. As of 31 December 2020, total implementation of WHO funds during 2020 reached \$154.2 million as compared to \$84.4 million during 2019 composed of:

- a) \$150.6 million from the WHO Funding Allocation in support of the international health programs established by the World Health Assembly for the Region of the Americas. Of the \$150.6 million, the WHO Emergency Fund, which is included in the WHO Funding Allocation, implemented \$92.3 million during 2020, compared to \$7.5 million in 2019.
- b) \$3.6 million in program support costs from WHO as compared to \$7.5 million in 2019.

6. PAHO Voluntary Contributions

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

During 2020, PAHO's total (implemented) revenue from Voluntary Contributions reached \$73.9 million as compared to \$56.7 million in 2019, an increase of \$17.2 million. Deferred (not implemented) revenue totaled \$176.5 million as at 31 December 2020 as compared to \$139.6 million as at 31 December 2019, an increase of \$36.9 million. Deferred revenue increased in the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, from \$8.2 million in 2019 to \$33.4 million in 2020. However, deferred revenue in the (non-emergency) Voluntary Contributions Fund decreased slightly from \$50.2 million in 2019 to \$49.8 million in 2020.

In 2020, the largest donors of implemented Voluntary Contributions were: The United States of America (\$26.7 million), the European Commission (\$15.8 million), Panama (\$3.0 million), Spain (\$2.4 million), and GAVI (\$2.3 million). The largest donors for Emergency Preparedness and Disaster Relief were: The United States of America (\$12.0 million), the European Commission (\$9.5 million), Canada (\$7.8 million), UNDP (\$4.0 million), and the United Kingdom (\$3.7 million).

7. National Voluntary Contributions

National Voluntary Contributions (NVC) are financial resources provided by governments exclusively for projects benefiting their countries. During 2020, PAHO implemented \$57.2 million (2019: \$57.8 million) in NVC, and the Deferred Revenue amounted to \$243.9 million (2019: \$210.9 million).

Revenue: National Voluntary Contributions		(\$million)	
	2020	2019	
Mais Medicos Program ¹	(0.3)	2.5	
Other Brazil Programs	33.7	43.3	
Other NVC	23.8	12.0	
TOTAL NVC	57.2	57.8	

¹In 2020: The net result of the revaluation of outstanding liabilities.

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 2020, the total value of procurement on behalf of Member States increased to \$936.2 million from \$833.7 million in 2019.

Revenue: Procurement Activities On Behalf of Member States		(\$million)	
	2020	2019	
Revolving Fund for Access to Vaccines	748.6	761.2	
Revolving Fund for Strategic Public Health Supplies	186.0	70.5	
Reimbursable Procurement	1.6	2.0	
TOTAL	936.2	833.7	

The Revolving Fund for Access to Vaccines previously known as Revolving Fund for Vaccine Procurement was established in 1977 to facilitate timely access to quality vaccines at the lowest possible prices for national immunization programs in Member States. The revenue increased from \$761.2 million in 2019 to \$748.6 million in 2020, or 1.7%.

In 2020, 41 countries and territories participated in the Fund. The 10 Member States with the largest demand were Argentina, Brazil, Peru, Colombia, Guatemala, Panama, Costa Rica, El Salvador, Honduras, and Ecuador, totaling 89 % of the total procurement of 2020. Despite the challenges faced in responding to the COVID-19 pandemic that impacted not only the vaccination activities at country level but also international logistics, the Revolving Fund for Access to Vaccines worked diligently to secure the timely delivery of the vaccines required for the immunization programs of the region. Extra efforts were made through PAHO's collective response to support country preparedness for the anticipated introduction of the new COVID-19 vaccine during the first semester of 2021, without overlooking the vaccines required to mitigate the risks of potential outbreaks of measles and yellow fever and strategic vaccines such as influenza. Special attention was paid also to Haiti and Venezuela, in support of the immunization needs of their national programs.

The Regional Revolving Fund for Strategic Public Health Supplies was created in 1999 to facilitate procurement of essential medicines and health supplies to improve affordability and access to quality health care and strengthen the sustainability of health systems. As of December 2020, 34 countries across Latin America and the Caribbean have signed participating agreements with the Strategic Fund.

During 2020, the Strategic Fund facilitated important improvements in access to essential therapeutics, including for competitive, affordable prices under long-term agreements for high-cost treatments for breast cancer and hypertension. Additionally, in 2020, the program's strategic initiatives, such as inclusion of biosimilars and generics, strengthened its impact across the region. Meanwhile, as part of the COVID-19 response, the Strategic Fund helped to mitigate critical disruptions to healthcare supply chains, successfully procuring over \$110 million worth of COVID-19 diagnostic tests, personal protective equipment, and ICU-critical medicines to 15 countries in the region. Importantly, the Strategic Fund has kept up with heightened demand, with the value of products invoiced increasing from \$70.5 million in 2019 to \$186 million in 2020 across 25 countries in the Region of the Americas. By partnering with Member States as a critical technical cooperation mechanism to guarantee the continuous and efficient supply of affordable, quality-assured health products across communicable and non-communicable diseases, the Strategic Fund aims to continue delivering on PAHO's commitment to the Sustainable Development Goals and the pursuit of health for all.

The overall monthly average use by Member States of the Revolving Funds' Lines of Credit increased by \$28.5 million, in 2020 as compared to 2019, increasing from \$104.8 million to \$132.2 million for the Revolving Fund for Access to Vaccines, and increasing from \$14.7 million to \$15.7 million for the Regional Revolving Fund for Strategic Public Health Supplies.

Funding for the purchase of medical supplies, medical equipment, and literature processed through **the Reimbursable Procurement on Behalf of Member States Fund** was \$1.6 million. In 2020, 5 Member States used this Fund.

9. Expenses by Category

PAHO's total expenses, reflecting disbursements and accrued liabilities, increased to \$1,336.2 million in 2020 from \$1,189.3 million in 2019.

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

PAHO Expense Categories	(\$million)	
	2020	2019
Staff and Other Personnel Costs ¹	181.5	143.5
Supplies, Commodities, Materials ²	967.5	851.8
Depreciation, Amortization, and Revaluation ³	13.3	2.0
Contractual Services	85.4	99.5
Travel ⁴	9.8	34.8
Transfers and Grants to Counterparts ⁵	60.9	20.1
General Operating Cost ⁶	17.8	37.6
Total PAHO Expenses	1,336.2	1,189.3

¹ Includes: salary costs (\$3.3 million decrease vs. 2019), ASHI actuarial impact (\$42.2 million increase vs. 2019), other staff costs not payroll related i.e. statutory and terminal entitlements (\$0.8 million decrease vs. 2019).

² Increase due to the medical supplies and materials purchased through the Strategic Fund in response to the COVID-19 emergency.

³ The Impact of building revaluation in 2020: \$11.2 million.

⁴ Decreased by 71.8%, from \$34.8 million in 2019 to \$9.8 million in 2020 primarily as a result of travel bans and restrictions, the cancellation or postponement of duty travel due to COVID-19.

⁵ \$56.0 million of medical supplies and materials donated to Member Governments.

⁶ Reflects staff teleworking during the COVID-19 pandemic along with the elimination of office space leases due to the 2019 purchase of the VA Avenue building.

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.

Investment Revenue totaled \$11.2 million in 2020, as compared to \$21.1 million in 2019, as a result of the economic impact of the pandemic. US short term interest rates are at or near 0%, reducing the options for investing excess liquidity.

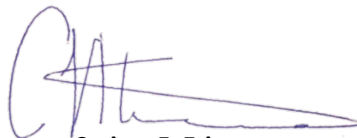
11. Accounting Policies and Basis of Preparation

The Financial Statements of the Pan American Health Organization (the Organization) have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS), using the fair value valuation convention. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.

These Financial Statements were prepared under the assumption that the Organization is a going concern and will continue in operation and will meet its mandate for the foreseeable future. The Governing Bodies of the Organization have not communicated through any means that there is an intention to terminate the Organization or to cease its operations. Furthermore, at the time of the preparation of these Financial Statements, the Executive Management of the Organization was not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the ability of the Organization to continue as a going concern.

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

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



Carissa F. Etienne

Director

Pan American Health Organization

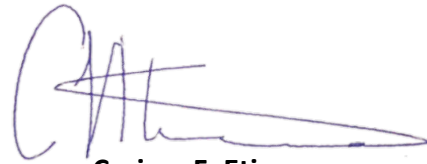
Certification of the Financial Statements for the year ended 31 December 2020.

In accordance with the provisions of Regulation XIII of the Financial Regulations, attached are the Financial Statements for the year ended 31 December 2020. 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 2020, together with the supporting notes to the statements have been reviewed and approved.



Xavier Puente Chaudé
Director
Financial Resources Management



Carissa F. Etienne
Director
Pan American Health Organization

25 May 2021

PAHO's 2020 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 the PASB. This is in keeping with the responsibilities entrusted to me by the PAHO Constitution, the Governing Bodies, and the Financial Regulations of the Organization.

In the framework of Financial Regulation 12.1, which outlines the scope of my responsibilities¹, I provide information on the status of the PASB internal control environment in fulfilment of the purpose of this report. In this context, it is important to mention that last year was the first year of the PAHO Strategic Plan 2020–2025², which clearly states that accountability is a critical component of any well-functioning organization that implements a results-based management (RBM) approach. Strengthening the mechanisms and elements of institutional responsibility related to transparency and governance through policy development, risk management, strategic and operational planning, budget management, performance, monitoring, assessment, and reporting at all levels of the Organization—country, subregional, and regional—ensures effective, equitable, and efficient financing and management of resources to respond to the priorities defined by PAHO's Member States.

Taking into account PAHO's constitutional mandate, the internal control system is informed by the Three Lines of Defense Model³ and is linked at programmatic and transactional levels to the PASB Management Information System (PMIS). These linkages increase transparency and efficiency in the use of resources, focusing on strengthening corporate normative and compliance functions and increasing efficiencies.

The importance of transparent and efficient internal control mechanisms in the Organization became even more significant during 2020, taking into consideration the impact of the COVID-19 pandemic⁴ and the critical financial situation of the Bureau⁵.

PAHO's operating environment

The Organization operates through its Washington, D.C. headquarters, 27 country offices, and three specialized centers in the region.

The year 2020 will be remembered as the year that the COVID-19 pandemic began. The pandemic and its effects were particularly challenging for PAHO, testing core functions of the Organization on different fronts, including business continuity management, funding sustainability, and, equally as important, PAHO's capacity to technically support the emergency response and undertake relevant technical cooperation with Member States. It is important to highlight that the implementation of PASB activities has maintained the highest levels of accountability in an environment of increasing risk levels due to the unstable social, political, and economic situation in PAHO's constituency.

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

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

³ The Three Lines of Defense Model gained prominence a decade ago as the preferred model for managing operational risk. The first line of defense is provided by the front-line staff and operational management. The second line of defense is provided by the risk management and compliance functions. The third line of defense is provided by the oversight functions of the auditors. More details at <http://www.inconsult.com.au/understanding-the-three-lines-of-defence/>.

⁴ See document CE166/5: [COVID-19 Pandemic in the Region of the Region of the Americas. 166th Session of the Executive Committee. Virtual Session, 22-23 June 2020.](#)

⁵ See document [CESS1/2: Current Financial Situation and Adjustments to the Pan-American Health Organization Strategic Priorities. Special Session of the Executive Committee](#), Virtual Session, 29 May 2020.

The following milestones highlight aspects of the operating environment:

- 11 and 12 January 2020, the WHO received detailed information from the National Health Commission of China about the outbreak of SARS-CoV-2 virus, the novel coronavirus that causes COVID-19.
- 17 January 2020, the PASB activated an Organization-wide Incident Management Structure (IMS).
- 24 January 2020, the PAHO Director sent a letter to ministers of health and other senior officials in the Region of the Americas on the emergence of SARS-CoV-2, including technical considerations and advice.
- 11 March 2020, the WHO Director General declared the outbreak a "pandemic".
- 12 March 2020, the PAHO Director informed PAHO's personnel about the outbreak and gave instructions to activate business continuity plans in all duty stations.
- By 15 July 2020, the Region of the Americas had become the epicenter of the COVID-19 pandemic⁶.
- In December 2020, a decision was made to extend all the measures related to COVID-19 emergency until 31 December 2021.

Although not yet fully quantifiable, the negative social and economic impact of the COVID-19 pandemic in the short-, medium-, and long-term, at local, national, and global levels, is believed to be unprecedented. The situation was discussed during the Special Session of the Directing Council (CDSS1/2) to update the Member States on the COVID-19 pandemic in the Region of the Americas, COVAX preparedness, and equitable access to COVID-19 vaccines⁷.

While the pandemic was unfolding, the PASB was facing an unprecedented threat to Pan American solidarity and to its very existence. Due to non-payment of several Member States' assessed contributions and certain voluntary contributions, the Organization was on the brink of insolvency. For that reason, the PAHO Director convened a Special Session of the Executive Committee on 29 May 2020, pursuant to Article 17.A of the PAHO Constitution, in order to bring this serious situation to the attention of Member States on an emergency basis. The Special Session was held virtually⁸, with an active agenda for Member States to monitor and provide guidance on issues related to the internal financial situation and the response to the emergency. Several actions were required to maintain the Organization's functioning at the usual level of excellence and engagement, while continuing to improve managerial and administrative systems for greater transparency, efficiency, and effectiveness in the crisis.

Notwithstanding, the critical situation provided a stimulus for change management. Once the business continuity plans for every duty station were activated, administrative guidance was provided and regularly monitored including the determination of critical personnel. A new standard operating procedure (SOP) activated generalized emergency telework to support business continuity and all personnel were provided with the necessary equipment and training to telework and operate outside of PAHO's premises. At the same time, the duty of care initiative was launched to provide guidance for the health and wellbeing of personnel in the framework of business continuity management. Initiatives included the COVID-19 check-in survey, medevac, family wellness and resilience in the time of COVID-19, and guidelines on safeguarding the health of PAHO personnel during COVID-19. As the phases of the pandemic evolved, clear guidance and a process was established for all duty stations on standards for return to premises, with the engagement of, and input from, managers and other personnel.

Several tools were made available to facilitate virtual working and technical cooperation with Member States, including platforms and formats for meetings, decision making, and reports. New PMIS reports and dashboards were developed and delivered to support decision making, and it should be noted that the PMIS continues to provide opportunities to streamline operations and improve efficiency to better support technical cooperation, as was reported to the PAHO Executive Committee in September 2020⁹. In particular, PASB implemented innovations in its procurement operations¹⁰ to help Member States access health supplies in the face of severe disruptions in global supply chains as a result of the pandemic. The Bureau engaged in almost constant negotiations with suppliers to find alternative routes to deliver essential products and reduce shipping costs. PASB also joined

⁶ [CD58/6. COVID-19 Pandemic in the Region of the Americas](#). Virtual Session, 28-29 September 2020.

⁷ [CDSS1/2*. Updated on the Covid-19 Pandemic in the Region of the Americas, COVAX Preparedness, and equitable access to COVID-19 Vaccines](#). Virtual Session, 10 December 2020.

⁸ See document CESS1/2 21 Current Financial Situation and Adjustments to the Pan American Health Organization Strategic Priorities and CE166/16 15 May 2020 Financial report of the Director and the External Auditor for 2019.

⁹ [CE167/INF/1. PASB Management Information System \(PMIS\): Lessons learned](#). Virtual Session, 30 September 2020

¹⁰ [CD58/3. Annual Report of the Director Saving Lives and Improving Health and Well-Being](#). Virtual Session, 28-29 September 2020

forces with WHO, UNICEF, and other partners through the UN COVID-19 Supply Chain System and the Access to COVID-19 Tools (ACT) Accelerator, collaborations that helped to ensure cost-effective procurement and fair allocation of scarce supplies for PAHO Member States.

At programmatic level, with the establishment of the Organization-wide Incident Management System (IMS), the PASB enabled the release of financial resources from the PAHO Epidemic Emergency Fund and triggered a series of mechanisms to allow reinforcement of the PASB response to COVID-19. Guidance was provided for the programming, management, monitoring, and reporting of PAHO's resources. The Departments of Financial Resources Management (FRM), Planning and Budget (PBU), and External Relations, Partnerships, and Resource Mobilization (ERP) continue to monitor the financial situation and submit monthly reports to Executive Management on the Organization's current financial position, the status of implementation, and the associated risks, ensuring incorporation of audit recommendations. Executive Management meets monthly to review these reports and take appropriate decisions to mitigate identified risks.

The corporate Performance Monitoring and Assessment (PMA) process to close the previous PAHO Strategic Plan¹¹ and the first semester assessment of the PAHO Program and Budget 2020-2021 was conducted, involving Executive Management, entity managers, and technical staff, to assess progress in the implementation of the approved biennial work plans. Concurrently, PAHO's resource mobilization strategy was launched. In this context, an Internal Steering Committee (ISC) was established in June 2020 by mandate of the Director. The ISC's strategic objective was to develop a series of recommendations to prepare the Organization to enter the 2022-2023 biennium in the post-COVID-19 environment on solid footing, enabling agile responses to the evolving programmatic, structural, and operational needs of Member States, within available resources.

In the areas of risk management, compliance, and ethics, several actions were taken to improve governance and maintain operations free of potential fraud or conflict of interest. The PAHO Executive Committee, during the virtual session of 22-23 June 2020, discussed the importance of further strengthening the management of technical cooperation projects funded by voluntary contributions in order to increase oversight and accountability to Member States, and to protect the Organization from institutional risks, including financial, legal, operational, technical, and reputational risks, among others¹². The PASB Risk Management and Compliance Standing Committee met several times during 2020 to monitor and discuss the risk situation, and make recommendations for improvement, including measures and criteria to enhance the corporate risk register and make mandatory the inclusion of project risks that have been reviewed and approved by Executive Management.

In relation to compliance, improvements in the PMIS were made to enhance accountability, including delegation of authority, to ensure the appropriate segregation of duties and guidelines for stock and inventory management, incorporating the mandatory registration in PMIS of all new Intangible Assets (IAs) externally purchased or internally developed. A significant aspect of the new virtual work environment was the provision of reminders and guidance to all personnel on the importance of ethical behavior in various situations, including political activities and participation in protests, and the expected conduct of PAHO personnel and their dependents regarding vaccination for COVID 19. The latter guidance stressed the importance of the mission of PAHO and noted that PAHO personnel should lead by example, making no attempts to receive or request special treatment. The guidance also highlighted the proper channels to report misconduct.

In summary, 2020 was a year of risk management, business continuity, and innovation, in order to respond to the critical demands of the evolving COVID-19 emergency, with strengthened internal control to closely monitor the Organization's operations from different angles—programmatic, financial, and managerial.

Significant risks during 2020

During 2020, several risks in the corporate risk register increased the risk level and were discussed with the Standing Committee on Risk and Compliance and the Executive Management Team. As was mentioned before, the information from the corporate risk register is monitored on a regular basis. However, due to the particular conditions of 2020 the Executive Management discussed and reviewed several areas of risks including the level of tolerance. The table below consolidates risk areas and scope, and mitigation actions.

¹¹ [CD58/53. Report of the End-of Biennium Assessment of the PAHO Program and Budget 2018-2019 and Final report on the implementation of the PAHO Strategic Plan 2014-2019](#). Virtual Session, 28-29 September 2020

¹² [CE166/6. PAHO Governance Reform](#) and [Resolution CE166.R9](#). Virtual Session, 22-23 June 2020

Risk Area	Risk Scope	Main mitigation actions
Delay in response to Public Health Emergencies	The scope of this risk area relates specifically to COVID-19 pandemic in the Region of the Americas and on the response of the Pan American Sanitary Bureau (PASB). The response includes actions related to strengthen and support responsive and adaptive health systems in the face of risks from this pandemic so that the health and well-being of societies, as well as social and economic development in the Region, can be sustained. It is expected that the Region will experience recurring epidemic waves and outbreaks interspersed with periods of low-level transmission over the next 24 months, pending development of a safe, efficacious, and equitably accessible COVID-19 vaccine and achievement of appropriate population coverage. [1]	<p>Provide technical cooperation to strengthen: a) leadership, stewardship, and governance; b) epidemic intelligence; c) health systems and service delivery networks; d) emergency operations response and supply chain;</p> <p>Maintain and continue to strengthen the capacity of the Bureau at all organizational levels to respond to the COVID-19 pandemic and other emergencies and disasters.</p> <p>Support member states in procuring COVID-19 vaccines and public health supplies through the Revolving Fund for Access to Vaccines (Revolving Fund), and the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund) Monitor the implementation at national level of the International Health Regulations (IHR) and Member States acceleration of actions to strengthen information systems for health and to adopt digital solutions for access to timely (close to real-time) and disaggregated data to support decision -making for responding to the COVID-19 pandemic. [2]</p>
Limited availability and flexibility of financial resources to fund the Program and Budget 2020-2021	This area covers risks that may affect the funding of the Program and Budget 2020-2021 such as: Delay or failure to comply with Article 4.4 of the PAHO Financial Regulations [3] related to the payment of assessed contributions; decline and uncertainty in investment in global health initiatives, and lack of diversification of partners and donors.	Focus on encouraging member state funding of their financial commitments. Provide technical cooperation to member states to develop coordinated initiatives to mobilize complementary national and international resources, including with the private sector and other sectors. Establish solidarity - based pooling arrangements for efficient and equitable use of diverse sources of public financing.
Failure to provide Business Continuity and Duty of care for PASB personnel during pandemic	Risk that some decentralized entities may lack adequate business continuity plans or procedures to meeting a consistent standard for duty of care.	A new standard operating procedure established corporate –wide emergency telework to support business continuity and all personnel were provided with the necessary office equipment to operate outside of PAHO’s premises. At the same time the duty of care initiative was launched to provide guidance for the health and wellbeing of the personnel in the framework of business continuity management which included the Covid-19 check-in survey, guidelines in how to safeguard the health of PAHO personnel during Covid-19 emergency, and guidelines for returning to premises, among others.

Information Technology infrastructure readiness to support digital transformation of technical co-operation	The quality of PASB's information technology infrastructure may be inconsistent across duty stations and headquarters entities, and the readiness of member states to select and implement interoperable information systems for health may be uneven or inadequate to leverage modern technology to address gaps and inequities in health systems.	All PASB managers reviewed their IT readiness to support mass telework during the pandemic and took measures to upgrade as needed to support operations. PASB, in consultations with member states, developed agreed principles for building information systems for health. The Special Session of the Directing Council in December 2020 urged all member states to increase investment in this area.
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^[1] [CD58/6. COVID-19 Pandemic in the Region of the Americas](#). Virtual Session., 28-29 September 2020.

^[2] [CD58/6. COVID-19 Pandemic in the Region of the Americas](#). Virtual Session., 28-29 September 2020.

^[3] Article 4 refers to the legal obligation of Member States to make available the assess contributions for implementation on the first day of the budgetary period to which they relate.

The Internal Control Framework and Risk Management

PAHO's internal control framework is based in the Three Lines of Defense Model¹³, which is summarized as follows:

- The first line of defense is provided by the front-line staff and operational management.
- The second line of defense is provided by the risk management and compliance roles.
- The third line of defense is provided by the oversight functions of the auditors.

The evolution of the Enterprise Risk Management (ERM) program in the PASB has demonstrated its usefulness¹⁴ and enabled a more systematic approach in the identification, assessment, and mitigation of emerging risks. The corporate risk register is designed to capture risks identified at cost center level. As part of the risk management governance, the risk register information is subject to regular review by the Regional Advisor on Risk Management, the PASB Risk Management and Compliance Standing Committee and Executive Management Team. The risk management process at cost center level is supported by an internal network of risk focal points that have access to training material and advice to build in-house capacity. Managers have a crucial role to play in ensuring that risk analysis is integrated into the managerial decision-making process.

However, 2020 tested PASB's capacity to respond to several identified risks presented in the 2019 financial report such as: a) Delay in response to public health emergencies, b) Limited availability and flexibility of financial resources, c) Limited ability to react to and plan for shifts in health priorities, d) Cyber security risk, and e) Potential for fraud and conflict of interest. The evidence demonstrated that the PASB risk management framework was able to foresee and enable action in those identified risk areas, as well as for business continuity management and duty of care. All PAHO country offices were ready, given the implementation during the previous years of a new methodology to build an adaptive business continuity plan that includes teleworking measures, technological support and digitalization, and digital learning platforms.

The first corporate assurance map, with inclusion of several risk operational areas and information on the role of each line of defense was also developed. This map will allow the Director of Administration to monitor areas that require adjustment in policies, procedures, or internal capacity, and relevant processes will be institutionalized during 2021.

¹³ The Three Lines of Defense Model gained prominence a decade ago as the preferred model for managing operational risk. More details at <http://www.inconsult.com.au/understanding-the-three-lines-of-defence/>.

¹⁴ [Annual Report of the Director, 2019](#).

As part of the governance initiative for projects funded by voluntary contributions mandated by the PAHO Executive Committee, an analysis of the risk management framework was performed¹⁵, and the need for effective risk management and internal governance was identified. Based on the maturity of the risk management program, changes were made to integrate risk management as part of the PAHO project management policy and adjust the corporate risk register for projects. It is expected that during 2021 there will be full compliance with the policies and procedures to improve risk management for projects. For instance, some of the key performance indicators will be related to the number of projects reviewed at corporate level with the risk register completed; number of projects under implementation with risks included in the corporate risk register and with risk mitigation actions identified.

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

The Office of Internal Audit (OIA) observed continuing improvements in the internal control environment of PASB in 2020, which were reflected in the absence of “unsatisfactory” ratings for any of the internal audit assignments in 2020, the third consecutive year with no “unsatisfactory” ratings overall, and the fourth year with no “unsatisfactory” ratings for country offices. The Organization responded rapidly and with agility to the COVID-19 pandemic in 2020, embracing new information technology tools to ensure the continuity of administrative and operational activities. Based on the internal audit activity undertaken in 2020, OIA did not identify any significant weaknesses in internal controls that would seriously compromise the achievement of PAHO’s strategic and operational objectives. The overall opinion of OIA with respect to the PASB internal control environment in 2020 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.

Review of Effectiveness

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

Throughout the fiscal period, cost center managers are required to periodically provide assurances regarding their compliance with policies and procedures. The cost center managers are required to complete a Monthly Compliance Certification and the quarterly Cost Center Manager Compliance Certifications. Through these certifications they 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 with confidence the annual letter of certification. Issues identified in any of these reports are brought to the attention of senior management, where remedial actions at varying levels are prescribed and implemented.

The PAHO Audit Committee, established pursuant to Resolution CD49.R2, meets twice a year and serves in an independent expert advisory capacity. The Audit Committee assists me and the PAHO Member States through the provision of independent assessment and advice on the operation of the Organization’s financial control and reporting structures, risk management processes, compliance, and the adequacy of the Organization’s systems of internal and external controls. In 2020, as a result of the pandemic the Audit Committee only met once in December and covered a very comprehensive agenda with the topics mentioned above.

¹⁵ [CD58/7, Add. Analysis of the risk management framework for voluntary contributions-funded project at the Panamerican Health Organization](#). Virtual Session, 28-29 September 2020

Statement

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

I am confident that the Organization's system of internal control was effective throughout the financial reporting period 1 January 2020 through 31 December 2020 and remains so on the date I sign this statement.

A handwritten signature in blue ink, appearing to read 'Carissa F. Etienne', with a large, stylized initial 'C' on the left.

Carissa F. Etienne

Director

Pan American Health Organization

INDEPENDENT AUDITOR'S REPORT TO THE PAN AMERICAN SANITARY CONFERENCE

Opinion on financial statements

I have audited the financial statements of the Pan American Health Organization for the year ended 31 December 2020, 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 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 2020 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 Organization's Financial Regulations.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the Organization's Financial Regulations. My responsibilities under these are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. 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. My staff and I have fulfilled out 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

Management is responsible for the other information. The other information comprises the Director's Comments and the 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 Management 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, management is responsible for assessing the 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 management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 judgement and maintain professional scepticism throughout the audit. I also:


- identify the risks of material misstatement of the consolidated 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 Organization's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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 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 Organization to cease to continue as a going concern.

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.



Gareth Davis 31 May 2021
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London. SW1W 9SP
United Kingdom

Financial Statements

Pan American Health Organization Statement of Financial Position

As at 31 December 2020
(In thousands of US dollars)

Description	Reference	31 December 2020	31 December 2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	Note 3	357 346	188 926
Short Term Investments	Note 4.1	188 236	247 034
Accounts Receivable	Note 6	246 330	250 317
Inventories	Note 7	11 458	1 763
Total Current Assets		803 370	688 040
Non-Current Assets			
Long Term Investments	Note 4.2	485 672	421 548
Accounts Receivable	Note 6	76 487	86 769
Property, Plant and Equipment	Note 8	140 115	109 195
Intangible Assets	Note 9	348	496
Total Non-Current Assets		702 622	618 008
TOTAL ASSETS		1 505 992	1 306 048
LIABILITIES			
Current Liabilities			
Accrued Liabilities	Note 10	29 958	26 979
Accounts Payable	Note 11	22 440	13 826
Employee Benefits	Note 12.4	2 386	3 368
Deferred Revenue	Note 13	672 202	563 322
Short Term Provision	Note 23	11 223	14 387
Total Current Liabilities		738 209	621 882
Non-Current Liabilities			
Accounts Payable	Note 11	8 659	7 796
Employee Benefits	Note 12.4	332 562	274 173
Deferred Revenue	Note 13	152 853	161 349
Total Non-Current Liabilities		494 074	443 318
TOTAL LIABILITIES		1 232 283	1 065 200
Net Assets		273 709	240 848
NET ASSETS / EQUITY			
Fund Balances	Note 14	65 739	63 931
Reserves	Note 14	207 970	176 917
TOTAL NET ASSETS / EQUITY		273 709	240 848

Pan American Health Organization
Statement of Financial Performance

As at 31 December 2020
(In thousands of US dollars)

Description	Reference	31 December 2020	31 December 2019
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed Contributions	Note 15	105 275	112 047
Voluntary Contributions	Note 15	136 813	122 782
WHO Allocations	Note 15	154 194	84 396
Revenue from Exchange Transactions			
Procurement of Public Health Supplies	Note 15	953 976	849 929
Other Revenue	Note 15	(26 064)	6 480
Miscellaneous Revenue	Note 15	15 899	18 482
TOTAL REVENUE		1 340 093	1 194 116
EXPENSES			
Staff and Other Personnel Costs	Note 16	181 502	143 507
Supplies, Commodities, Materials	Note 16	967 456	851 769
Depreciation, Amortization, and Revaluation	Note 16	13 255	1 990
Contract Services	Note 16	85 440	99 487
Travel	Note 16	9 836	34 767
Transfers and Grants to Counterparts	Note 16	60 896	20 077
General Operating Costs	Note 16	17 815	37 720
TOTAL EXPENSES		1 336 200	1 189 317
NET SURPLUS / (DEFICIT)¹		3 893	4 799

¹ Main components in 2020: SHI Actuarial Liability (-\$48.3 million), TAREP Actuarial Liability (-\$2.5 million), Impairments (-\$30.1 million), Revaluations of Buildings (-\$11.1 million), Exchange Gain/Loss (\$5.0 million). In 2019: SHI Actuarial Liability (-\$6.4 million), TAREP Actuarial Liability (-\$2.6 million), Impairments (-\$6.3 million), Provisions (-\$14.4 million), Exchange Gain/Loss (\$5.0 million).

Pan American Health Organization
Statement of Changes in Net Assets

As at 31 December 2020
(In thousands of US dollars)

Description	Reference	31 December 2020	31 December 2019
Net assets at the beginning of the year		240 848	302 201
Actuarial gain / (losses) on employee benefits liabilities	Note 12.7	(13 636)	(66 152)
Actuarial valuation gain / (losses) on Land & Buildings	Note 8	42 604	
Total of items (revenue/expenses) recognized directly in Net Assets		28 968	(66 152)
Surplus/(deficit) for the Financial Period		3 893	4 799
Total recognized revenue and expenses for the year		32 861	(61 353)
Net assets at the end of the year	Note 14	273 709	240 848

Pan American Health Organization
Cash Flow Statement

As at 31 December 2020
(In thousands of US dollars)

Description	Reference	31 December 2020	31 December 2019
Cash Flows from Operating Activities:			
Surplus / (Deficit) for the period		3 893	4 799
Non-Cash Movements			
Depreciation	Note 8	1 877	1 792
Amortization	Note 9	209	198
(Increase) / Decrease in Accounts Receivable	Note 6	14 269	(55 790)
(Increase) / Decrease in Inventories	Note 7	(9 695)	6 061
Increase / (Decrease) in Accrued Liabilities	Note 10	2 979	1 581
Increase / (Decrease) in Accounts Payable	Note 11	8 614	1 884
Increase / (Decrease) in Employee Benefits	Note 12.3/12.7	43 770	8 162
Increase / (Decrease) in Deferred Revenue	Note 13	100 384	18 000
Increase / (Decrease) in Short Term Provision	Note 23	(3 164)	14 387
Impairment	Note 16	11 169	
Net Cash Flows from Operating Activities		174 305	1 074
Cash Flows from Investment and Financing Activities			
(Increase) / Decrease in Short Term Investments	Note 4.1	58 798	41 286
(Increase) / Decrease in Long Term Investments	Note 4.2	(64 124)	(42 303)
(Increase) / Decrease in Property, Plant and Equipment	Note 8/15	(499)	(4 843)
(Increase) / Decrease in Intangibles Assets	Note 9	(60)	
Net Cash Flows from Investing Activities		(5 885)	(5 860)
Net Increase / (Decrease) in Cash and Cash Equivalents		168 480	(4 786)
Cash and Cash Equivalents at the beginning of the Year		188 926	193 712
Cash and Cash Equivalents at the end of the Year		357 346	188 926

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

As at 31 December 2020
(In thousands of US dollars)

Outcome No	Outcome short title	FY 2020				FY 2021				Total 20-21 Expenditures as % of Approved Program Budget
		Approved Program Budget 2020-2021	Apportioned Budget	Expenditures	Total 2020 Expenditures as % of Apportioned Budget	Apportioned Budget	Expenditures	Total 2021 Expenditures as % of Apportioned Budget	Total 20-21 Expenditures	
		[a]	[b]	[c]	[d] = [c] / [b]	[e]	[f]	[g] = [f] / [e]	[h] = [c] + [f]	[i] = [h] / [a]
Base Programs										
OUTCOME 1	Access to comprehensive and quality health services	25 500	12 750	5 896	46%	12 750	0	0%	5 896	23%
OUTCOME 2	Health throughout the life course	42 000	21 000	6 663	32%	21 000	0	0%	6 663	16%
OUTCOME 3	Quality care for older people	4 000	2 000	734	37%	2 000	0	0%	734	18%
OUTCOME 4	Response capacity for communicable diseases	68 000	34 000	22 447	66%	34 000	0	0%	22 447	33%
OUTCOME 5	Access to services for NCDs and mental health conditions	19 500	9 750	6 004	62%	9 750	0	0%	6 004	31%
OUTCOME 6	Response capacity for violence and injuries	3 000	1 500	622	41%	1 500	0	0%	622	21%
OUTCOME 7	Health workforce	14 000	7 000	3 752	54%	7 000	0	0%	3 752	27%
OUTCOME 8	Access to health technologies	35 400	17 700	9 858	56%	17 700	0	0%	9 858	28%
OUTCOME 9	Strengthened stewardship and governance	10 000	5 000	1 982	40%	5 000	0	0%	1 982	20%
OUTCOME 10	Increased public financing for health	4 000	2 000	895	45%	2 000	0	0%	895	22%
OUTCOME 11	Strengthened financial protection	4 100	2 050	628	31%	2 050	0	0%	628	15%
OUTCOME 12	Risk factors for communicable diseases	26 000	13 000	5 716	44%	13 000	0	0%	5 716	22%
OUTCOME 13	Risk factors for NCDs	27 000	13 500	3 588	27%	13 500	0	0%	3 588	13%
OUTCOME 14	Malnutrition	6 000	3 000	1 378	46%	3 000	0	0%	1 378	23%
OUTCOME 15	Intersectoral response to violence and injuries	3 000	1 500	711	47%	1 500	0	0%	711	24%
OUTCOME 16	Intersectoral action on mental health	4 500	2 250	1 175	52%	2 250	0	0%	1 175	26%
OUTCOME 17	Elimination of communicable diseases	21 000	10 500	7 080	67%	10 500	0	0%	7 080	34%
OUTCOME 18	Social and environmental determinants	13 000	6 500	5 163	79%	6 500	0	0%	5 163	40%
OUTCOME 19	Health promotion and intersectoral action	7 000	3 500	968	28%	3 500	0	0%	968	14%
OUTCOME 20	Integrated information systems for health	16 000	8 000	3 609	45%	8 000	0	0%	3 609	23%
OUTCOME 21	Data, information, knowledge, and evidence	19 000	9 500	5 808	61%	9 500	0	0%	5 808	31%
OUTCOME 22	Research, ethics, and innovation for health	3 000	1 500	1 128	75%	1 500	0	0%	1 128	38%
OUTCOME 23	Health emergencies preparedness and risk reduction	21 500	10 750	5 215	49%	10 750	0	0%	5 215	24%
OUTCOME 24	Epidemic and pandemic prevention and control	16 500	8 250	5 349	65%	8 250	0	0%	5 349	32%
OUTCOME 25	Health Emergencies Detection and Response	25 000	12 500	9 284	74%	12 500	0	0%	9 284	37%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	7 000	3 500	2 160	62%	3 500	0	0%	2 160	31%
OUTCOME 27	Leadership and governance	78 500	39 250	32 578	83%	39 250	0	0%	32 578	42%
OUTCOME 28	Management and administration	96 500	48 250	33 963	70%	48 250	0	0%	33 963	35%
Subtotal - Base Programs		620 000	310 000	184 355	59%	310 000			184 355	30%
Special Programs	Foot and mouth disease elimination program	9 000	4 500	3 348	74%	4 500	0	0%	3 348	37%
	Smart hospitals	8 000	4 000	9 316	233%	4 000	0	0%	9 316	116%
	Outbreak and crisis response	13 000	6 500	109 374	1683%	6 500	0	0%	109 374	841%
	Polio eradication maintenance			33	N/A		0	0%	33	N/A
Subtotal - Special programs		30 000	15 000	122 071	814%	15 000			122 071	407%
TOTAL - Program Budget		650 000	325 000	306 427	94%	325 000			306 427	47%

The PAHO Program Budget 2020-2021 (PB20-21) was approved by the Directing Council in 2019 (Document OD358) as an integrated budget, independent of the sources of financing. It is the first Program Budget under the PAHO Strategic Plan 2020-2025 (SP20-25) and sets out the corporate results and targets for the Organization agreed upon by Members States. In terms of its programmatic structure, it is significantly different from that of the Strategic Plan 2014-2019 and the Program Budget 2018-2019.

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

There were no budget transfers among outcomes during the fiscal year 2020; the resulting budget is therefore the same as the original budget. The 2020 expenses represent actual and accrued expenditures from all 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 100 years of experience in working to improve health and living standards in the countries of the Americas. It serves as the specialized organization for health of the Inter-American System. It also serves as the Regional Office for the Americas of the World Health Organization and enjoys international recognition as part of the United Nations system.

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

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

2. Accounting policies

2.1 Basis of Preparation

The financial statements of the Pan American Health Organization have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS),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 her by the Pan American Sanitary Conference, as stated in Resolution CSP29.R10 in September 2017. The issuance approval is the date of the External Auditor's Report. No other authority has the power to amend the Financial Statements after issuance.

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

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

The impact of the COVID-19 pandemic on the financial performance of PAHO will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the global economy, all of which are highly uncertain and cannot be reliably predicted. Where evident PAHO's financial performance for the 2020 financial year, the financial impact has been disclosed within the relevant financial statement notes affected.

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

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

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

2.2 Cash and Cash Equivalents

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

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

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

2.3 Investments

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

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

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

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

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

2.4 Loans and Receivables

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

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

2.5 Risk Management Policies

The Organization holds funds not required for immediate operating needs as investments in order to earn revenue on surplus liquidity which, in accordance with Financial Regulations X and XI and Financial Rules X and XI of the Pan American Health Organization, funds a portion of the Program and 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 A1/P1 or BBB- credit quality or higher in accordance with their mandates. Mechanisms are in place to divest the portfolio of an investment that falls below the minimum requirements. In the event a security's rating falls below the minimum requirements for credit quality, the external manager immediately notifies PAHO.

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

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

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

2.6 Accounts Receivable

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

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

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

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

The 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. There is no provision in the Financial Regulations to write off an assessed contribution. Financial Regulation 13.6 permits the Director to establish a reserve for doubtful accounts when such accounts are not expected to be settled within 12 months of the date of the annual financial report, and no payment plan has been established for such accounts.
- **Tax Equalization Fund (non-exchange transactions) Receivables under the Tax Equalization Fund:** These are due from Member States that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes and are included in the Assessed Contributions of the Member State. The estimated amount to be levied by those Member States are used by the Organization to reimburse income tax paid by the staff concerned.
- **Voluntary Contributions (non-exchange transactions):** The Organization enters into Voluntary Contribution agreements which are comprised of (1) the Voluntary Contributions, which includes financial resources from governments, and private and public sector organizations governments (PAHO-Member States and Non-PAHO Member States); international organizations (United Nations and non-United Nations); for profit organizations; non-government organizations; foundations, and other Voluntary Contributions; (2) the National Voluntary Contributions, which includes financial resources from governments exclusively for internal projects; and (3) the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, which includes financial resources from governments, and private and public sector organizations (PAHO-Member States and Non-PAHO Member States); international organizations (United Nations and non-United Nations); for profit organizations; non-government organizations; foundations, and other Voluntary Contributions. Upon signature by both parties and approval by the Organization's Office of Legal Counsel, 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 2020, the Organization classified all the accounts receivable balances of Voluntary Contributions expiring prior to 31 December 2021, 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 2021 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 payment to the supplier has been approved. This triggers the issuance of an invoice addressed to the relevant Member State.

- **Inter-organization Funding Activities:** The Inter-organization accounts receivable represents the amount due to/from the World Health Organization as the net result of inter-agency transactions.
- **Advances to Staff:** Advances are made to individuals in accordance with the Financial Regulations and Rules of the Organization for entitlements (i.e., education grants, travel, income tax settlements, insurance claims, etc.) and are recognized as receivables, until they are charged to expense upon receipt of the required claim or supporting documentation.

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

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 distributed directly by the Organization or handed over to government or non-government institutions. Inventories held for distribution without charge are valued at the lower of cost or replacement cost. PAHO established an inventory of COVID-19 related medical supplies recorded under the PAHO Emergency Preparedness and Disaster Relief Fund during 2020 to assist in the pandemic relief effort.

2.8 Property, Plant and Equipment

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

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

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

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

Property, plant, or equipment procured with Voluntary Contributions on behalf of a project are not the Organization's assets and are meant solely for the use of the project beneficiary. The Organization is the implementing agent and is responsible simply for the disposition of the items within the terms of the agreement. The Organization does not retain ownership of these items;

therefore, these items are expensed at the time of purchase. If the items are not consumed within the project period, the final disposition will be determined by the donor.

The Organization will periodically revalue its land and buildings, including leased property. External experts will be 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 will be expensed in the year they occur and included in the future revaluation.

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

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

2.9 Leases

The Organization leases various office premises for the Representative Offices throughout the Americas. These are all cancelable agreements. Total annual lease payments have been disclosed in Note 16 on Expenses as a footnote.

2.10 Intangible Assets

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

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

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

2.11 Accounts Payable

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

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

2.12 Accrued Liabilities

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

2.13 Deferred Revenue

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

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

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

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

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

To determine the current portion of deferred revenue from Voluntary Contributions as of 31 December 2020, the Organization classified all the deferred revenue balances of Voluntary Contributions expiring prior to 31 December 2021, as well as those grants with an indefinite status, as current deferred revenue. In addition, deferred revenue balances of Voluntary Contributions agreements extending beyond 2021 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. The PAHO Investment Committee reviews information from the Human Resource plans in order to determine the appropriate level of investments and liquidity for the Trust.

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 upon notification that goods were delivered by the supplier and payment to the supplier has been approved. 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 budget
- Allocations of WHO voluntary contributions
- Allocations of other WHO internal funds
- **Other Revenue (exchange transactions).** The Organization, under its specific mandates, carries out other technical cooperation activities for which revenue is separately disclosed. These activities include the following: sales of services and program support costs.
- **Miscellaneous Revenue (exchange transactions).** Miscellaneous revenue includes foreign currency revaluations, exchange rate gains and losses, interest earned, realized and unrealized gains and losses, and gains and losses from the sale of property, plant, and equipment.

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

2.17 Foreign Currency Transactions and Balances

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

2.18 Segment Reporting

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

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

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

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

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

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

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

2.19 Budget comparison

The Organization’s Governing Bodies approve the Biennial Program and Budget Plan, which includes assessed contributions, projected voluntary funds, and estimated miscellaneous revenue. The Biennial Program and 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 capitalized 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 Organization will recognize and disclose its financial instruments, assets and payables as mandated by IPSAS 41 – Financial instruments. The potential impact has not been fully determined. The effective date for this standard was deferred to 1 January 2023 due to the COVID-19 pandemic.

The Organization will review IPSAS 42 – Social Benefits to determine its applicability. This review will be done in cooperation with the United Nations Task Force on Accounting Standards. The effective date for this standard was deferred to 1 January 2023 due to the COVID-19 pandemic.

3. Cash and Cash Equivalents

	31 December 2020	31 December 2019
Cash on Hand, US\$	305 964	136 479
Cash on Hand, Other Currencies	8 305	9 627
Money Market Funds	49 282	53 397
Less: Plan Assets	(6 206)	(10 577)
Total	357 346	188 926

As a result of low interest rates resulting from the pandemic, as well as the ongoing financial uncertainty, PAHO has maintained a higher level of cash than previous years.

4. Investments

Despite the recent financial performance of the markets due to COVID-19, PAHO's investment policy has mitigated the associated risk by stipulating high-quality assets aimed at preserving principal.

There has been an overall decline in investment income of \$10 million. The steep decline was caused by the lower interest rates in 2020 due, in part, to the economic situation brought about by the pandemic. There have been no impairments of investment assets held during this period in any of the pooled cash resources invested.

4.1 Short-Term Investments

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

	31 December 2020	31 December 2019
Certificates of Deposit	188 236	247 034
Total	188 236	247 034

Accrued interest of \$79 950 (2019: \$680 607) 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 Organization's general portfolio are held to maturity and stated at amortized cost using the effective interest method. Long-term fixed income notes within the Termination and Repatriation Entitlements (TAREP) portfolio, comprising the plan assets held in an irrevocable trust, are stated at fair value with value changes recognized in the fund balance.

	31 December 2020	31 December 2019
Net Increase in Long-term Investments		
Increase (decrease) in Long-term Investments	64 123	42 304
Unrealized Net (Gains)/Losses	(4 662)	(6 906)
Net Increase in Long-term Investments	59 462	35 397
Cash Flows from Long-term Investments		
Interest Revenue	8 720	10 163
Realized Net Gains/(Losses)	1 253	863
Cash Flows from Long-term Investments	9 974	11 026

Valuation of Long-term Investments	31 December 2020		31 December 2019	
	Cost	Market	Cost	Market
Fixed Income Notes	13 030	13 031	1 564	1 565
Managed Portfolios	477 232	485 672	417 771	421 548
Less: Plan Assets	(13 030)	(13 031)	(1 564)	(1 565)
Total	477 232	485 672	417 771	421 548

Long-term fixed income instruments held in the TAREP portfolio are issued by the U.S. Government. Accrued interest of \$31 764 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 \$1 490 315 (2019: \$1 928 177) recognized on the Statement of Financial Performance as Miscellaneous Revenue. Total gains (losses) on managed portfolios are comprised of the cumulative gain or loss and the incremental change in value at the point of sale or maturity. Total gains (losses) are on the Statement of Financial Performance as Miscellaneous Revenue.

Within the managed portfolios, temporary cash balances are the result of repositioning, rebalancing or natural maturities. At 31 December 2020, the cash balance was \$96 342 219.

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.

	2020 Amortized Cost	2020 Fair Market Value	2019 Amortized Cost	2019 Fair Market Value
Cash and Cash Equivalents				
Cash and Cash Equivalents	357 346		188 926	
Cash and Cash Equivalents (Plan Assets)	6 206		10 577	
Short-term Investments				
Certificates of Deposit (held to maturity)	188 236		247 034	
Long-term Investments				
Fixed Income Notes (Plan Assets)		13 031		1 565
Managed Portfolios (available for sale)		485 672		421 548
Accounts Receivable	316 249		329 687	
Accounts Payable	22 440		13 826	
Total	890 477	498 702	790 050	423 114

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	0.09%	228 296	49 282	85 974
Short-term Investment					
Certificates of Deposit	75,76 days	0.70%	188 236		
Long-term Investments					
Plan Assets	0,88 years	1.83%	13 031		
Managed Portfolios	1,63 years	0.46%	485 672		
Total			915 234	49 282	85 974

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 Home Loan Bank ¹	13 001	1.83%	16-Nov-35	16-Nov-21

¹This represents Principal only and does not include accrued interest of \$29 731.

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

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

Fair Market Value of fixed rate investments at 12-31-20	Increase of 100 basis points	Change in Fair Market Value	Decrease of 100 basis points	Change in Fair Market Value
485 790	477 896	(7 894)	493 805	8 016

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 66% of the total cash, short-term and long-term investments.

While there are no significant changes to the credit allocations within the portfolios, there is a slight increase toward cash holdings in 2020.

Credit Rating	2020		2019	
Cash and Cash Equivalents	102 548	20.4%	83 202	19.3%
AAA	281 221	55.9%	194 677	45.1%
AA	50 299	10.0%	43 235	10.0%
A	55 159	11.0%	94 343	21.8%
BBB	14 279	2.8%	16 347	3.8%
Other			100	0.0%
Total	503 507	100%	431 904	100%

The minimum credit quality requirements for all investments, as defined by the Investment Policy, falls within the investment grade range. Although the credit rating of the U.S. Government was downgraded from its historical AAA rating by one credit rating agency in 2012, there is no evidence to suggest that the borrower will default on these obligations.

Cash and Cash Equivalents includes \$6 206 056 held in the TAREP Money Market.

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

Investment Type	2020	2019
Money Market Funds	10 631	19 476
Government & U.S. Agency Issues	243 351	202 030
Mortgage-backed and Asset-backed Securities	17 474	17 163
Corporate Notes	191 747	146 815
Bank Deposits	40 304	46 420
Total Long Term Investments	503 507	431 904

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 totaling \$30.1 million have been recognized in 2020 resulting in total impairments of \$36.5 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 (8%) 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 may be received in foreign currency, provided the amount can be absorbed by country offices within a thirty day window. The majority of funds held in Brazilian accounts are committed to specific programs that stipulate disbursements in local currency within six months. An exception to the Cash Management Guidelines, which limit the balance of local currency maintained locally, was approved by the Investment Committee for the Brazilian program to eliminate the need to enter the market to buy or sell local currency. Due to the depreciation of the Brazilian Real and declining interest rates, the Investment Committee determined that risk of net exchange losses had increased such that local currency exposure should be limited to only 30 days of disbursement requirements.

Local currency deposits held in Cuba and Venezuela totaling approximately \$1.5 million are subject to restrictions that make it difficult to repatriate those funds to PAHO headquarters. These restrictions increase the exchange risk for the Organization. PAHO has taken the necessary steps to mitigate risk and continues to look for foreign exchange alternatives. 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 the case of the Procurement Funds, absorbed as 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.

6. Accounts Receivable

		Total		Total
	31 December 2020	31 December 2020	31 December 2019	31 December 2019
Current				
Assessed Contributions ¹		84 568		88 872
Tax Equalization Fund		5		5
Voluntary Contributions		106 220		76 885
Voluntary Contributions - Emergency Preparedness and Disaster Relief	14 737		5 096	
Voluntary Contributions	55 409		37 539	
Voluntary Contributions - National Voluntary Contributions	36 074		34 250	
Procurement of Public Health Supplies		74 675		73 430
Revolving Fund for Access to Vaccines	66 914		67 835	
Regional Revolving Fund for Strategic Public Health Supplies	7 761		5 595	
Balance due from WHO for Interorganization Funding Activities		2 536		
Advances to Staff		3 220		5 194
Prepaid Expenses		6 568		7 399
Miscellaneous Receivables		5 007		4 863
Allowance for Doubtful Accounts Receivable ²		(36 469)		(6 331)
Total		246 330		250 317
Non-Current				
Voluntary Contributions				85 519
Voluntary Contributions	29 877	60 982	37 307	
Voluntary Contributions - National Voluntary Contributions	31 105		48 212	
Real Estate Maintenance and Improvement Contributions		1 250		1 250
PAHO Assessed Contributions and Miscellaneous		27		
Procurement of Public Health Supplies		14 228		
Revolving Fund for Access to Vaccines	12 476			
Regional Revolving Fund for Strategic Public Health Supplies	1 752			
Total		76 487		86 769

¹ See Note 6.1

² See Note 6.2

6.1 Accounts Receivable from Assessed Contributions

	Arrears	2020	Total 2020	Total 2019
Antigua and Barbuda		21	21	
Argentina	2 815	2 916	5 731	4 223
Aruba				21
Belize		21	21	
Bolivia				68
Brazil	12 102	12 108	24 210	12 102
Chile		687	687	687
Colombia				3 183
Curacao	43	21	64	42
El Salvador		74	74	
France		1	1	1
Haiti				21
Mexico				766
Paraguay				17
Peru		961	961	561
Puerto Rico	264	80	344	264
Sint Maarten	21	22	43	21
United Kingdom	2	21	23	6
United States		44 246	44 246	60 669
Uruguay		290	290	290
Venezuela	5 930	1 921	7 851	5 930
TOTAL *	21 177	63 390	84 568	88 872

* Assessed Contributions outstanding totaled \$84.6 million, a decrease of \$4.3 million over 2019. As a result, the Organization used the full balance of the Working Capital Fund, and \$17.0 million in funds from other unrestricted internal sources. PAHO has formally requested all Member States to pay their current assessment and arrears as early as possible in 2021 in order to ensure continuity of the Organization's operations.

6.2 Movement in the Allowance for Doubtful Accounts Receivables

Description	31 December 2019	Increase / (Decrease)	31 December 2020
Assessed Contributions		21 769	21 769
Other ACP (e.g. VAT)		1 248	1 248
Revolving Fund for Access to Vaccines	5 971	5 728	11 699
Revolving Fund for Strategic Public Health Supplies	360	1 031	1 391
PROMESS		362	362
TOTAL *	6 331	30 138	36 469

* The impact of the Covid-19 pandemic is still being evaluated and there is no evidence or reliable indicators of the need to impair assets as a result of the pandemic.

7. Inventories

During year 2020 and due to the Covid19 pandemics, PAHO established an inventory of related medical supplies recorded under the PAHO Emergency Preparedness and Disaster Relief Fund. In addition, PAHO also recorded inventories for PANAFTOSA and CLAP which pertain to their specific activities of sales of services. PALTEX terminated operations in 2019.

	31 December 2020	31 December 2019
PROMESS	883	1 110
CLAP Sundry Sales and Services	28	
PAHO Emergency Preparedness & Disaster Relief	10 192	
PANAFTOSA - Pan American Foot and Mouth Disease Center Services	355	
Expanded Textbook and Instructional Materials Program ¹		652
Ending Balance of inventory	11 458	1 762

¹The expanded Textbook and Instructional Materials Program ended 2019 and the remaining inventory was donated and written off in 2020.

8. Property, Plant and Equipment

2020	Land	Buildings	Computer Equipment	Office Equipment	Office Fixture & Fittings	Motor Vehicles	Audio Visual Equipment	Mobile Buildings	Total
Cost as of 1 January	64 026	49 220	611	188	35	3 026	317	27	117 450
Additions				61	322	99			482
Disposals			(559)	(31)		(35)	(227)		(852)
Impairments									
Adjustments									
Net Revaluations ^{1/}	43 468	(17 826)							25 642
Cost as of 31 December	107 494	31 394	52	218	357	3 090	90	27	142 722
Depreciation as of 1 January		5 238	611	169	9	1 884	317	27	8 255
Charged in current period		1 419		18	40	400			1 877
Disposals			(559)	(31)		(51)	(227)		(868)
Adjustments									
Net Revaluations ^{1/}		(6 657)							(6 657)
Depreciation as of 31 December			52	156	49	2 233	90	27	2 607
Net book value as of 31 December 2020	107 494	31 394		62	308	857			140 115

2019	Land	Buildings	Computer Equipment	Office Equipment	Office Fixture & Fittings	Motor Vehicles	Audio Visual Equipment	Leasehold Improve-ments	Mobile Buildings	Total
Cost as of 1 January	64 026	44 867	635	200		2 905	317	266	27	113 243
Additions		5 022		23		455				5 500
Disposals		(669)	(24)			(334)		(266)		(1 293)
Adjustments					35					
Cost as of 31 December	64 026	49 220	611	188	35	3 026	317		27	117 450
Depreciation as of 1 January		3 940	635	157		1 761	317	266	24	7 100
Charged in current period		1 357		16	5	411			3	1 792
Disposals		(59)	(24)			(288)		(266)		(637)
Adjustments				(4)	4					
Depreciation as of 31 December		5 238	611	169	9	1 884	317		27	8 255
Net book value as of 31 December 2019	64 026	43 982		19	26	1 142				109 195

^{1/} Net revaluation on land for \$43,468 gain and revaluation on liability of Brazil land for \$863 loss are reflected in the Statement of changes in Net Assets for the total amount of \$42,604. Net revaluation on buildings for \$ 17,826 loss and reversal of accumulated depreciation for \$6,657 gain, are reflected in the Statement of Financial Performance for the total amount of \$11,169 as expense.

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 are as follows:

Buildings	Reference	Fund *	1 January 2020	2020 Appraisal		Total	31 December 2020
				Statement Changes in Net Assets	Financial Performance Statement		
Argentina		ACP	1 600		(840)	(840)	760
Barbados		ACP	2 332		18	18	2 350
Brazil		ACP	4 418		(1 243)	(1 243)	3 175
Jamaica		ACP	1 464		236	236	1 700
Guatemala		MCIF	1 768		682	682	2 450
Guyana		ACP	614		(201)	(201)	413
Haiti		ACP	1 061		(11)	(11)	1 050
Washington DC - 525 23rd St.		ACP	28 110		(28 110)	(28 110)	
Washington DC - 2021 Virginia Ave.		MCIF	5 022		13 478	13 478	18 500
Paraguay		ACP	464		221	221	685
Peru		ACP	1 441		(1 441)	(1 441)	
Venezuela		ACP	926		(615)	(615)	311
Sub-total Buildings	Note 8		49 220		(17 826)	(17 826)	31 394
Land							
Brazil		ACP	7 796	863		863	8 659
Haiti		ACP	1 229	(1 029)		(1 029)	200
Washington DC		ACP	44 440	50 060		50 060	94 500
Peru		ACP	8 914	(5 144)		(5 144)	3 770
Venezuela		ACP	1 647	(1 282)		(1 282)	365
Sub-total Land	Note 8	ACP	64 026	43 468		43 468	107 494
Total			113 246	43 468	(17 826)	25 642	138 888
Reversed Cumulative Depreciation on buildings	Note 8				6 657		
Brazil land liability revaluation	Note 11			(863)			
Total				42 604	(11 169)		

*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>	
The sum of all revaluation surpluses for individual items within the class: Surplus/(Deficit)	43 468	(17 826)

9. Intangible Assets

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

	31 December 2020	31 December 2019
Intangible Assets Available for use		
Cost as of 1 January	4 253	4 681
Additions	60	
Disposals		(429)
Cost as of 31 December	4 313	4 252
Amortization as of 1 January	3 756	3 986
Charged in current period	209	199
Disposals		(429)
Amortization as of 31 December	3 965	3 756
Total Intangible Assets	348	496

10. Accrued Liabilities

	31 December 2020	Total 31 December 2020	31 December 2019	Total 31 December 2019
Voluntary Contributions		16 992		16 251
Voluntary Contributions - Emergency Preparedness and Disaster Relief	782		677	
Voluntary Contributions	743		196	
Voluntary Contributions - National Voluntary Contributions	15 467		15 378	
Procurement of Public Health Supplies		3 500		2
Revolving Fund for Access to Vaccines	537		2	
Regional Revolving Fund for Strategic Public Health Supplies	2 963			
WHO - Voluntary Contributions		2 349		3
Expanded Textbook and Instructional Materials Program				5
Staff Health Insurance				2 030
Income from Services		33		104
Special Fund for Program Support		91		456
Assessed Contribution and Miscellaneous Revenue		390		415
Post Occupancy Charge		6 202		5 780
Tax Equalization				1 772
Master Capital Investment		134		161
SHI Pass-through Administrative Expenses to be transferred to WHO		5		
AMRO Regular Budget		262		
Total		29 958		26 979

11. Accounts Payable

	31 December 2020	31 December 2019
Current		
Assessed Contributions Received in Advance	10 428	106
Voluntary Contributions Expired Agreements	596	434
Procurement of Public Health Supplies	2 143	27
Balance due to the World Health Organization due to inter-agency transactions		9 151
Miscellaneous	9 273	4 108
Total	22 440	13 826
Non-Current		
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.2)	8 659	7 796
Total	8 659	7 796

12. Employee Benefits

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

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

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

12.1 The Staff Entitlements Fund

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

12.2 The After-Service Health Insurance Fund (ASHI)

Established in 2010, 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.

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

PAHO reports all activity related to this Fund (i.e. revenue collected from contributions of the Organization) to the Staff Health Insurance (SHI) Secretariat. The SHI Secretariat annually discloses in the SHI Report the total Defined Benefit Obligation (DBO) of the Fund and discloses the portion of the DBO attributable to the active staff and retirees of each of the participating organizations. An agreement between WHO and PAHO established in 2016 delegated authority to WHO to administer PAHO's plan assets for the SHI. PAHO and WHO performed a census review and a study of criteria for allocation of the ASHI costs and liabilities in 2019 and, based on an agreement with the SHI Secretariat, reflected the results in the SHI financial reports available in https://www.who.int/about/finances-accountability/reports/SHI_Annual_Report_2019.pdf

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 Staff Health Insurance (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.
- 141(a) (ii) The SHI is not subject to any outside regulatory framework. PAHO's overall financing is governed by input from its Member States.
- 141(a) (iii) The Global Oversight Committee (GOC) governs the overall Staff Health Insurance. The GOC generally holds periodic meetings, which include monitoring of the historical experience and analysis of potential changes to 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) During 2020, the SHI GOC amended the plan to absorb future increases in contribution rates. Previously the growth in total after-service contribution percentages was expected to be shared proportionately between PAHO and participants. Now, this growth is borne entirely by PAHO with an impact of \$29.5 million and it is reflected as plan amendment impacting the 2020 expenses.
- 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. The U.N. Task Force recommends yield curves for the U.N. retiree medical valuations. PAHO applies these yield curves for its valuation as it reflects the market rates at the time of the valuation.
- 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.

12.3 The Termination and Repatriation Entitlements Fund (TAREP)

Established in April 1972, 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.
- 141(a) (ii)The TAREP is not subject to any outside regulatory framework, but PAHO's overall financing is governed by input from its member nations.
- 141(a) (iii)There is no formal governance committee for the TAREP. PAHO's management oversees the operations of the TAREP, in accordance with the staff rules.

- 141(b) The principal economic financial risks faced by the plans are changes to discount rates and asset returns.
- 141(d) The discount rate is developed for benefits other than accrued leave, based on the market yields on high-grade corporate bonds at the measurement date and the plan's expected cash flows and assumed currency exposure.

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

- 149(a) PAHO is not legally obligated to set aside funds in advance for the plan. Nevertheless, the TAREP fund has a balance of \$19 236 718 in assets. In addition, the Organization has a balance of \$2 462 251 in the Provision for Terminal Payments Fund, which is available to cover current and future termination indemnities. PAHO's current intention is to hold assets to approximately fully fund the accounting liability over time.

12.4 Net Defined Benefit Obligation

As of 31 December, 2020, 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 2020	Total 2019
Current Liability		2 386	2 386	3 368
Non-current Liability	330 330	2 232	332 562	274 173
Total	330 330	4 618	334 948	277 541

- Gain and losses (unexpected changes in surplus or deficit) are recognized immediately on the balance sheet and do not impact past or future expense.
- There is no reimbursement right.
- The expected Organization's contributions during 2021 are estimated at \$10 974 000 for After-Service Health Insurance Fund and \$1 151 607 for Termination and Repatriation Entitlements Fund.

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

During 2020, the rates of contribution to these two long-term funds were 5% of net base pay plus post adjustment being credited to the Termination and Repatriation Fund, and 4% of the base pay credited to the After-Service Health Insurance Fund.

12.6 Actuarial Assumptions and Methods

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

Assumption	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund
Accounting Standard	International Public Sector Accounting Standard 39	
Measurement Date	31 December 2020	
Discount Rate	2.9 %	1.9 %
General Inflation	2.0 %	
Medical Costs Increases	U.S.—4.7% in 2021, decreasing gradually to 3.65% in 2032 and later years. Non-U.S. Americas—5.85% in 2021, decreasing gradually to 3.65% in 2036 and later years.	Not Applicable
Future Participant Contribution Rate Changes	Participants are anticipated to remain at the current percentages of the final pay of pension.	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

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 2020	Total 2019
Reconciliation of Defined Benefit Obligation				
Defined Benefit Obligation (beginning balance)	338 665	19 434	358 099	278 610
Service Cost	9 581	1 999	11 580	7 367
Interest on Defined Benefit Obligation	11 385	517	11 902	12 193
Actual After Service Gross Benefit Payments and Medicare Reimbursements	(10 579)	(3 034)	(13 613)	(16 030)
Actual After Service Administrative Expenses	(826)		(826)	(769)
Actual Contributions by After Service Participants	2 746		2 746	2 661
Plan Amendments Adopted	29 465		29 465	(8 016)
Changes in Accounting Methods		6 991	6 991	
(Gain)/Loss on DBO due to Financial Assumption Changes	35 091	190	35 281	46 321
(Gain)/Loss on DBO due to Other Assumption Changes	(5 126)		(5 126)	
Interests On Incurred _But-Not-Paid Reserve	299		299	
(Gain)/Loss on DBO ON Incurred _But-Not-Paid Reserve	(2 136)	(2 242)	(4 378)	35 762
Defined Benefit Obligation as of 31 December 2020	408 565	23 855	432 420	358 099
Reconciliation of Plan Assets				
Market Value of Plan Assets (beginning balance)	68 417	12 142	80 559	75 382
Gross Benefit Payments and Medicare Reimbursements	(18 659)	(3 034)	(21 693)	(25 792)
SHI Administrative Expenses	(1 490)		(1 490)	(1 334)
SHI Contributions by Participants	6 692		6 692	6 966
Organization Contributions, Excluding 4% of Pay Contributions	13 417	10 034	23 451	15 397
Organization Additional Contributions	2 157		2 157	2 225
Interest on Net Assets	2 381	361	2 742	3 304
Gain/(Loss) on Plan Assets	5 321	(266)	5 055	4 411
Plan Assets as of 31 December 2020	78 236	19 237	97 473	80 559
Reconciliation of Funded Status				
Defined Benefit Obligation				
Active	173 056	23 855	196 911	157 977
Incurred but not paid	228 794		228 794	8 553
Inactive	6 716		6 716	191 571
Total Defined Benefit Obligation	408 566	23 855	432 421	358 101
Plan Assets				
Gross Plan Assets	78 236	19 237	97 473	80 559
Total plan assets	78 236	19 237	97 473	80 559
Net Liability (Asset) Recognized in Statement of Financial Position				
Current		2 386	2 386	3 368
Non-current	330 330	2 232	332 562	274 173
Total Net Liability (Asset) Recognized in Statement of Financial Position	330 330	4 618	334 948	277 541
Expenses for 2020				
Service Cost	9 581	1 999	11 580	7 367
Interest Cost	9 303	156	9 459	8 889
Plan Amendments Adopted	29 465		29 465	(8 016)
Total Expense Recognized in Statement of Financial Performance	48 349	2 155	50 504	8 240
Expected Contributions during 2021				
Contributions by / for Active Staff, Net of Claims / Admin Costs	4 809		4 809	3 256
Contributions by WHO for Inactives	6 165	1 152	7 317	9 106
Net Transfer by WHO to Cover PAHO Deficit				
Total expected contributions for 2021	10 974	1 152	12 126	12 362

Note: From the total annual actuarial activity totaling \$64 502 011 (2019: \$74 391 215), \$13 636 186 (2019: \$66 152 117) is disclosed in the Statement of Changes in Net Assets, and \$50 865 825 (2019: \$8 239 098) is disclosed the Statement of Financial Performance.

In addition to the Plan Assets held in the TAREP trust, the Organization has a balance of \$2.5 million in the Provision for Terminal Payments Fund, to cover current and future termination indemnities.

The ASHI DBO changed from \$338.7 million in 2019 to \$408.6 million in 2020 due to an increase of \$35.1 million attributable to the change in the discount rate from 3.5% to 2.9% and an increase of \$29.5 million due to an amendment to the plan approved by the GOC: previously, the growth in total (PAHO plus participant) after-service contribution percentages was shared proportionately between PAHO and participants; now, this growth is borne entirely by PAHO.

The TAREP DBO changed from \$19.4 million in 2019 to \$23.9 million in 2020 due to changes in the discount rate from 2.8% to 1.9%, and an increase in the assumed utilization of termination indemnities.

12.8 Medical Sensitivity Analysis and Discount Rate Sensitivity Analysis - After-Service Health Insurance*

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.

	Defined Benefit Obligation as of 31 December 2020	Defined Benefit Obligation as of 31 December 2019
Medical Sensitivity Analysis		
Current Medical Inflation Assumption Minus 1%	333 651	287 814
Current Medical Inflation Assumption	408 566	338 666
Current Medical Inflation Assumption Plus 1%	504 963	404 490
Discount Rate Sensitivity Analysis		
Current Discount Rate Assumption Minus 1%	497 891	406 326
Current Discount Rate Assumption:	408 566	338 666
Current Discount Rate Assumption Plus 1%	341 287	287 194

*The Sensitivity Analyses above do not address the Termination and Repatriation Entitlements Fund because the benefits from this Fund are distributed upon retirement or shortly thereafter.

12.9 United Nations Joint Staff Pension Fund

PAHO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. PAHO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify PAHO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, PAHO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. PAHO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

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

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

The latest actuarial valuation for the Fund was completed as of 31 December 2019, and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2% (139.2% in the 2017 valuation). The funded ratio was 107.1% (102.7% in the 2017 valuation) when the current system of pension adjustments was taken into account.

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

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to USD 24 472 741, USD 25 689 009, and USD 26 725 648, respectively, of which 67% was contributed by PAHO.

During 2020, contributions paid to the Fund by PAHO amounted to USD 17 531 103 (2019 USD 17 814 119). Expected contributions due in 2021 are approximately USD 18 057 000.

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 2020	31 December 2019
Current		
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	33 342	8 277
Voluntary Contributions	94 479	69 720
Voluntary Contributions - National Voluntary Contributions	139 297	111 182
Procurement of Public Health Supplies		
Revolving Fund for Access to Vaccines	277 230	313 708
Regional Revolving Fund for Strategic Public Health Supplies	121 125	59 018
Reimbursable Procurement	6 264	925
Income from Services	465	492
Total	672 202	563 322
Non-Current		
Voluntary Contributions		
Voluntary Contributions	48 439	61 588
Voluntary Contributions - National Voluntary Contributions	104 414	99 761
Total	152 853	161 349

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 2019	Revenue	Expenses	Transfers	Actuarial Valuation / Revaluation	Balance as of 31 December 2020
Fund Balances:						
Strategic Public Health Supplies-Capitalization	19 944	185 998	181 866			24 076
After-Service Health Insurance	(270 249)		48 351		(11 731)	(330 331)
Voluntary Contributions	37	45 898	45 898			37
Voluntary Contributions - National Voluntary Contributions	(14 387)	57 206	54 042			(11 223)
Income from Services	6 393	3 102	2 308	600 ^{2/}		7 787
Provision for Staff Entitlements	3 870		(2 914)			6 784
Revolving Fund for Access to Vaccines	209 864	748 619	735 471			223 012
Reimbursable Procurement		1 578	1 578			
PAHO Assessed Contributions and Miscellaneous Revenue	95 444	89 822	91 271		42 604	136 599
Provision for Termination and Repatriation Entitlements ^{1/}	3 672	95	1 406		(1 905)	456
PAHO Post Occupancy Charge	8 690		148			8 542
Expanded Textbook and Instructional Materials Program	653	(221)	432			
SHI Servicing Costs		605	605			
AMRO Regular Budget		46 633	46 633			
AMRO Voluntary Funds for Health Promotion		103 987	103 987			
AMRO Special Account for Servicing Costs		3 574	3 574			
Subtotal	63 931	1 286 896	1 314 656	600	28 968	65 739
Reserves:						
Working Capital Fund	25 000			3 709 ^{2/}		28 709
Tax Equalization Fund	2 128	8 075	6 992			3 211
Master Capital Investment Fund	25 393	251	(13 474)	4 651 ^{2/}		43 769
Special Fund for Program Support	108 107	16 843	9 727			115 223
Voluntary Contributions - Emergency Preparedness and Disaster Relief	2 756	28 019	17 796			12 979
Special Fund for Health Promotion	802	9				811
Budgetary Surplus Fund	2 587			(2 455) ^{2/}		132
Epidemic Emergency Fund	537		503	1 000 ^{2/}		1 034
PMIS Funding PAHO IPSAS Surplus Fund	2 102					2 102
Revenue Surplus Fund	7 505			(7 505) ^{2/}		
Subtotal	176 917	53 197	21 544	(600)		207 970
Total	240 848	1 340 093	1 336 200		28 968	273 709

^{1/} This Fund Balance is comprised by \$-4 618 686 for the Terminal & Repatriation Entitlement Plan (see note 12.7); for the PAHO Provision for Terminal Entitlements; and \$2 617 303 for the Local Non-UN Terminal Benefits Fund (LNTBF).

^{2/} It represents transfers from 2018-2019 Revenue Surplus Fund balance to Master Capital Investment Fund (MCIF), PAHO Emergency Epidemic Fund, Income from Services Fund – Health in the Americas and Working Capital Fund according to Directing Council CD58.11 and CD58.12.

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 and 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 and 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 and Budget and are therefore excluded from revenue and expense for the purposes of calculating the Program and Budget Appropriation surplus or deficit.

	Reference	Total as of 31 December 2020	Total as of 31 December 2019 (Biennium 2018-2019)
Balance as of 1 January - Biennium		25 000	21 717
2018 Surplus / (Deficit)			(830)
2019 Surplus / (Deficit)			16 506
Surplus / (Deficit)			15 676
2018 Non-budgetary Items ¹			2 343
2019 Non-budgetary Items ¹			(4 956)
Non-budgetary items ¹			(2 613)
2020 Transfer from Budgetary Surplus Fund - CD 58/11		2 455	
2020 Transfer from Revenue Surplus Fund - CD 58/12		1 254	
2019 Transfer from Closing of Funds			180
2019 Transfer to Revenue Surplus Fund			(7 505)
2019 Transfer to Budgetary Surplus Fund			(2 455)
Total Transfers	Note 14	3 709	(9 780)
Program and Budget Appropriation Surplus/(Deficit)			3 283
Balance as of 31 December ²		28 709	25 000

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

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

Due to the delay in the receipt of Member States' Assessed Contributions, the Organization fully utilized the \$28.7 million balance of the Working Capital Fund, as well as an additional \$17 million in funds from other unrestricted internal sources. Therefore, the Organization began 2021 with a seriously reduced balance of resources to implement the 2020 - 2021 Program and Budget until such time as Member States meet their financial commitments to the Organization.

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 2020	Credits from the Tax Equalization Fund	Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2020
Canada	20	1 543	1 503	40	42	18
Colombia	16	258	258			16
United States	2 072	9 356	1 356	8 000	6 945	3 127
Venezuela	20	305	270	35	6	49
Other		4 277	4 277			
Total	2 128	15 739	7 664	8 075	6 993	3 210

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 SPBA15/11 at <https://www.paho.org/en/documents/spba1511-update-master-capital-investment-fund>

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 2020	Total 2019
Revenue from Non-Exchange Transactions		
Assessed Contributions		
PAHO Assessed Contributions and Miscellaneous	97 200	97 150
Tax Equalization Fund	8 075	14 897
Subtotal	105 275	112 047
Voluntary Contributions		
Voluntary Contributions	45 898	45 683
Voluntary Contributions - National Voluntary Contributions	54 042	57 828
Voluntary Contributions - Emergency Preparedness and Disaster Relief ¹	27 988	11 015
Special Fund for Program Support	8 885	8 256
Subtotal	136 813	122 782
WHO Allocations		
AMRO Regular Budget	46 633	37 831
AMRO Voluntary Funds for Health Promotion ¹	103 987	39 048
AMRO Special Account for Servicing Costs	3 574	7 517
Subtotal	154 194	84 396
Revenue from Exchange Transactions		
Procurement of Public Health Supplies		
Revolving Fund for Access to Vaccines	754 347	767 162
Reimbursable Procurement on Behalf of Member States	1 578	2 041
Regional Revolving Fund for Strategic Public Health Supplies ¹	187 029	70 825
Special Fund for Program Support	11 022	9 901
Subtotal	953 976	849 929
Other Revenue		
PAHO Assessed Contributions and Miscellaneous	10	1
Income for Services	3 464	2 563
Expanded Textbook and Instructional Materials Program	(221)	2 289
Special Fund for Health Promotion	9	19
Master Capital Investment Fund	251	1 190
Special Fund for Program Support	(44)	418
SHI Servicing Costs	605	
Decrease/(Increase) in allowance for doubtful accounts ²	(30 138)	(6 331)
Subtotal	(26 064)	149
Miscellaneous Revenue		
PAHO Assessed Contributions and Miscellaneous		
Interest Earned	11 194	21 080
Valuation Gains and Losses	4 857	3 267
Investment Management Fees	(515)	(653)
Other Miscellaneous	93	304
Special Fund for Program Support	(3 020)	238
Expanded Textbook and Instructional Materials Program		36
Provision for Termination and Repatriation Entitlements	95	542
Voluntary Contributions - National Voluntary Contributions	3 164	(1)
Voluntary Contributions - Emergency Preparedness and Disaster Relief	31	
Subtotal	15 899	24 813
Total	1 340 093	1 194 116

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

^{2/} See Note 6.2

16. Expenses

	Total 2020	Total 2019
Staff and Other Personnel Costs		
International and National Staff ¹	173 925	134 268
Temporary Staff	7 577	9 239
Subtotal	181 502	143 507
Supplies, Commodities, Materials		
Vaccines / Syringes / Cold Chain	735 471	746 967
Medications and Medical Supplies ²	183 444	70 965
Other Goods and Supplies	48 541	33 837
Subtotal	967 456	851 769
Depreciation, Amortization, and Revaluation		
Depreciation / Amortization	2 086	1 990
Property Impairment ³	11 169	
Subtotal	13 255	1 990
Contract Services		
Contracts	85 440	99 487
Subtotal	85 440	99 487
Travel		
Duty Travel ⁴	9 836	34 767
Subtotal	9 836	34 767
Transfers and Grants to Counterparts		
Letters of Agreements	4 864	20 077
Pandemic Medical Supplies to Member States ⁵	56 032	
Subtotal	60 896	20 077
General Operating Costs and Other Direct Costs		
Maintenance, Security and Insurance ⁶	17 815	23 333
Increase in Provisions		14 387
Subtotal	17 815	37 720
Total	1 336 200	1 189 317

^{1/} Includes: salary costs (\$3.3 million decrease vs. 2019), ASHI actuarial impact (\$42.2 million increase vs. 2019).

^{2/} Increased due to the medical supplies and materials purchased through the Strategic Fund in response to the COVID-19 emergency.

^{3/} See Note 8.2

^{4/} Travel expenses decreased by 71.8%, from \$34.8 million in 2019 to \$9.8 million in 2020 primarily as a result of travel bans and restrictions, the cancellation or postponement of duty travel.

^{5/} The increase is attributed to \$56.0 million of medical supplies and materials donated to Member Governments in support of pandemic relief.

^{6/} Reflects staff teleworking, impact on maintenance costs during the COVID-19 pandemic along with the elimination of office space leases due to the 2019 purchase of the VA Avenue building.

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 and Budget. Programs under the Non-Program and 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 2020 is presented below:

Activity	Operating	Investing and Financing	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	(306 427)		(306 427)
Basis Differences	36 633		36 633
Timing Differences			
Presentation Differences		(5 885)	(5 885)
Entity Differences	444 098		444 098
TOTAL	174 305	(5 885)	168 420

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 and Budget).

Activity	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	306 427
Basis Differences	13 254
Timing Differences	
Presentation Differences	
Entity Differences	1 016 519
TOTAL	1 336 200

17.3 2020 Expenses vs Funding

Outcome No	Outcome short title	Funds Available as of 31 Dec	FY 2020	FY 2021	Total 20-21 Expenditures	Total 20-21 Expenditures as % of Funds Available
			Expenditures			
Base Programs		[a]	[b]	[c]	[d] = [b] + [c]	[e] = [d] / [a]
OUTCOME 1	Access to comprehensive and quality health services	12 069	5 896	0	5 896	49%
OUTCOME 2	Health throughout the life course	12 176	6 663	0	6 663	55%
OUTCOME 3	Quality care for older people	1 641	734	0	734	45%
OUTCOME 4	Response capacity for communicable diseases	38 165	22 447	0	22 447	59%
OUTCOME 5	Access to services for NCDs and mental health conditions	11 013	6 004	0	6 004	55%
OUTCOME 6	Response capacity for violence and injuries	957	622	0	622	65%
OUTCOME 7	Health workforce	6 368	3 752	0	3 752	59%
OUTCOME 8	Access to health technologies	19 034	9 858	0	9 858	52%
OUTCOME 9	Strengthened stewardship and governance	4 828	1 982	0	1 982	41%
OUTCOME 10	Increased public financing for health	2 115	895	0	895	42%
OUTCOME 11	Strengthened financial protection	1 477	628	0	628	42%
OUTCOME 12	Risk factors for communicable diseases	10 375	5 716	0	5 716	55%
OUTCOME 13	Risk factors for NCDs	8 875	3 588	0	3 588	40%
OUTCOME 14	Malnutrition	2 587	1 378	0	1 378	53%
OUTCOME 15	Intersectoral response to violence and injuries	1 254	711	0	711	57%
OUTCOME 16	Intersectoral action on mental health	1 812	1 175	0	1 175	65%
OUTCOME 17	Elimination of communicable diseases	12 050	7 080	0	7 080	59%
OUTCOME 18	Social and environmental determinants	9 434	5 163	0	5 163	55%
OUTCOME 19	Health promotion and intersectoral action	2 162	968	0	968	45%
OUTCOME 20	Integrated information systems for health	6 573	3 609	0	3 609	55%
OUTCOME 21	Data, information, knowledge, and evidence	9 280	5 808	0	5 808	63%
OUTCOME 22	Research, ethics, and innovation for health	1 993	1 128	0	1 128	57%
OUTCOME 23	Health emergencies preparedness and risk reduction	13 923	5 215	0	5 215	37%
OUTCOME 24	Epidemic and pandemic prevention and control	13 233	5 349	0	5 349	40%
OUTCOME 25	Health Emergencies Detection and Response	26 081	9 284	0	9 284	36%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	3 109	2 160	0	2 160	69%
OUTCOME 27	Leadership and governance	40 995	32 578	0	32 578	79%
OUTCOME 28	Management and administration	56 514	33 963	0	33 963	60%
Subtotal - Base Programs		330 093	184 355		184 355	56%
	Foot and mouth disease elimination program	5 326	3 348	0	3 348	63%
	Smart hospitals	28 736	9 316	0	9 316	32%
	Outbreak and crisis response	156 149	109 374	0	109 374	70%
	Polio eradication maintenance	54	33	0	33	62%
Subtotal - Special programs		190 265	122 071		122 071	64%
TOTAL - Program Budget		520 358	306 427		306 427	59%

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

In addition to the assigned amounts shown in the table, as of the date of the report, there were \$213.8 million available and not assigned to workplans. Most of this amount is explained by undistributed flexible funds for salaries in 2021.

The implementation level for the PB in FY 2020 was mostly driven by Special Programs, due to the overwhelming focus of the Organization on the COVID-19 response effort. Base programs show an implementation of only 30% due to: (i) cost containment measures taken as a consequence of the financial situation regarding flexible funds, and (ii) further reductions in travel and other expenses due to the COVID-19 Pandemic in 2020. In contrast, expenses in special programs show high levels of implementation, driven by available resources for outbreak and crisis response. Depending on the evolution of the COVID-19 crisis, it is expected that implementation in Base Programs will accelerate in 2021.

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 2020	Total 2019
ASSETS							
Current Assets							
Cash and Cash Equivalents	357 346					357 346	188 926
Short Term Investments	188 236					188 236	247 034
Owed From Other Segments *		279 966	700 426	51 283	(1 031 675)		
Accounts Receivable	73 363	106 087	64 755	2 125		246 330	250 317
Inventories		10 192	1 266			11 458	1 763
Total Current Assets	618 945	396 245	766 447	53 408	(1 031 675)	803 370	688 040
Non-Current Assets							
LongTerm Investments	485 672					485 672	421 548
Accounts Receivable	27	60 982	14 228	1 250		76 487	86 769
Net Fixed Assets	118 022			22 093		140 115	109 195
Intangible Assets			298	50		348	496
Total Non-Current Assets	603 721	60 982	14 526	23 393		702 622	618 008
TOTAL ASSETS	1 222 666	457 227	780 973	76 801	(1 031 675)	1 505 992	1 306 048
LIABILITIES							
Current Liabilities							
Accrued Liabilities	652	19 341	3 624	6 341		29 958	26 979
Owed To Other Segments *	1 031 675				(1 031 675)		
Accounts Payable	16 240	3 865	2 167	168		22 440	13 826
Employee Benefits				2 386		2 386	3 368
Deferred Revenue		267 118	405 084			672 202	563 322
Short Term Provision		11 223				11 223	14 387
Total Current Liabilities	1 048 567	301 547	410 875	8 895	(1 031 675)	738 209	621 882
Non-Current Liabilities							
Accounts Payable	8 659					8 659	7 796
Employee Benefits				332 562		332 562	274 173
Deferred Revenue		152 853				152 853	161 349
Total Non-Current Liabilities	8 659	152 853		332 562		494 074	443 318
TOTAL LIABILITIES	1 057 226	454 400	410 875	341 457	(1 031 675)	1 232 283	1 065 200
NET ASSETS / EQUITY							
Fund Balances and Reserves							
Fund Balances	136 599	(11 186)	254 875	(314 549)		65 739	63 931
Reserves	28 841	14 013	115 223	49 893		207 970	176 917
TOTAL NET FUND BALANCES and RESERVES	165 440	2 827	370 098	(264 656)		273 709	240 848

* 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 2020	Total 2019
REVENUE							
Revenue from Non-Exchange Transactions							
Assessed Contributions	97 200			8 075		105 275	112 047
Voluntary Contributions		136 813	8 885		(8 885)	136 813	122 782
WHO Allocations	46 633	103 987	3 574			154 194	84 396
Revenue from Exchange Transactions							
Procurement of Public Health Supplies			964 998		(11 022)	953 976	849 929
Other Revenue	(23 007)	10 192	(3 059)	25 457	(35 647)	(26 064)	6 480
Miscellaneous Revenue	15 629	3 195	(3 020)	95		15 899	18 482
TOTAL REVENUE	136 455	254 187	971 378	33 627	(55 554)	1 340 093	1 194 116
EXPENSES							
Staff and Other Personnel Costs	88 637	34 302	11 476	71 679	(24 592)	181 502	143 507
Supplies, Commodities, Materials	926	45 468	931 476	1 450	(11 864)	967 456	851 769
Depreciation, Amortization, and Revaluation	27 051		199	(13 995)		13 255	1 990
Contract Services	9 075	69 381	2 822	4 162		85 440	99 487
Travel	715	8 981	161		(21)	9 836	34 767
Transfers and Grants to Counterparts	517	70 484	87		(10 192)	60 896	20 077
General Operating Costs	10 983	3 803	620	2 409		17 815	37 720
Indirect Support Costs		8 885			(8 885)		
TOTAL EXPENSES	137 904	241 304	946 841	65 705	(55 554)	1 336 200	1 189 317
NET SURPLUS/ (DEFICIT)	(1 449)	12 883	24 537	(32 078)		3 893	4 799

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

In 2020 the Organization recorded the following accounting entries:

- \$221 291 were recorded as Inventory write-off for PALTEX program recipients. (2019: \$76 582)
- \$78 791 were recorded as write-off for receivables from former staff (2019: \$0)
- \$1 484 were recorded as write-off for letters of agreement (2019: \$0)
- \$322 was recorded for small amount write-offs (2019: \$714)
- No Ex-Gratia Payments were recorded (2019: \$0)

20. Cases of Fraud and Presumptive Fraud

In 2020, six cases related to fraud, theft, damage, or loss of property valued at \$2 083 were reported. PAHO recovered \$250 from this amount, leaving a net loss of \$1 833 to the Organization. Details are as follows:

Four cases had to do with the theft, damage, or loss of attractive property such as laptops and cell phones in country offices and headquarters. The total net loss for the Organization amounted to \$1 788.

Two types of fraudulent transactions were committed by people outside the Organization. The first type involved cyberscammers who used stolen credit cards to test on the PAHO donation portal in order to verify that the cards were active, and then presumably would continue using them fraudulently on other e-commerce sites. The Organization has been proactive in establishing controls to review suspicious activity on the portal and reject the transactions before incurring any liability. However, in three cases, the transactions were processed and the Organization incurred a refund fee of \$15 each. The second case involved a check fraudulently attributed to PAHO. The attempt to defraud was reported to the bank and the check was not uncashed. There was no loss for the Organization.

There were no fraud reports that resulted in an investigation in 2020.

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 2020, the number of key management personnel totaled 4 (2019: 4).

Key Management Personnel	2020	2019
Compensation and Post Adjustment	819	795
Entitlements	291	271
Pension and Health Plans	289	267
Total Remuneration	1 399	1 333

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 at 31 December 2020, the Organization recognized a provision for \$11.2 million (2019: 14.4 million). The provision reflects potential losses against revenues recognized in previous periods. The timing of any potential outflow of resources is uncertain. The Organization will continue to seek the most advantageous outcome. The reduction in the Provision amount is due to the year-end revaluation.

	31 December 2019	Increase / (Decrease)	31 December 2020
Provisions	14 387	(3 164)	11 223

24. Contingent Liability

In the normal course of business PAHO faces lawsuits which are at various stages of action. Having undertaken a review, we do not consider these legal cases to have any significant impact on the financial statements, given the balance of probabilities. We are 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, office services, and use of office equipment.

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

Report of The External Auditor

MAY 2021

Pan American Health Organization

External Auditor's Report on the 2020

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 financial management and governance. We have also considered PAHO's business continuity arrangements in light of the ongoing pandemic. Our main substantive focus was on the management of the procurement funds, the importance of these have been brought in to focus over the past year. We have also followed up the progress made implementing our previous recommendations.

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

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 2020 financial statements and the associated transactions and events for that year. It was conducted in accordance with International Standards on Auditing and the Financial Regulations. We provided an unqualified audit opinion, without modification, on the financial statements.

7 In the circumstances of 2020, with the full impact the Covid-19 Pandemic, a year of remote working, a continuation of the remote audit process and staffing pressures, the attainment of an unqualified audit opinion represents a significant achievement by all involved in ensuring the availability and access to information to enable the audit to be finalised successfully.

Financial management

8 PAHO reported an overall surplus of \$3.9 million (2019: surplus \$4.8 million), with total revenues of \$1,340 million (2019: \$1,194 million) and expenses of \$1,336 million (2019: \$1,189 million). The increase in revenue and expenses were primarily driven by the activities to procure and supply personal protection equipment and health supplies in the response to the COVID-19 pandemic in the Americas.

9 Overall, PAHO's net assets have increased to \$273.7 million at 31 December 2020 (2019: \$240.8 million). Total assets included property, plant and equipment holdings with a net value of \$140.1 million and cash and investments of \$1,031.3 million (2019: \$857.5 million). Total liabilities increased to \$1,232.3 million (2019: \$1,065.2 million) an increase of \$167.1 million, including the total actuarial increase on the staff benefit liability in 2020 of \$57.4 million. Changes in property and staff benefits resulted from required professional valuations under the requirements of IPSAS.

10 PAHO's Working Capital Fund, the primary purpose of which is finance the Program and Budget pending receipt of contributions, was again completely exhausted throughout 2020. In September 2020, the Directing Council increased the authorised level to \$50 million and the funding was increased to \$28.7 million in the year. Despite this increase, PAHO continues to fully utilise the Fund and had borrowed an additional \$17 million from other sources at 31 December 2020 to meet the cash needs of the activities it expected to be funded by assessed contributions. We continue to highlight that internal borrowing is not sustainable and that PAHO should consider additional options to fund cash deficits. We have highlighted the potential to consider wider use of retained reserves, highlighting that the program support funds have accumulated some \$115.2 million and could be deployed to reduce pressures or reduce down liabilities. However, timely remittance of contributions by Member States will minimise these ongoing cashflow pressures.

11 Following the May 2020 Special Session of the Executive Committee, PAHO commenced a review to identify cost savings through modifications to human resources structures and administrative processes. Following the resumption of Assessed Contributions payments by the United States, PAHO has now focused on reducing administrative costs through the 2022-23 budget planning process. Our report emphasises the need for a clear strategic direction and a fuller understanding of costs to support the systematic identification of cost savings in response to the Member States requests. The wider consideration of cost savings should encompass consideration of innovative ways to deliver services differently, while maintaining effective service provision. Other measures should include realising the potential savings arising from changes to working practices which flow from the experience of remote working; the outsourcing of elements of back office functions and, as we highlighted in our report on HR last year, to further develop workforce agility and skills to allow flexible deployment.

12 We have highlighted the continued growth in employee benefit liabilities, which are a significant long-term financial risk for PAHO. During 2020, the overall liability for these staff benefits has increased to \$432.4 million (2019: \$358.1 million), of which there is an unfunded liability of \$334.9 million (2019: \$277.5 million). Within the changes to the liability, \$29.5 million arose from changes made to scheme rules. Changes to these rules increase the costs to PAHO Member States, but the authority for their change rests with the WHO Director

General, supported by the Global Oversight Committee. PAHO's Member States have limited influence to control these costs, and it is important to regularly consider the risks and benefits associated with continued participation in these arrangements.

13 The Director's Report provides an overview of the financial position and performance of PAHO in 2020. During the past two years we highlighted that PAHO could enhance commentary and improve the accessibility of the financial statements. Some progress has been made, but we believe more could be done to include a more complete, balanced picture of the Organization's performance and key outcomes linked to the resources used. We see opportunities for FRM and ourselves to work with PAHO's Audit Committee to help them provide objective and expert advice to the Director enhance presentation of the financial statements for next year.

Governance and internal control

14 Effective governance and internal control are integral parts of the mechanisms the Organization uses to provide assurance over the use of resources to Member States. We continue to monitor PAHO's progress in key aspects of internal control; risk management; ethics and investigation. We also considered the effectiveness of PAHO's business continuity planning in the circumstances of the pandemic.

15 PAHO has largely operated on a remote basis since early 2020. The PMIS system has facilitated remote access to core administrative systems, enabling staff to continue performing their functions. Its embedded workflow controls have ensured that transactions were properly processed, authorised and reviewed. Full read-only access to the system has facilitated our work enabling us to report that we have not identified any significant control weaknesses or evidenced any noticeable deterioration in the control environment. Maintaining control in the pandemic environment has been a notable achievement, highlighting a key benefit of the PMIS investment.

16 PAHO continues to produce a Statement on Internal Control, a key accountability document to provide Member States a transparent report of the control environment and risks faced by organisations. The Director highlighted some of the new developments in internal control, such as the assurance mapping exercise; the effectiveness of business continuity arrangements and the need for strengthened processes around project risk management.

17 PAHO has developed a draft compliance strategy for the second line of defence. The strategy focuses heavily on administration and while other aspects of the organisation have compliance functions, there remains no holistic view of compliance activity. We welcome that PAHO has completed its assurance mapping exercise, as we recommended, setting out internal controls established to meet the requirements of regulations and other extant guidelines. The approach adopted should help identify gaps in the controls required to meet existing regulations, however, it will not necessarily address all risks to key controls. Monitoring and review activities should be focused on the material reputational and financial risks to the Organization. It is important that this assurance mapping process is subject to regular review by PAHO's Audit Committee.

18 PAHO's risk management system has been an important point of reference for tracking key risks during the pandemic. Over the last two years we have highlighted that risk management processes at the local level are not actively used for decision making. Risk management disciplines are important to drive good behaviour in setting a transparent culture to identify, control and monitor risks. While these risks have been captured corporately, PAHO needs to continue its efforts to promote the culture of effective risk management and the more regular review of operational risks at the local level and for risk tools to be part of local management processes and decision making. We have advocated that the risk register should be used as a mechanism for determining the effectiveness of risk mitigations, and the extent to which planned actions have reduced risks. This will help provide analysis of the cost benefits of mitigations. Risks with a high residual probability and impact, or outside of tolerance should be escalated to the governing bodies

19 We considered PAHO's organisational preparedness for the pandemic. In line with many other organisations, while PAHO had business continuity plans in place at duty stations, it did not consistently identify and document the risk of a disruptive event across its operations prior to the pandemic. Overall, we found many positive

features in PAHO's response including: a single repository for critical information; regular surveys of personnel to understand their circumstances to inform and refine its response; work to establish the criteria and approval process for allowing personnel to return to offices; and the PMIS platform ability to smoothly facilitate remote working for PAHO's critical business systems and processes at the outset of the pandemic.

20 We observed some areas where improvements to preparedness planning can be made, for example, some PAHO representatives insisted on personnel being office-based despite the guidance on the requirement to work from home. We also noted that the quality of critical data and information flows could have been improved. For example, the Secretariat invested considerable time and effort identifying its critical personnel at the outset of the crisis, information that should be routinely maintained as part of continuity plans. Similarly, at the time of our audit in December 2020, the Secretariat had no central record of personnel on PAHO premises on any one day, which we would see as fundamental to measuring the health and safety risk. There are undoubtedly lessons to be learned both to inform future preparedness planning and the way in which it might leverage the benefits to inform future working.

Procurement funds

21 Procurement Funds of PAHO (the Funds) have significantly increased over time to be PAHO's largest programme of activity. In 2020, total revenue on these funds was \$954.0 million, representing 72.4 per cent of overall revenues and 71.2 per cent of overall expenses. Funds are provided by Member States and these resources are dedicated to specific activities relevant to the contributing state. Given the scale and importance of the programme, the delivery of the Procurement Fund activity carries significant operational and reputational risk and therefore needs appropriate governance, strategy, monitoring and administration. We considered the two key procurement mechanisms: The Revolving Fund for Access to Vaccines (RFV); and the Regional Revolving Fund for Strategic Public Health Supplies (SF).

22 By procuring vaccines through the RFV, Member States leverage existing processes and legislation and avoid having to engage directly with suppliers. The RFV is currently supporting countries in their participation in the COVID-19 Vaccine Global Access (COVAX) facility - the GAVI-administered international platform to accelerate the global development, manufacture and equitable distribution of COVID-19 vaccines. The SF was originally established to procure medicines and supplies for HIV/AIDs, tuberculosis, malaria and other infectious diseases. It provides a mechanism for pooled procurement to reduce prices for individual Member States and now includes facilities to procure personal protective equipment.

23 While the Funds are continuing to deliver for Member States through the pandemic, we noted that there is no overarching strategy. Since they were originally conceived and approved there have new international organisations have begun providing vaccines and medical supplies and procurement practices have evolved. In our view, it is important that PAHO clearly articulates the value it brings to the Funds' constituent countries. We have recommended that a clear strategy, underpinned with overarching objectives aligned to PAHO's mandate, will enhance accountability and enable Member States to measure performance more effectively.

24 Management oversight is provided by the Synergy and Integration Group, which is responsible for the overall procurement strategy, integration, resourcing, risk management, performance and review of biennial workplans for the funds. The Group has only met periodically, indicating that the arrangements for integrated oversight are not yet embedded. Strong governance is essential given the reputational and financial risks of this major programme. The process for documenting and escalating risks in the Funds is only partially developed and the corporate risk register did not include risks and mitigations related to the SF, despite the significant challenges linked to the pandemic. We have recommended that the Group meets more regularly with a standing agenda covering amongst other issues strategy, developments, financial and operational performance, user engagement and risk.

25 Strong performance measurement and reporting is essential for fostering continuous improvement and helping Member States and users to ensure accountability for the use of their resources. Recognising that the Synergy and Integration Group's role is developing, we highlight that internal reporting could be improved to highlight performance against more detailed targets relevant to the Fund's activities. PAHO is taking steps to improve the breadth and quality of performance indicators as it invests in digital reforms but this should be within a comprehensive performance framework to enable more systematic analysis and reporting of progress.

26 A key measure of the effectiveness of the Funds is their ability to deliver support for inventory management capacity nationally, and through this to minimise the gap between planned and actual demand over time. Analysis of RFV vaccine demand shows significant variation between planned and actual volumes purchased through the Fund. We have recommended that PAHO considers engaging more deeply and consistently with Member States on their stock management and demand forecasting capacity, reporting progress to Executive Management and Member States to measure the additional impact of the Funds' work.

27 A strategic procurement function invests in understanding and influencing the marketplace and working with suppliers to improve supply routes and achieve more competitive pricing. For example, the Funds do work in this regard, with the RFV engaging in the Developing Countries Vaccine Manufacturers Network and the SF's participation in supplier forums, but engagement is relatively ad hoc. A Secretariat-commissioned review in 2019 found that PAHO's procurement function remained largely transaction-based, not sufficiently focused on developing relationships with suppliers and partners. Both funds have since developed shorter-term plans and some additional posts are proposed in the 2022-23 plan.

28 A key reason for Member States to participate in the Funds is to secure supplies at lower cost. We reviewed the various cost arrangements and considered that in light of the growing complexity of the global pricing models, PAHO would benefit from reviewing its pricing strategy and policies for the Funds as whole to better assess PAHO's purchasing power and value proposition. PAHO informed us that the founding resolutions only required it to achieve the best price offered to other buyers, with both funds embedding the principle that participating countries should pay the same price for vaccines and supplies. However, the approach to pricing raises practical issues in respect of cost transparency that are important to consider in a changed environment.

29 The SF has been able to use new partnership working approaches through joint procurements and 'piggy-backing' on existing commercial agreements with partners like the Global Fund, WHO, UNICEF and UNDP during the Pandemic, enabling it to achieve better value. PAHO informed us that the SF resolution does not require the lowest price clause, as the small volumes do not give PAHO the market leverage. In building future strategies, it will be important for the Funds to set out clear parameters on how it best offers value for money to its Members, and to be transparent where it is unable to offer lowest price.

30 The Funds have played a significant role in managing the region's response to the pandemic. In relation to the COVAX facility, the RFV has partnered with UNICEF's Supply Division to manage the procurement of the COVID-19 vaccine. By December 2020, 27 'self-financing' PAHO Member States had signed commitment agreements with GAVI while 10 others, classed as lower income, are eligible for donor-supported access through the COVAX Advanced Market Commitment. One immediate observation is that the pandemic has caused the Secretariat to broaden and deepen its partnership working with other international buyers and it should assess the potential benefits of further pooling of technical resources and buying power in pursuit of strengthened supply and reduced pricing within its wider activities.

31 Both Funds operate capital accounts which give Member States short-term credit meaning they can defer payment for health supplies. External reviews have concluded that the RFV's capital account has been underutilised despite the value Member States place on it. While recognising that the situation may have been quite different during the pandemic, recommendations included a further categorisation to separate some of the balance for short-term credit line use and some for longer-term loans for investments in, for example, supply chain development with Member States. There is potential for PAHO to add value through a more strategic approach to making better use of these resources to secure improved outcomes.

32 Many of the Secretariat's enabling functions and Country Offices contribute to the administration of the Funds. As highlighted in our 2018 report, it is essential that voluntary funded programmes are transparent about their costs, to ensure there is no cross subsidisation and that users are fully aware of how they are funding the programmes in which they participate. During 2020, management initiated a review of the costs of the Fund. Following this analysis, it recommended to the Directing Council an increase in the service fee charged to Member States for using the Funds from 1.25 per cent to 1.75 per cent from 1 January 2021. PAHO's analysis for the 2018-19 biennium indicated that the existing rates were under-recovering the full costs of activities. With changes in procurement fund transaction volumes, efficiencies and other investment projects key assumptions and cost inputs will change. PAHO should regularly review its cost model to ensure that it remains appropriate. PAHO should consider similar approaches in its wider project activity.

33 The different systems used to manage the Funds add to the complexity of reporting, making it difficult to track through the procurement, delivery and performance outcomes to give a holistic view of performance. The Secretariat is investing \$3 million on digital projects intended to improve efficiency and effectiveness in the 2020-2021 biennium. While recognising the potential, we are concerned that these investments were not subjected to a proper business case analysis and their benefits in practice are not being adequately tracked.

Previous recommendations

34 As at 31 March 2021, of the 41 recommendations from 2018 and 2019 that remained open, 18 (44 per cent) were in progress and three (7 per cent) were considered not implemented and remain open. In this year's report we have superseded and closed six (15 per cent) prior recommendations and 14 (34 per cent) had been either implemented or closed.

35 Many of the recommendations in progress relate to our review of Human Resource Management in 2019. Given the nature of these recommendations and the proposed actions by management, we would not have expected them to have been fully implemented within the past year. Given the importance of HR management to the Organization it is our intention to perform a substantive follow-up against these recommendations and review the status of the PAHO people strategy and how this may have evolved as a result of the Covid pandemic during our 2021 audit.

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 2020 and of its financial performance and cash flows for the year then ended. It also confirms their preparation in accordance with International Public Sector Accounting Standards. The audits also confirmed that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the governing bodies.

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

1.3 Due to the restrictions in place on international travel in light of the COVID-19 pandemic, we were unable to travel to PAHO headquarters or any country offices as part of our audit this year. We are monitoring the situation in the Americas and will consider when we may be able to return to physical visits as part of our 2021 audit. Our intention is to ensure that we achieve the coverage of country offices as agreed at the start of our mandate over the remainder of our tenure as External Auditors.

Financial commentary

1.4 Following audit adjustments, PAHO reported an overall surplus of \$3.9 million (2019: surplus \$4.8 million), with total revenues of \$1,340 million (2019: \$1,194 million) and expenses of \$1,336 million (2018: \$1,189 million). The increase in revenues and expenses compared to 2019 was primarily as a result of the additional activity to support the response to the COVID-19 pandemic. This included increased WHO allocations and Member State contributions for the procurement of public health supplies and corresponding increases in expenses on medical supplies through the procurement funds and those delivered directly to Member States. Table 1 shows our analysis of the component elements of expenditure during 2020.

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

Key revenue streams	2020	Percentage of total revenue (2019 in brackets)
Procurement activities on behalf of Member States	\$954.0m	71.2 (71.2)
Voluntary (including National) contributions	\$136.8m	10.2 (10.3)
Assessed contributions	\$105.3m	7.9 (9.4)

WHO revenue	\$154.2m	11.5 (7.1)
Other revenue	\$-10.2m ¹⁷	-0.8 (2.1)
Total revenue	\$1,340.1m	
Expense streams	2020	Per cent of total expenses (2019)
Procurement activities on behalf of Member States	\$967.5m	72.4 (71.6)
Transfers and grants	\$60.9m	4.6 (1.7)
Staff and other personnel costs	\$181.5m	13.6 (12.1)
Contract services	\$85.4m	6.4 (8.4)
Other expenditure	\$40.9m	3.1 (6.3)
Total	\$1,336.2m	

Source: NAO analysis of PAHO financial statements

1.5 The Statement of Comparison of Budget and Actual Amounts shows final disbursements against the approved biennial budget, with actual expenditure in the first year of the current biennium of \$306.4 million (2019: \$284.6 million), against a budget of \$325.0 million. While overall PAHO is on track to consume its programme budget during the 2020-2021 biennium, a significant variation resulted from the crisis response special programme in 2020 which has impacted the level of delivery against each of the base programmes. PAHO and its Member States should review the programme budget for the biennium in light of the impact of the unprecedented pandemic response.

1.6 As we reported last year, PAHO manages its budget on a biennial basis and does not profile its expenditures over the period of the budget in line with expenditure plans and expectations. We continue to stress the importance of annual budgeting and monitoring, and this is especially important given the financial pressures which PAHO has faced from delayed contribution receipts and the emerging health emergencies relating to the pandemic.

1.7 Overall, as a result of a property revaluation net assets have increased from \$240.8 million as at 31 December 2019 to \$273.7 million at 31 December 2020. Total assets included property, plant and equipment holdings with a net value of \$140.1 million (2019: \$109.2 million) and cash and investments of \$1,031.3 million (2019: \$857.5 million). Total liabilities increased from \$1,065.2 to \$1,232.3 million an increase of \$167.1 million. This liability includes the total actuarial valuation of the staff benefit liabilities in 2020 of \$334.9 million (2019: \$277.5 million) as shown in Note 12.6 to the financial statements.

1.8 Last year we recommended that PAHO obtain an expert revaluation of its property estate and land holdings. Most assets were revalued downwards but the land value in Washington DC increased by \$50.1 million and the value of the building at 2121 Virginia Avenue increased by \$13.5 million. The net increase in the asset value was \$30.9 million. Within the valuation, the expert concluded the market and neighbourhood analysis suggested the highest market value would be obtained through further development by an investor. As a consequence, the HQ building was reduced to nil value, resulting in a reduction of \$28.1 million in its valuation. The same judgement was taken in respect of PAHO's property in Peru. While market uncertainty due to Covid continues, we consider that the impact of this uncertainty would not be material to the financial statements. Details and the results of the revaluation are set out in Note 8.2 to the financial statements.

1.9 PAHO's overall financial health has stayed broadly consistent over the past five years, but activities funded through core 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 \$1.1 of current assets for every \$1 of current liabilities, demonstrating that current assets cover current liabilities by some 10 per cent. We

¹⁷ The negative revenue report here relates to PAHO's treatment of the impairment of accounts receivable (see Note 6.2).

have undertaken a review of the indicators of PAHO's financial health, using key financial ratios (Table 2). Overall resources have remained broadly consistent over the last two biennia. Our analysis of overall and core activities shows that financial pressures have been more intense, with current assets relating to core activities matching only 60% of current liabilities meaning that PAHO cannot meet its immediate obligations from core¹⁸ resources alone. To mitigate this risk, PAHO does have the ability to liquidate non-current investments with short notice periods if needed.

Table 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	2020	2019	2018	2017	2016
Current ratio					
Current assets: Current liabilities	1.1 (0.6)	1.1 (0.6)	1.2 (0.6)	1.1 (0.6)	1.2 (0.6)
Total assets: Total liabilities					
Assets: Liabilities	1.2 (1.2)	1.2 (1.1)	1.4 (1.1)	1.2 (1.1)	1.3 (1.2)
Cash ratio:					
Cash and short-term investments: Current liabilities	0.7 (0.00)	0.7 (-0.05)	0.8 (-0.02)	0.6 (-0.03)	0.6 (-0.02)
Investments ratio:					
Cash and investments: Total assets	0.7 (0.00)	0.7 (-0.04)	0.7 (-0.02)	0.6 (-0.02)	0.5 (-0.02)

Financial health pressures

1.10 In 2019 PAHO faced significant and unprecedented financial challenges arising from late payment of certain Member States contributions. While the immediate issues which caused the uncertainty around financial health have now been eased and PAHO's major donor has resumed making regular payments of its share of the Assessed Contributions, some underlying pressures remain. In last year's report, we highlighted three areas which had a significant influence on PAHO's financial health. These were: the increase in the receivable assets; the consequential impact on cashflows; and the increase in the long-term liabilities accrued in respect of employee benefits. We provide an update on these issues below.

Receivable assets and cashflow

1.11 To have stable and predictable levels of resource it is important that Member States fulfil their obligations in full, and on a timely basis. At 31 December 2020, outstanding assessed contributions were \$84.6 million (2019: \$88.9 million), and \$21.2 million (2019: \$7.1 million) had been outstanding for more than 12 months. PAHO has a policy to allocate cash received to the oldest debt, which obscures the reality that some debt may in substance be older. At its 58th Session, the Directing Council approved a change to the Financial Regulations permitting the Director to impair those assessed contribution receivables that are not expected to be settled within 12 months. This enhances the transparency of these financial statements and brings them in line with IPSAS requirements. For 2020, this impairment amounted to \$21.8 million as shown in Note 6.2 to the financial statements. This is a significant amount for PAHO and results in core activities continuing to be funded using cash from other sources.

¹⁸ Core activities are set out in Note 18 to the financial statements and predominantly comprise the Assessed Contributions and the WHO Regular Budget Funds

1.12 At its 58th Session, the Directing Council also approved an increase to the authorised level of the Working Capital Fund from \$25 million to \$50 million and therefore transferred the 2020 Budgetary and Revenue surpluses to the Fund bringing the funding level of the Working Capital Fund to \$28.7 million.

1.13 Despite this increase, PAHO continues to fully utilise the Fund and had borrowed an additional \$17 million from other sources of funds at 31 December 2020 to meet the cash needs of the activities it expected to be funded by assessed contributions.

1.14 As shown in Table 3, there has been a consistent utilisation of the Working Capital Fund for several years. While PAHO has emphasised this in a footnote to Note 14.1 of the financial statements, we believe it is important to further enhance the visibility of the utilisation of the working capital fund to enhance the transparency of the financial statements.

Table 3 PAHO Working Capital Fund 2016-20: Over time the demands on the WCF have exceeded the resources available.

	2020	2019	2018	2017	2016
Working Capital Fund at 31 December	\$28.7m	\$25.0m	\$21.7m	\$21.7m	\$20.7m
Cash available / (required) for Assessed Contributions and Miscellaneous Revenue	\$(17m)	\$(43.8m)	\$(19.4m)	\$(22.6m)	\$(6.1m)

NOTES

1. WCF balances have been consistently depleted by year end

Source: PAHO financial statements

1.15 We continue to highlight that utilising cash resources from other funds does not represent good practice and doing this on a consistent basis is not a sustainable way to resource core activities. With the increase in the authorised level of the Working Capital Fund, PAHO should look at other sources of cash within its control to fully capitalise the Working Capital Fund, and this could include excess balances within the accumulated program support funds.

1.16 PAHO's Financial Regulation 8.6 sets out the program support charges on extrabudgetary funds and certain other sources of miscellaneous income. These charges should be used to meet the direct and indirect costs incurred by the Organization in respect of the generation and administration of its activities. As we have previously reported, PAHO's retained reserve of program support funds has been growing and at \$115.2 million it is significant. Over the previous biennium, the net program support expense was \$2.8 million with a gross expense of \$56.1 million offset by revenues of \$53.3 million as set out in Table 4 below.

Table 4: PAHO Special Fund for Program Support 2016-2020 - while PSC revenues have declined in line with project activity, the PSC balance relative to 2016 remains significantly higher.

\$ 000s	2020	2019	2018	2017 ¹	2016 ¹
1 January	108,107	113,999	108,138	100,045	78,859
Revenue	16,483	18,813	34,535		
Expenses	(9,727)	(27,430)	(28,674)		
Transfers		2,725 ¹⁹			
31 December	115,223	108,107	113,999	108,138	100,045

¹⁹ Transfer of \$2,725,000 from PALTEX on the closure of the Fund.

NOTES

1. Detailed information on reserve movement were not disclosed prior to 2018.

Source: PAHO financial statements

1.17 In response to our previous recommendation in this area, PAHO informed us that its practice is to accumulate the income received during a biennium. When the biennium ends, the total balance is made available to finance the Program and Budget for the subsequent biennium with excess funds carried forward. As PAHO has accumulated a significant level of carry forward and has maintained that balance for several years, there is scope to use these funds for other purposes. All reserves should have a clear objective and target level, to ensure that resources are not simply held without deriving any real benefit to PAHO. PAHO has reviewed the basis for program support charge on its Procurement Funds activities and found it was under recovering the full costs of activities. We believe this good practice should be extended to all program support cost activities and we note in PAHO's response to our associated 2018 recommendation (#3), that this is being undertaken. This will provide greater visibility of costs and minimise the risk of cross-subsidisation and we will comment on it as part of next year's audit.

PAHO should:

R1: Establish and agree with Member States a methodology to establish a target level of retained program support funds for financing subsequent biennium programme budget activities.

R2: Establish and agree with Member States a process to transfer any surplus over that agreed level to fund other priority or strategic funding requirements, such as the full capitalisation of the Working Capital Fund, the Master Capital Investment Fund, or to reduce Member State liabilities for the After-Service Health Insurance.

1.18 As we have highlighted in previous reports, PAHO has numerous reserves and fund balances serving different purposes. We continue to believe there is scope for a strategic review of these balances and their purpose which consider how the longer-term financing needs of PAHO. This is particularly relevant given the post-pandemic ways of working are likely to result in changed priorities. As highlighted in our response to our 2018 recommendation 7, we have made several specific recommendations related to fund and reserve balances. We will revisit this area more holistically later in our mandate after PAHO has formed its views on post-pandemic working.

Structured cost reduction

1.19 Given PAHO's recent financial pressures and the increased focus on cost reduction we would encourage PAHO to establish a clear cost reduction strategy. PAHO can build on its responses to the May 2020 Special Session of the Executive Committee which tasked management with a review of operating costs to identifying additional cost savings through modifications to human resources structures and administrative processes. Progress has been limited as a result of the pandemic pressures and PAHO informed us that, after the resumption of Assessed Contributions payments by the United States, the focus on cost reductions would be through the 2022-23 budget planning process. It has adjusted downwards the available flexible funds for entities requiring managers, to reduce human resources in administration to fund technical cooperation activities.

1.20 Good cost reduction programmes require a clear strategic direction, full understanding of costs and innovative ways to deliver services differently while maintaining effective service provision. PAHO has a high cost base which results from the application of its employment benefit policies in common with other international organisations, so it is important to consider where outsourcing or other modalities may be beneficial in reducing these costs. PAHO should also consider the potential changes to working practices which flow from the experience of remote working and the opportunities for enhanced training and flexibility of staffing which could generate cost reduction opportunities, as we highlighted in our report on HR last year.

1.21 In response to the decision of the Executive Council, towards the end of 2020 the Director established the Organizational Development Initiatives (ODI). The ODI's include 20 individual initiatives, of which four directly

relate to using available technology to reduce the costs of enabling functions. We have previously reported on structured cost reduction and change management in various international organisations and public sector bodies in the UK (Exhibit 1). From our reporting in this area, we have highlighted some of the features which underpin effective cost efficiency programmes. We will review the progress of the ODIs against these features, and how they help achieve the objectives set by Member States, in our future audits.

Exhibit 1: Key features of effective cost reduction - PAHO should consider whether the key features of its cost reduction efforts are strategically focused to ensure efficient outcomes.

Key feature	Relevance for PAHO
A data-driven approach to understanding, comparing and interrogating costs	In 2018, we recommended that PAHO needed to have a better understanding of its costs. It should understand the pattern of resources; including policy, administration and service delivery. This will help identify opportunities for cost reduction but also help improve ongoing financial management.
A comprehensive risk assessment	Effective risk management will provide an efficient, streamlined and formulated plan to help PAHO identify and respond to the likelihood of key risks to the project. We cover risk management later in the report.
A robust evidence-based cost reduction strategy	Achieving cost savings while implementing a significant change programme should follow the principles of the core management cycle for effective public service delivery, including clear objectives of what the cost reduction strategy is expected to deliver and a clear plan to migrate from the current state to the new operating.
A change in organisational culture	The challenge of structured cost reduction requires organisations to question how they have always done things, and to be bold in developing alternative ways of doing business. PAHO should look beyond traditional organisational boundaries and take a system view to maximise the opportunities to ensure the delivery of its core mandate and those other priority areas for Member States.
Effective governance and oversight of plans	The support of those charged with governance is critical in providing resources and guidance to management within a clear mandate and set of objectives. Effective monitoring to hold management to account for the delivery of these enables those charged with governance to demonstrate appropriate oversight.

Source: NAO

PAHO should:

R3: 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.

Employee benefits

1.22 In 2020 total expenses on salaries, allowances and benefits was \$181.5 million (2019: \$143.5 million), as shown in the statement of financial performance. PAHO's Staff Regulations set out the fundamental conditions of service and the basic rights, duties, and obligations of the Pan American Sanitary Bureau staff. This includes the salaries and related allowances and the social security benefits, including access to the UN Joint Staff Pension Fund and After-Service Health Insurance for staff members.

Post-employment benefits

1.23 The most significant liability which PAHO has in its financial statements is the employee benefit liabilities. These comprise the staff member's after-service health insurance and their termination and repatriation entitlements liabilities. During 2020, the overall liability for these staff benefits has increased from \$358.1 million to \$432.4 million, these liabilities are offset by plan assets of \$97.5 million, that PAHO has earmarked to partially meet those liabilities, leaving a net unfunded liability of \$334.9 million (2019: \$277.5 million).

Table 5 Employee Benefit liabilities - these have increased by over \$130 million since 2016 and need clear strategies to mitigate impacts on PAHO's financial health

Composition of employee benefit liabilities (\$'000)					
	After service health insurance (ASHI)	Termination and repatriation entitlements (TAREP)	Total liability		
1 January 2020	338,665	19,434	358,099		
Increase in year	69,900	4,421	74,321		
31 December 2020	408,565	23,855	432,420		
Plan assets	78,236	19,237	97,473		
Net liability	330,330	4,618	334,948		
31 December 2020					
Growth of unfunded net employee benefit liabilities (\$'000)					
	2020	2019	2018	2017	2016
ASHI	330,330	270,249	198,792	234,284	192,016
TAREP	4,618	7,292	4,435	4,323	5,475
Total	334,948	277,541	203,227	238,607	197,491

Source: PAHO financial statements

1.24 Liabilities are calculated by an independent actuary based on underlying data and assumptions. The increases reported in 2020 relate predominantly to the after-service health insurance liability and arise from changes in the discount rate applied in the valuation together with a plan amendment adopted by management. The impacts of actuarial factors are designed to provide the best estimate of future liability costs in today's money and have resulted in an overall increase of \$57.4 million. This is equivalent to 54 per cent of the total Assessed Contributions due for the year and is highly significant to the Organization.

Discount rate

1.25 PAHO based its discount rate on the yield curve from United States high-grade corporate bonds (Aon AA above median curve) as agreed with its actuary. The rate on these bonds reduced from 3.5 per cent to 2.9 per cent, causing a significant increase (\$35.1 million) in the overall liability. PAHO has adopted the rate approved by the United Nations Task Force on Accounting Standards, believing that it is appropriate for PAHO's own circumstances.

1.26 As outlined last year the bond rate utilised by the Task Force - an above median rate - are typically used in the United States but are less common in other territories. The rate reflects the fact that some bonds are excluded, the consequence of which is to move the rate above the median expectation. This leads to concerns that such approaches do not meet the requirement for "unbiased" assumptions as set out in IPSAS 39. Our audit work considered this but concluded that the impact led only to a 0.1 per cent difference to the comparative based around median bonds (AA Only Universe). Based on the sensitivities provided for the liability - set out in Note 12.8 to the financial statements, adopting a discount rate that is 0.1 per cent lower would increase the liability by circa \$9million. While within a tolerable range we continue to believe that at the year end the overall liability is reported at the lower end of expectations. However, Member States will want to continue to monitor the extent to which these liabilities grow as future commitments which will need to be met from regular funding.

Plan amendments

1.27 During 2020, the plan was amended to fully absorb future increases in contribution rates whereas previously, it had been expected that any such future increases would be shared proportionately between PAHO and the participants. This change has resulted in an increase in the liability of Member States' by \$29.5 million.

1.28 In our 2018 Report, we discussed the need for greater oversight of the funding model for PAHO's liability and recommended that Member States agree and approve the funding plan being adopted by management. We have superseded our recommendation to reflect that the SHI Fund is controlled by WHO, with PAHO being a minor participating Organization. Changes to scheme rules rest with the WHO Director General supported by the Global Oversight Committee. Given this is PAHO's most significant financial liability and PAHO Member States have limited influence to direct scheme rules and benefits, they may wish to regularly consider the risks and benefits of ongoing participation in the scheme.

PAHO should:

R4: 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.

UN Joint Staff Pension Fund

1.29 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.

1.30 The characteristics of the UN pension scheme are outlined in Notes 12.9 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2019, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations, in view of the UNJSPF's reported 107.1 per cent funding ratio at that date. Should this situation change in the future, deficiency payments would be required from PAHO. This situation represents a potential future financial risk to the organisation which needs to continue to be tracked.

Other employee benefits

1.31 PAHO's Staff Regulations and Rules also provide for certain other benefits where different funding options are utilised. PAHO's fund balances include the provision for staff entitlements and the provision for termination and repatriation entitlements. Some of these benefits represent short-term benefits such as home leave and education grants and others, particularly the termination and repatriation are long-term liabilities and the PAHO core staff's element of this is actuarially assessed alongside the after-service health insurance. Overall, PAHO has cash backed reserves of \$7.2 million for these other liabilities.

1.32 To fund the short-term liabilities and any costs associated with any termination of agency staff employed locally at country offices, PAHO applies various "payroll" employer on-costs with the surplus in any period being carried forward. For the staff entitlements, PAHO applies a 20 per cent surcharge to base pay for professional staff, for staff terminal allowances a five per cent levy on base pay plus post adjustment is applied for all staff. For agency staff, an additional 10 per cent charge to cover termination indemnities is applied, this has been reduced to 2.5 per cent from May 2021 as the level of funds accumulated is sufficient to cover the expected expenses. While assessments have been made for these personnel, PAHO has not recognised associated obligations on the basis of its legal interpretations.

1.33 At 31 December 2020, the assessed liability for termination benefits was \$4.6 million as set out earlier in Table 5. During the year, PAHO increased the plan assets in this scheme by \$7.0 million through a transfer from the accumulated surpluses from these accumulated levies.

1.34 In our view it is important that PAHO provides clear transparency over the movements in these funds, which are not currently reflected in the financial statements. It should also consider the extent to which charges made are appropriate against the future liabilities of contract staff. Where funds exceed costs there should be an agreed process for the transfer of Funds to ensure they are best utilised, for example by addition to plan assets held to offset ASHI liabilities. Surcharges to cover staff liabilities are an important way for PAHO to ensure it

manages its liabilities. Together with contingent risks arising from potential future UNJSPF deficits these are the most significant long-term financial issues facing PAHO. It is a key reason why it needs to ensure the costs it passes on for voluntary funded activities are appropriate to avoid future costs falling on Member States as a whole. In its response, PAHO informed us it does review these charges each year to ensure they are appropriate.

Financial reporting

Director's report

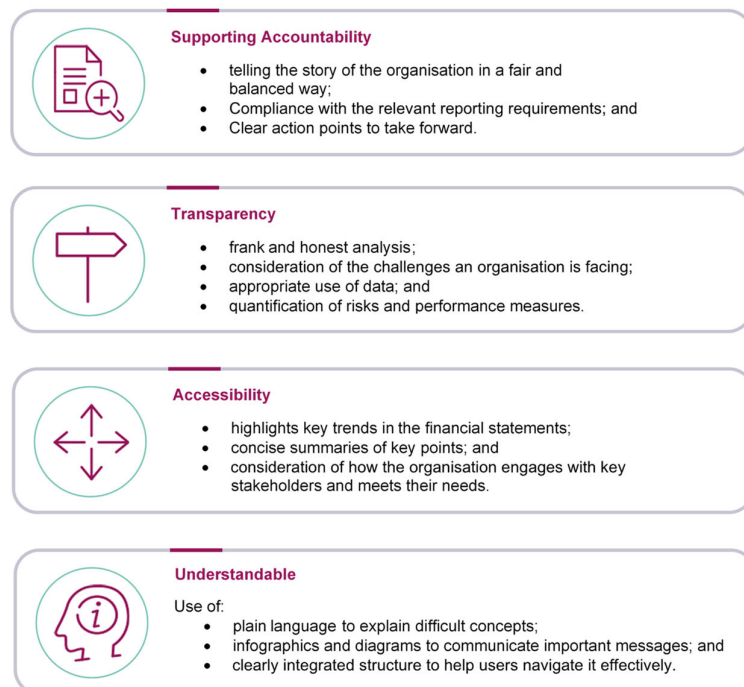
1.35 The Director's Report provides an overview of the financial position and performance of PAHO in 2020. During the past two years we highlighted that PAHO could enhance this commentary, utilising the IPSAS Board's guideline on presenting financial statement discussion and analysis, enhancing the disclosure of the underlying causes of variations. In our view a good annual report provides a fair balanced description on the Organization's "corporate story" in a way that is compelling to the wide variety of stakeholders who have an interest in the organization's activities.

1.36 In response to our previous recommendation to review the content of the Director's Report to ensure that it presents a fair, balanced and rounded view of the performance of the organisation. PAHO cited the suite of programmatic and budgetary reports that are also presented and, taken as a whole, they consider provides full information to Member States. While some positive enhancements to the Director's Report have been made, PAHO felt that further use of the Report to communicate use of resources and the work of PAHO was unnecessary.

1.37 While recognising management's view we believe it is increasingly important for the report which accompanies the financial statements to be accessible and comprehensive, covering performance and financial information. Audited figures in the financial statements offer stakeholders a wealth of information and PAHO should consider how it might better use the financial performance section to complement existing communications to provide relevant insight and a more holistic view of what has been delivered through the resources reported within them. Exhibit 2 sets out our views on best reporting practice which we would continue to highlight to PAHO as a means of enhancing transparency and to Member States.

Exhibit 2: NAO's good-practice principles for Annual Reports - Clear transparent reporting enhances accountability and improves the confidence of stakeholders

The good-practice principles are grouped under the following headings:



Source: NAO

Financial statements

1.38 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 accounts which have been unqualified, and following audit adjustments, present fairly the Organization's financial position. Since our appointment in 2018 we have encouraged the Secretariat to further enhance disclosures and financial reporting. In our view PAHO has not fully invested in a detailed review against the IPSAS disclosure requirements and to ensure that they remain relevant for users and stakeholders as time has passed.

1.39 In 2019 we reported on several enhancements which we felt would better align reporting with the IPSAS standards. While PAHO considers that its accounts review has ensured it had met the disclosure requirements, our audit continues to identify issues requiring amendment. We also highlight other areas, while not material, that do not fully meet the reporting standards including those highlighted in our report last year that remain outstanding. The main issue is that we consider the financial statements do not sufficiently describe and present the underlying nature of PAHO's activities and there is scope for streamlining. We believe that it would benefit from focusing on the key material aspects relating to financial performance and health. This would help readers better navigate and focus on the key elements of financial performance and position and improve engagement with the financial statements.

1.40 PAHO's audit committee has an important role to play in advising management on the content of the financial statements and the financial report. In this regard, we see an opportunity for the audit committee to perform a detailed review on the presentation and disclosure at its next session and set out its advice to management, in advance of the year-end. We have therefore **reiterated our previous recommendations** in this area and have suggested to the audit committee that it may wish to engage with management on this issue in advance of the preparation of the 2021 Director's report and financial statements.

Governance and internal control

1.41 The Director is responsible for ensuring effective financial administration of the Organization in accordance with the Financial Regulations. The Director has established and maintains systems of internal control and delegation which are important in providing a framework of assurance for Member States to rely upon. In our financial audit we have identified further areas for improvement to these controls, but in general we found no control weaknesses which impacted our audit opinion.

1.42 As we have previously reported, effective governance and internal control are an integral part of the mechanisms the Organization uses to provide assurance over the use of resources to Member States. We have therefore reviewed PAHO's progress in key areas namely: internal control; risk management; and ethics and investigation. We have also reviewed the effectiveness of PAHO's business continuity planning in the circumstances of the pandemic.

Internal control

1.43 PAHO's staff have predominantly been working remotely since early 2020. PAHO's PMIS system provides many of its core administrative systems. As it is cloud based, it provides full remote access for staff to continue performing their functions remotely and the embedded workflow controls ensure that transactions are properly processed, authorised and reviewed. As External Auditor, we have appropriate full read-only access to the PMIS system to facilitate our work and have been able to ensure that the transactions we examined have been properly recorded.

1.44 Overall, the results of our audit have not identified any significant control weaknesses or evidenced any noticeable deterioration in the control environment. No issues of this nature have been reported to us by management or identified within the Statement on Internal Control or through the work of the Office of Internal Audit (OIA). Maintaining control in the pandemic environment has been a notable achievement, highlighting a key benefit of the PMIS investment. However, control environments can change, and it continues to be important that PAHO has robust processes in place to provide assurance over management's review processes and the sources of assurance which evidence their effectiveness.

1.45 The Statement on Internal Control is used as a key accountability document to provide a transparent report of the control environment and risks faced by organisations. In this year's Statement, the Director highlights some of the developments in internal control, such as the assurance mapping exercise we discuss below. The Director has also highlighted that the business continuity arrangements have worked effectively during the pandemic. The Statement also acknowledges that developments are needed in the management of project risks. This is an area of weakness previously highlighted by the Executive Committee and the subject of prior External Audit recommendations.

Compliance

1.46 In the past two years, we reported on the developments in the compliance function in exploring the reporting capabilities of the PMIS system in enhancing the second line of defence and the efficiency of management oversight. This work has resulted in a suite of dashboards covering many administrative business processes, providing snapshot management information to highlight compliance issues and to identify unexpected results. During 2020, the work of the compliance advisor has been targeted on improving asset management with little wider consideration of areas of greater corporate risk, such as procurement and project management.

1.47 In response to our recommendation last year on the need for a compliance strategy, PAHO has developed a draft for the relevant internal committee to approve. The strategy focuses heavily on administration but does not sufficiently cover the wider partnership activities of PAHO's work such as the procurement funds, investment decisions and project activity. We will formally review the compliance strategy when it is approved and look to see how this evolves as PAHO looks to strengthen its project management processes. PAHO has informed us that compliance does consider procurement activities and are actively review country office procurement and

associated training. However, these activities were not reflected in the draft compliance strategy which would enable a more holistic view of compliance activity across PAHO.

1.48 In 2020, PAHO has completed its assurance mapping exercise. This document sets out controls established to meet the requirements of regulations and other extant guidelines. It has evaluated the first line measures in operation and determined the current level of assurance that existing controls provide; documented the management information available for the second line; and identified relevant third line activity such as internal audit coverage of the subject matter. While the approach adopted should identify gaps in the controls required to meet regulations, it will not necessarily address all risks to key controls. Both the second- and third-line activity should be focused on key and material reputational and financial risks. It is important that this assurance mapping process is subject to regular review by PAHO's Audit Committee.

Risk management

1.49 During the year PAHO's risk management system has been an important point of reference for tracking key risks during the pandemic. During the period there has also been specific focus on training in some key areas where improvements were needed, for example, in respect of risk reporting in Haiti as we noted last year. The focus of risk management has inevitably been upon supporting continued operations and the support for Member States to continue their health programmes. This has been underpinned by ensuring risks to business continuity and the wellbeing and safety of staff have been managed.

1.50 Over the last two years we have highlighted that risk management processes at the local level are not actively used for decision making. Risk management disciplines are important to drive good behaviour in setting a transparent culture to identify, control and monitor risks. The corporate risk register is the distillation of this process. While these risks have been captured corporately, PAHO needs to continue its efforts to promote the culture of effective risk management and the more regular review of operational risks at the local level. On key risks such as the wellbeing of staff it is also vital that the whole organisation can demonstrate that risks are managed consistently in line with the best practices communicated from the centre. We identified that the approach to office closures and remote working differed across offices without this being articulated in individual registers.

1.51 In our discussions with PAHO's risk management team we support the use of the centralised risk management system, but we believe that it should be used more regularly as a tool to manage and oversee local operations, rather than only to support periodic central risk collation. We therefore encourage PAHO to better embed the culture of using the risk tool as part of local management processes and for it to inform Country Office decision making. We have superseded and reformulated our previous recommendations in this area to clarify that current risk processes need to be utilised more effectively in local management processes.

PAHO should:

R5: 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.

Risk mitigation

1.52 A key benefit of risk management to assess the quality and impact of the mitigating controls once risks have been identified. Expenditure on risk mitigation which leaves the vulnerabilities to the risk unchanged may represent both poor value for money and provide the misleading impression that a risk is being managed.

1.53 PAHO currently does not assess the impact of the risk mitigation measures and it may be beneficial to consider both a pre-mitigation and post-mitigation score against each key risk. Such an analysis will provide greater visibility of the impact of risk mitigation and its cost benefit. Risks with a high residual risk, or outside of tolerance can then be escalated to Member States. This will result in the risk register being a more effective tool to support decision making and to better direct how resources are focused.

PAHO should:

R6: 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.

Project risk

1.54 During 2020, as requested by Member States PAHO undertook an external review of its approach to project risk management as part of its governance reforms. PAHO subsequently developed a new approach to project approvals which are considered to carry significant, reputational or financial risks which meet certain agreed criteria. In our report last year, we highlighted the importance of enhancing project risk management and the reforms in this area are a positive step as it is essential to safeguard the Organization. The external review also recommended enhanced independent evaluation of project performance and to ensure that voluntary funded activities are mainstreamed with other PAHO reporting processes and the reporting functionalities of PMIS. This will provide a better set of assurances for Member States that risks carried by the organisation through voluntary funded activities are suitably assessed, controlled and reported.

Ethics and investigations**Code of Ethics**

1.55 As part of its mission, PAHO identifies the need to instil and reinforce a culture of ethics and integrity in its work. The promotion of ethical conduct can lead to improved results, a better work environment and a reduction in conflict. Nonetheless, in any organisation conflicts will inevitably arise. To foster an environment of high ethical business standards and provide a systematic approach to deal with conflict, PAHO has established a comprehensive system, called the Integrity and Conflict Management System (ICMS). Through this system, which integrates the relevant functions and policies, personnel working for PAHO can obtain assistance to address workplace-related concerns and grievances.

1.56 As part of its work in 2020, PAHO has developed a revised code of Ethics that it plans to issue later this year. The theme of the revised code is “Health First, Integrity Always” and the proposed document has been developed to be more accessible to users. Once launched it is important that the revised Code has the clear support of senior management and that the importance of compliance with its requirements are clearly communicated. We also understand that the ICMS has been developing policies covering important areas such as Sexual Exploitation and Abuse, the Protection against Retaliation, and a policy on Prevention and Resolution of Harassment in the Workplace. These are important policies, responding to findings which emerged from the UN wide survey on these matters. Successful implementation of the policies will require clear commitment by senior management, supported by appropriate training to ensure the appropriate culture is developed alongside their communication.

Anti-fraud measures

1.57 In 2020 PAHO reported six cases of fraud, theft, damage, or loss of property valued at \$2,083, from which \$250 was recovered. Our audit has not identified any indicators of fraud in the transactions we have tested. We have noted the wider work of the Chief Investigator who, in his reporting of 2020, identified 49 cases of wrongdoing which have been brought to his attention. Only two of these related to fraud and a further two to conflicts of interest. PAHO considered this to be the result of reduced travel and ASHI claims, each a consequence of changed patterns of claims. We have previously reported that fraud across the wider UN system is under-reported, given the operational risks and challenges that such international organisations face.

1.58 As highlighted in the follow-up to our prior recommendation, PAHO's revised anti-fraud policy has still not been issued. We first raised this in our 2018 report where we suggested it should be as a matter of priority to finalise and operationalise the new policy. It is important for Member States to urge the Secretariat to now issue

the policy together with a raise fraud awareness campaign to emphasise the obligations of staff members. Fraud and corruption may be opportunistic attempts by individuals that can add up to significant losses if not tackled, and if the perpetrators escape with light or insignificant punishments, it can create a culture in which wrongdoers appear to act with impunity.

1.59 The large sums expended by PAHO mean that it may also be exposed to systematic, well-organised and premeditated fraud. In response to a separate recommendation, PAHO has completed an organisational wide fraud risk assessment and we will consider how the resulting Fraud Risk Assessment Map is being used and maintained as part of our future programme of work, especially in Country Offices. Continued controls vigilance and awareness of fraud risks is especially important given the economic impacts of the Pandemic, which will change the overall risk threat facing PAHO and other organisations.

1.60 During 2020 PAHO undertook staff awareness sessions to train staff and it is important the messages about expected behaviour and the arrangements for reporting concern are regularly communicated to staff. Some 63 per cent of all allegations came through the PAHO Helpline.

Business continuity and the Pandemic Response

1.61 During 2020, the pandemic has had major consequences for all international organisations, changing working practices, placing new strains on financing and most significantly impacting on the nature and extent of operational delivery. As an organisation focusing on health the pressures on PAHO have been significant, with head-quarter and field office closures and staff having to work remotely from their homes. The scale and impact and scale of the disruption were unprecedented in modern times and few preparedness plans across the system had been designed to meet this degree of challenge.

1.62 We considered PAHO's organisational preparedness for the Coronavirus (COVID 19) pandemic. Preparedness planning for disruptive events captures the related disciplines of business continuity, contingency and crisis management. Effective preparedness planning involves:

- Identifying organisational threats and scenarios that have the potential to seriously impact business as usual operations.
- Developing detailed plans for how these threats or scenarios are handled so that their consequences are mitigated, balanced alongside an assessment of their likelihood and a consideration of other risks confronting an organisation.
- Devising crisis management plans which set out how an organisation will deal with the immediate aftermath of an emergency.
- Learning lessons from exercises and real events to inform future planning.

1.63 The consequences of inadequate preparedness planning can be critical for the organisation and its people. Effective plans need to be flexible enough to address the risks that are known to the organisation as well as provide a foundation for handling those events that cannot be foreseen. We have focused on PAHO's corporate planning arrangements and whether they adequately identified the risk of a disruptive event; the sufficiency of its plans to mitigate the impacts; and the steps taken to embed learning to improve preparedness for disruptive events.

Continuity planning and managing risk

1.64 In line with many other organisations, while PAHO had business continuity plans in place at duty stations, it did not consistently identify and document the risk of a disruptive event across its operations prior to the pandemic. The Secretariat's corporate risk register for the 2018-19 biennium showed that around half of PAHO's country and sub-regional offices identified the risk of "emergencies due to natural disasters, public health events, civil unrest, and other social disruptions affecting PAHO operations". A significant number of PAHO offices and

departments have since identified risks in response to the COVID-19 pandemic, in particular the reputational risk of not responding rapidly (25 offices and departments in March 2021), suggesting that risks are being kept under review. We note that despite the experience of the last year, some country offices have still not reflected this risk in their own risk register processes. identified this risk given their crucial front-line role in supporting Member States in the pandemic.

1.65 The Secretariat had sought to improve how it mitigated the risk of disruptive events through its business continuity planning in recent years. In 2015, the Secretariat appointed a business continuity manager, reporting to the Director of Administration. In 2016, the Secretariat established a Crisis Management Team, chaired by the Director of Administration. During the 2018-19 biennium, the Secretariat implemented greater standardisation of its approach to producing and documenting business continuity plans, supported by operating procedures.

1.66 The Secretariat has supplemented these developments with additional guidance and training to personnel. A standard operating procedure setting out the business continuity plan for PAHO's headquarters has been in place since May 2018 and country and sub-regional offices now also have business continuity plans. The Secretariat has drawn on good practice and guidance in other organisations, including the WHO and wider UN network, to inform its approach to business continuity planning.

Enacting continuity plans

1.67 The pandemic has enabled PAHO to properly test its business continuity arrangements and implement its crisis management plan, building on planning and process improvements made in the 2018-19 biennium. Following the initial declaration of an emergency by the Director on 27 January 2020, a standard operating procedure for emergency teleworking (homeworking) was implemented on 11 March 2020, the same day the WHO declared a global pandemic. This was followed on 12 March by a guidance bulletin in which country offices were asked to review and activate their business continuity plans, identify critical personnel and check membership of local crisis management teams. Positive features of PAHO's response include:

- Work to develop a single repository for business continuity procedures, guidance and information to co-ordinate and improve information flows between headquarters and country offices. This repository includes latest plans, data on critical and quarantined personnel and the working status of offices.
- Regular surveys of personnel to understand their circumstances to inform and refine its response.
- Work to establish the criteria and approval process for allowing personnel to return to offices
- The PMIS platform has proven itself a suitable platform to enable and facilitate remote working for PAHO's critical business systems and processes.

1.68 We did, however, observe some areas where improvements to preparedness planning can be made, we noted that some PAHO representatives in country offices continued to insist on personnel being office-based despite the Secretariat's guidance on the requirement to work from home. PAHO's executive management has sought to manage these individual behaviours but the Secretariat should nonetheless reflect on how it engages with its country offices and the networks it uses to strengthen capacity and steer behaviour as part of future preparedness planning and to ensure a duty of care to its staff. We also noted that the quality of critical data and information flows could have been improved. For example, the Secretariat invested considerable time and effort identifying its critical personnel at the outset of the crisis, information that should be routinely maintained as part of continuity plans. Similarly, at the time of our audit in December 2020, the Secretariat had no central record of personnel on PAHO premises on any one day, which we would see as fundamental to measuring the health and safety risk.

Using the experience to inform future working

1.69 While the Secretariat has adjusted its response to the developing pandemic over time, it has not, at the time of our audit, undertaken a comprehensive review of lessons learned from the experience to inform future

preparedness planning and the way in which it might leverage the benefits of remote working. This partly reflects the ongoing nature of the pandemic and the Secretariat told us it is planning to gather evidence on lessons learned later in 2021.

1.70 Our experience of many organisations is that remote working has identified opportunities to create efficiencies and the help to provide staff with a better work life balance to improve productivity and to gain benefits in reducing accommodation needs. It is important that PAHO seeks to secure the benefits of this challenging and difficult experience to leverage efficiencies and to focus organisational culture around the outputs and outcomes. We will continue to track how PAHO adapts over the next few years once the Pandemic situation has stabilised.

PAHO should:

R7: 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.

R8: We would expect this to include a clear incorporation of continuity plan responses within the assessment of local office risks, clear centrally enforced policies across all PAHO operations to enforce home working where necessary; to gather critical data on key posts and to ensure there is control over any staff working on site during crisis periods.

Part Two

Management of PAHO's Procurement Funds

Introduction and scope

2.1 Over time the Procurement Funds of PAHO (the Funds) have significantly increased to be the PAHO's largest programme of activity. In 2020, total revenue on these funds was \$954.0 million, representing 72.4 per cent of overall revenues and 71.2 per cent of overall expenses. Funds are provided by Member States which participate in them, and these resources are dedicated to specific activities relevant to that specific contributing state.

2.2 The Funds pool resources of the participating states to achieve timely access of essential health supplies, reduced prices and better value for money. PAHO aims to help develop national capacity for handling and managing the vaccine and other equipment supply chains to drive improved efficiency and efficacy. The current Pandemic has provided a heightened context to demonstrate the value of pooled resources with expertise in the supply chain and in participating states they are fulfilling an important role in supporting them in their response to the Coronavirus (COVID-19) pandemic.

2.3 Given the scale and importance of its programme, the delivery of the Procurement Fund activity carries significant operational and reputational risk and therefore needs appropriate governance, strategy, monitoring and administration. We have undertaken a review of the two key procurement mechanisms: The Revolving Fund for Access to Vaccines (RFV) (2020 revenue: \$954.3 million); and the Regional Revolving Fund for Strategic Public Health Supplies (SF) (2020 revenue: \$187.0 million). We have not included the reimbursable procurement on behalf of Member States in our scope (2020: revenue \$1.6 million).

2.4 Our approach has been informed by our experience of procurement in other bodies we audit and took account of work undertaken in Secretariat-commissioned external reviews. Our reporting covers:

- Governance, strategy and oversight
- Operational delivery, including the pandemic response
- Engagement with suppliers and international partners
- Administration of the Funds

2.5 We are particularly mindful that during our work the teams involved with the Funds were heavily engaged in Pandemic response, and we recognise that they were working in difficult circumstances in supporting our audit alongside their operational activities.

Background

Revolving Fund for Access to Vaccines

2.6 The RFV was established in 1977 to facilitate the timely availability of quality-assured vaccines at prices lower than would otherwise be achieved if Member States acted unilaterally. It supports national immunisation programmes by helping assess needs and vaccine demand and by procuring WHO pre-qualified vaccines and syringes on behalf of Member States. Procured vaccines include those for immunisation against Hepatitis A, Hepatitis B, Seasonal Influenza, Measles, Mumps and Rubella, and Rabies. The RFV also handles supply chain logistics such as maintenance of the cold chain to ensure vaccines are kept at the correct temperature during transportation.

2.7 By procuring vaccines through the RFV, Member States leverage existing processes and legislation and avoid having to engage directly with suppliers. The RFV is currently supporting countries in their participation in the COVID-19 Vaccine Global Access (COVAX) facility - the GAVI-administered international platform to accelerate the global development, manufacture and equitable distribution of COVID-19 vaccines. The RFV's work is informed by a Technical Advisory Group which brings together regional vaccines expertise and PAHO programmatic and procurement knowledge.

Regional Revolving Fund for Strategic Public Health Supplies

2.8 The SF was established in 1999 to procure medicines and supplies for HIV/AIDs, tuberculosis, malaria and other infectious diseases. It provides a mechanism for pooled procurement to reduce prices for individual Member States. Like the RFV, the Secretariat aims to work with Member States on assessing needs and demand and by ensuring that products purchased meet minimum international quality standards.

2.9 Nearly 400 different products were purchased in 2019 through the SF, including medicines for the treatment of communicable diseases like HIV/AIDS, Malaria, Tuberculosis and Zika; neglected tropical diseases and non-communicable diseases such as cancer and transplantation; medical devices; health supplies (mosquito nets etc.) and diagnostic kits. Further products including personal protective equipment, testing equipment and laboratory reagents were also procured in 2020 in response to the pandemic. The SF, which sits within the Secretariat's Health Systems and Services Department, also aims to work with programmes such as the 'HEARTS in the Americas' cardiovascular health programme.

Governance, strategy and oversight

2.10 Some 41 countries and territories participate in the RFV and 34 in the SF. The biggest users of the RFV are Brazil (\$176m), Peru (\$90m), Argentina (\$147m) and Colombia (\$96m); while Brazil is by far the largest user of the SF (\$109m). PAHO's pharmaceutical procurement is significant, according to United Nations data it had the second highest level among 40 UN agencies in 2019. It is important therefore that there is effective oversight of the Procurement Funds and while responding to participating Member States, maintaining accountability for the programme to all PAHO Member States.

Engagement with Member States

2.11 The Secretariat engages with Member States to understand their needs and gain feedback on performance, but we have noted that this is ad hoc and lacks a clear systematic approach. There is no dedicated user forum for the Funds and regular quantitative surveys have not been conducted to obtain feedback on overall performance.

2.12 Member States were consulted to support plans for the RFV Fund, and they participated with feedback through an external review in 2018. The Secretariat also engages in bilateral discussions with individual states as part of the routine procurement operations and the work undertaken in identifying and supporting demand plans. While there is a good level of engagement with participating Member States individually there is scope for a more structured collective engagement of users and this could be linked to the development of the procurement funds portal, which will generally help improve communication with individual States.

2.13 In terms of overall accountability, we consider that it is important to supplement bilateral reporting with a more formal process for reporting and collating Member State feedback to better identify and inform strategy. This would help inform strategy and provide an opportunity to provide better opportunities for reporting of overall Fund performance.

PAHO should:

R9: consider establishing a Member State user forum for the Procurement Funds and instigate more regular customer surveys so that the needs of Member States can be more clearly reflected in future development.

Strategy for the procurement funds

2.14 The most effective procurement functions are those which have a clear strategic approach, drawing on an understanding of the organisation's priorities and those of its users to identify, categorise and satisfy procurement needs. In the context of these funds this means:

- understanding and responding to Member State needs and aligning with PAHO programme objectives;
- working with suppliers to strengthen the quantity and quality of supply; and
- working with international partners to maximise health impacts, develop the market, enhance national capacity and increase PAHO's buying power.

2.15 PAHO does not have an overarching strategy for the Funds. In light of the recent external review there is an opportunity to reflect on how to make optimum use of the Funds for the benefit of Member States. Since the funds were originally approved there has been wider involvement of international organisations providing vaccines and medical supplies and procurement approaches have developed. It is therefore important that PAHO can articulate clearly the value it brings to its constituent countries. A clear strategy underpinned with overarching objectives aligned to PAHO's mandate will also enhance accountability and enable Member States to measure performance more systematically.

PAHO should:

R10: in consultation with Member States, develop an overarching strategy for the Funds to demonstrate their value and to facilitate systematic performance monitoring.

Management oversight

2.16 In reviewing the Funds, we concurred with the 2018 external review recommendation to strengthen management oversight of the Fund. In September 2020, PAHO changed the focus of its Synergy and Integration Group, chaired by the Assistant Director. Its remit covers both RFV and SF and its oversight responsibilities include procurement strategy, integration, resourcing, risk management, performance and review of biennial workplans for each fund. However, the Group only met once in the six months to end February 2021, indicating that the arrangements for integrated oversight are not yet embedded. We believe there is scope to use this forum to manage the key areas of strategic focus and to monitor outcomes, and these processes will then feed into enhanced reporting processes for Member States. Strong governance is essential given the reputational and financial risks of this major programme.

Risk management of the Funds

2.17 The process for documenting and escalating risks in the Funds is only partially developed. While eight procurement risks were included in the enterprise-wide corporate risk register, these all related to the RFV. The corporate risk register did not include risks and mitigations which referred directly to the SF, despite the significant challenges linked to the pandemic. As we have highlighted in wider reporting, it is important that the identification of risks at the programme level is used as a process to support management oversight and decision making on a regular basis and that the risk reporting procedures become embedded as a mechanism to track the effectiveness of risk mitigations.

PAHO should:

R11: strengthen governance of the procurement funds by ensuring that the Synergy and Integration Group meets more regularly with a standing agenda covering amongst other issues strategy, developments, financial and operational performance, user engagement and risk.

Reporting performance

2.18 Strong performance measurement and reporting is essential for fostering organisational improvement and helping Member States and users to ensure accountability for the use of their resources. Regular reporting of the

Funds' performance to Member States and to senior management is currently limited, Member State reporting largely consists of:

- Performance described within the Director's Annual Report.
- Reports to Member States which are prepared each biennium on a review of the service charge applied to purchases made through the funds, also detailing how the revenue from the charge has been used by the Secretariat.
- Reports to Member States are also prepared by exception, for example in 2020 on PAHO's COVID-19 response and on the need to agree a change to the lowest price clause for COVAX vaccines.

2.19 Recognising that the Synergy and Integration Group's role is developing, our review highlighted that internal Fund reporting could be further developed to highlight performance against more detailed targets relevant to the Fund's activities. We identified several approaches to existing reporting and monitoring performance:

- Monthly Finance Department reports are prepared for PAHO's Director and Executive Management which include key financial data on the procurement funds
- Twice-yearly 'performance monitoring and assessment' meetings with Executive Management are held, underpinned by review of a single indicator (the proportion of requested vaccines and supplies delivered to Member States within the planned time frame).
- Ad hoc engagement with senior management to discuss plans, including digital investment for the procurement funds. We also noted that there was no formal systematic governance mechanism to track and report on progress against the actions arising from the external reviews conducted in relation to the Funds either to Executive management or the Member States.

2.20 PAHO is taking steps to improve the breadth and quality of performance indicators as it invests in digital reforms, but there are manual processes involved to cleanse data and not all data used for reporting is contained within PMIS. PAHO now routinely measures spend by suppliers, timeliness of deliveries, and aspects of quality (e.g. cold chain ruptures) and we saw evidence that it is developing scorecards to bring this information together, although we have not seen how this will ultimately be reported.

2.21 The proposed online portal aims to give individual participant Member States more tailored performance information. The external review in 2018 highlighted areas where procurement fund performance could be carefully monitored, including on processing costs and times which were considered high for the RFV, compared with other similar organizations. Despite positive progress, the Secretariat is not yet operating a fully comprehensive performance management framework for the funds in which:

- Objectives, benchmarks and targets are specified.
- Relevant financial and performance metrics covering strategic procurement (growth, supply, partnership etc.) and operational procurement (cost, productivity, quality and speed) are identified, routinely measured and analysed.
- Analysed performance data is consolidated and regularly reported to the Secretariat's senior management and to Member States.
- Decisions are made in the light of performance data.

PAHO should:

R12: devise a comprehensive performance framework to enable more systematic analysis and reporting of progress against the Funds' objectives to Member States and Executive Management.

Operational delivery

Demand planning

2.22 PAHO works with Member States to assess their demand for vaccines, medicines and equipment, conducting 'demand planning'. It then collates individual plans to produce an aggregate estimate to inform its Fund buying decisions. The Secretariat sees this exercise as an important part of its technical support strategy to enhance management of national health supplies capacity. Accurate planning matters because it helps to avoid 'stock-outs' and reduce waste, and supports better planning of purchase volumes, thereby enhancing the negotiating position with suppliers.

2.23 A key measure of the effectiveness of the Funds is in its ability to deliver support for inventory management capacity nationally, and through this to minimise the gap between planned and actual demand over time. Analysis of RFV vaccine demand shows significant variation between planned and actual volumes purchased through the fund. Actual demand for the RFV was overall 24 per cent higher than forecast in 2019 and 12 per cent lower than forecast in 2020 but with significant variation at the Member State level. Across both years, this ranged from an over-forecast of 63 per cent to an under-forecast of 286 per cent against actual volumes. While accepting there is dislocation resulting from the pandemic, we consider that the variability between member states indicates there is scope for improving the accuracy of demand planning and driving improved efficiency.

2.24 The process of demand planning for the SF is less developed, with formal arrangements piloted for the first time in 2020. The Secretariat has undertaken a detailed evaluation of this pilot which has highlighted the need to build capacity in PAHO Country Offices to support the Fund's work, especially as a result of high turnover of personnel, and in some Member States, poor inventory management and lack of integration in key healthcare enablers. PAHO regularly works with its users to improve demand planning, using case studies of process improvement to illustrate the benefit of change. The Secretariat's plan for a new digital demand planning tool in 2021 may help to save processing time and build analytical and assurance capability. However, PAHO's impact is limited to providing advice and guidance. Member States are responsible for developing their supply chain and inventory management capacity.

PAHO should:

R13: consider engaging more deeply and consistently with Member States on their stock management and demand forecasting capacity, reporting progress to Executive Management and Member States to measure the additional impact of the Funds' work.

Working with suppliers and international partners

2.25 A strategic procurement function invests in understanding and influencing the marketplace and working with suppliers to improve supply routes and achieve more competitive pricing. The procurement funds do some work in this regard, for example, the RFV's engagement in the Developing Countries Vaccine Manufacturers Network and the SF's participation in supplier forums, but this is relatively ad hoc. A Secretariat-commissioned review in 2019 found that PAHO's procurement function remained largely transaction-based, not sufficiently focused on developing relationships with suppliers and partners and lacking a clear strategy. Both funds have since developed shorter-term plans and it has some additional posts proposed in its 2022-23 plan targeting:

- improved market intelligence-gathering on prices and product category developments;
- strengthened performance management of suppliers; and
- increased work with partners like UNICEF aimed at sponsoring new suppliers and developments, leveraging price reductions and learning from other group purchasing models.

2.26 A key reason for Member States to participate in the funds is to secure supplies at lower cost. For the RFV, Member State principles require a lowest price clause in which the default position is that suppliers should match

the best price they offer to other buyers. Both funds embed the principle that participating countries should pay the same price for vaccines and supplies. However, the approach to pricing raises several practical issues in respect of cost transparency:

- The Secretariat cannot rely solely on suppliers to report on the deals they make with others, so it uses its own intelligence-gathering work alongside information from UNICEF and the WHO to check that RFV prices are the lowest; but comparable data is not always available.
- The RFV lowest price clause only applies to the cost of the vaccine and not the whole cost to the Member State of obtaining that vaccine. For example, it was estimated that freight and insurance costs were, on average, around a quarter (24 per cent) of the vaccine acquisition cost for Caribbean countries. PAHO has told us that logistics is an area of focus it intends to look at more closely.

2.27 The Secretariat is exploring how it could invite bids from suppliers which include freight and insurance costs (so-called Total Immunization Cost) but this raises practical challenges around fixing transportation costs over an extended period and, more fundamentally, makes enforcement of the lowest price clause and the same price principle more difficult because pricing will be tailored to individual country circumstances.

2.28 Without full visibility of suppliers prices with other buyers, PAHO has limited ability to ensure it obtains the best price. It is also probable that a supplier's commitment to PAHO will influence its negotiations with other buyers which may be to the detriment of those buyers and longer-term market efficiency. PAHO informed us that the founding resolutions only required it to achieve the best price offered to other buyers.

2.29 The RFV lowest price clause does not apply to all the vaccines it purchases through this mechanism, especially where demand is high, and supply is constrained. Following pressure from suppliers and other buyers like the GAVI-Alliance (GAVI), exceptions to the RFV's lowest price clause have been agreed with Member States in recent years for PCV, Rotavirus and HPV vaccines. Data shows that seven per cent of RFV vaccines (23 per cent of value) were purchased outside the lowest price clause in 2020. This meant, for example, that most PAHO RFV participants paid more than three times the price GAVI paid on behalf of its recipient countries for PCV in 2020.

2.30 We understand that RFV Member States who meet GAVI's income-based eligibility criteria do receive these particular vaccines at the price GAVI pays, but this creates an imbalance across PAHO's Member States. Most recently, the lowest price clause and same price principle have been further challenged by the tiered, income-based, pricing model adopted by the COVAX facility. However, the approach is not consistent across funds and PAHO did not establish a lowest price clause for the SF because purchase categories are broader and volumes smaller providing less market leverage.

2.31 The SF has been able to use new partnership working approaches through joint procurements and 'piggy-backing' on existing commercial agreements with partners like the Global Fund, WHO, UNICEF and UNDP during the Pandemic which has enabled it to achieve better value. PAHO informed us that the SF resolution does not require the lowest price clause as the small volumes do not give PAHO the market leverage. In building future strategies, it will be important for the Funds to set out clear parameters on how it best offers value for money to its Members, and to be transparent where it is unable to offer lowest price.

2.32 The changing marketplace and evolving strategic priorities of other buyers presents challenges and opportunities for the procurement funds. The issues raised by PAHO's approach to pricing and wider market developments point to the need for the Secretariat to undertake a comprehensive review of its procurement strategy for the Funds and to report to Member States on its findings. This should include consideration of pricing policies and where best value can be achieved for Member States and in considering greater joint or partnership procurement to maximise synergies.

PAHO should:

R14: in light of the growing complexity of the global marketplace, review its pricing strategy and policies for the Funds as whole to better enable Member States to assess PAHO's purchasing power and value proposition and to consider international partnerships.

Supporting pandemic response

2.33 The Secretariat's procurement funds have played a significant role in managing the region's response to the pandemic. In relation to the COVAX facility, the RFV has partnered with UNICEF's Supply Division to manage the procurement of the COVID-19 vaccine. The RFV will use the terms negotiated through the COVAX facility to purchase vaccines on behalf of PAHO's participating Member States. By December 2020, 27 'self-financing' PAHO Member States had signed commitment agreements with GAVI while 10 others, classed as lower income, are eligible for donor-supported access through the COVAX Advanced Market Commitment.

2.34 In 2021, the RFV will coordinate shipments of vaccines and support Member States in their immunization programs. To this end, the RFV will need to manage the anticipated surge in supplies in the second half of 2021 on top of its normal activities - a significant logistical challenge that has significant associated operational and reputational risks that will require oversight by Executive Management.

2.35 Meanwhile, Secretariat data shows that \$110 million (67 purchase orders) of pandemic-related medical products were procured using the SF in 2020, over half (59 per cent) of all spending through this mechanism. The Secretariat's wish to respond at pace meant that it did not use competitive tendering for these products. Competitive tendering is preferable in normal circumstances because it helps drive down prices, increase value and promote greater transparency. In the event, the Secretariat mitigated some of the risks of single tendering at pace by working with UNICEF and other UN agencies to consolidate demand, agree quality thresholds and engage suppliers collectively. This partnership approach led to global agreements which fixed price and quality standards. Some 31 per cent (\$34 million) of the Secretariat's SF COVID-19 spending in 2020 was through these global long-term agreements. The remainder of SF spending was through suppliers appointed by single tender.

2.36 Given the additional value for money and transparency risks around single tendering we conducted additional testing of the individual SF COVID-19 procurements. We reviewed the governance surrounding this procurement exercise as 11 purchase orders worth \$76 million were procured through a single source contract. We found appropriate due diligence and market comparison had been performed, and authorisation for the departure from the competitive bidding process was obtained. In our wider experience, such tendering arrangements in the circumstances are not unreasonable.

2.37 The importance of the role performed by the Funds in response to the COVID-19 pandemic warrants special emphasis in reporting to Member States on performance across the 2020-2021 biennium. While we note that the Secretariat has updated Member States through workshops and meetings, through reports to PAHO's governing bodies and through the Director's Annual Report, we believe that the Secretariat's procurement funds response should be the subject of a lessons learned exercise. The results of this exercise should be reported to Member States.

2.38 One immediate observation is that the pandemic has caused the Secretariat to broaden and deepen its partnership working with other international buyers and it should assess the potential benefits of further pooling of technical resources and buying power in pursuit of strengthened supply and reduced pricing within its wider activities.

PAHO should:

R15: 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.

Administration of the Funds

Managing capital accounts for the funds

2.39 Both Funds operate capital accounts which give Member States a short-term (60-days) line of interest-free credit that means they can defer payment for health supplies. In 2020, 39 Member States used the credit line for the RFV and 16 used the SF credit line. At 31 December 2020, the Fund balances for the RFV and SF were \$223.0 million (2019: \$209.9 million) and \$24.1 million (2019: \$19.9 million) respectively.

2.40 External reviews have concluded that the RFV's capital account has been underutilized despite the value Member States place on it. While recognising that the situation may have been quite different during the pandemic, recommendations included a further categorisation to separate some of the balance for short-term credit line use and some for longer-term loans for investments for which interest might be charged. Such longer-term investments could, for example, include supply chain work with Member States on inventory management capacity-building or support for programmatic priorities. There is potential for PAHO to add value through a more strategic approach to making better use of these resources to secure improved outcomes.

2.41 Our analysis shows that at December 2020, some 66 per cent of the capital accounts were sitting on deposit and not being used either to provide credit or investment in longer-term initiatives. Meanwhile, the \$11.2 million interest earned from PAHO's investments, which include capital accounts, is treated by PAHO's as flexible funds and used at the discretion of management and not for Funds' activities.

2.42 For those capital accounts that are used by Member States for credit, the Secretariat faces a problem of late repayment with over half (\$45.7 million or 52 per cent) of total debt overdue at December 2020. Following our prior recommendation, the Secretariat has started to more actively consider impairment for debt unlikely to be recovered in the near term and impaired \$6.3 million in 2019 and \$13.1 million in 2020. PAHO should review its credit policy and consider whether the risks associated with it are tolerable. PAHO should also redouble its efforts in encouraging Member States to pay their liabilities on time.

2.43 In the absence of a detailed working policy on lines of credit, the practice appears to default to granting approval, even where existing debt is overdue. Of 55 Member State credit requests between February 2019 and early December 2020 requiring 'exceptional approval', all were approved, and of these 54 had existing overdue debt at the time of the request. In response to this, PAHO has noted that certain requests are stopped at earlier stages of the process. While the Secretariat has used payment plans as part its approval process for credit, it does not have a standard recovery process or penalties for late payment. PAHO informed us this is not allowed under the Funds' rules and agreements and Member States are not contractually obliged to meet their repayments in practice.

PAHO should:

R16: a) consider the benefits and risks associated with using the capital accounts to provide Member States with both short-term credit and longer-term investment options; b) share with Member States for approval of any changes proposed.

R17: review the policies in place for granting access to credit and the remedies available to ensure prompt repayment and to address overdue debt.

Administration service fee

2.44 In addition to the costs of RFV and SF special programs, many of the Secretariat's enabling functions and Country Offices contribute to the administration of the funds. As highlighted in our 2018 report, it is essential that voluntary funded programmes are transparent about their costs, to ensure there is no cross subsidisation and that users are fully aware of how they are funding the programmes in which they participate.

2.45 During 2020 management initiated a review of the service fee and the costs of the Fund, analysing how staff time was spent. Following this analysis it recommended to the Directing Council an increase in the service fee charged to Member States for using the Funds from 1.25 per cent to 1.75 per cent from 1 January 2021. At the same time reducing the amount transferred to the capital accounts to 2.5 per cent, keeping an overall charge rate of 4.25 per cent.

2.46 The Secretariat outlined its rationale and approach for its costing exercise in our discussions and provided its analysis. For 2018/19, PAHO analysed the staff involved in administering the funds and other direct costs of supporting activities. This analysis showed that total costs were \$21.4 million and the recovery at 1.25 per cent created program support revenue of \$17.7 million. This indicates that for that biennium the existing rates were under-recovering the full costs of activities. With changes in procurement fund transaction volumes, efficiencies and other investment projects key assumptions and cost inputs will change, PAHO should regularly review its cost model to ensure that it remains appropriate.

2.47 It is important that PAHO allocate program support reserves to the cost centres on the same basis as the costs have been determined to ensure that procurement funds transactions do not subsidise other Secretariat activities, or vice versa. PAHO does not routinely track where staff time is allocated or spent using timecards and therefore the allocation of staff to procurement funds activity was a broad estimate. PAHO should consider using PMIS functionality to maintain an accurate record of staff utilisation, such information would enable the Secretariat to maintain a more accurate measure of the costs of supporting the Funds and the appropriate service fee level. Such disciplines would have wider benefit for the Organization as it would enable better visibility of activities to enable more informed decision making on their value to the business. Such processes are increasingly important as part of strategic efficiency programmes.

PAHO should:

R18: 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.

R19: 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.

Reporting systems

2.48 The different reporting systems used to manage the Funds add to the complexity of reporting, making it difficult to track through the procurement, delivery and performance outcomes to give a holistic view of performance. The Secretariat is investing \$3 million on digital projects intended to improve procurement funds efficiency and effectiveness in the 2020-2021 biennium.

2.49 Key elements of the investment include plans for a digital portal to provide more information to Member States and allow them to 'self-serve'; a digital tool to support demand planning work with Member States; and software that will enable automation of order requisitioning and shipping notification processes. Implementation of digital plans by the end of 2021 is a risk given the pandemic and we note that a plan to automate order requisitioning and shipping notification by October 2020 had already been delayed by six months. PAHO informed us that this was implemented in May 2021.

2.50 While we recognise the potential for digital investment to improve procurement funds efficiency and effectiveness, we are concerned that these investments were not subjected to a proper business case analysis and their benefits in practice are not being adequately tracked. We have not seen an approved business case specifically for the Member State Portal. The draft did not include any quantified assessment of the costs and benefits of the investment. Without a clear business case and a clear strategic framework of objectives it may be difficult for PAHO to demonstrate whether there is good value in the investment before proceeding and a clear frame against which to evaluate whether objectives are being met to provide full accountability for the resources used. This should also include a systematic review of the portal post-implementation, incorporating the views of users.

2.51 While the Secretariat has set out in discussions with us its objectives for its investment programme, these are not comprehensively documented in a benefits realisation plan. Such a plan is an important accountability tool since it demonstrates that the Secretariat has articulated the benefits (or savings) it might logically expect from its digital investment and is actively monitoring and managing these. The investment must be seen within the need for wider improvements and enhancements to strategy and governance over the Funds, which we have identified within our report.

PAHO should:

R20: (a) ensure that all future digital investment decisions are underpinned by a robust and documented business case which sets out the strategic, economic, financial, commercial and management case for change; (b) subject all such business cases to proper scrutiny and approval; and (c) 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.

R21: ensure that the implementation of the portal is aligned with clear strategic objectives, including PAHO's information systems strategy.

Part Three

Prior year recommendations

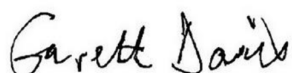
3.1 As at 31 March 2021, of the 41 recommendations from 2018 and 2019 that remained open, 18 (44 per cent) were in progress and two (5 per cent) were considered not implemented and remain open. In this year's report we have superseded and closed seven (17 per cent) prior recommendations and 14 (34 per cent) had been either implemented or closed.

3.2 Many of the recommendations in progress relate to our review of Human Resource Management in 2019. Given the nature of these recommendations and the proposed actions by management, we would not have expected them to have been fully implemented within the past year. Given the importance of HR management to the Organization it is our intention to perform a substantive follow-up against these recommendations and review the status of the PAHO people strategy during our 2021 audit.

3.3 In our substantive report this year we have revisited several areas covered in our previous reports to adapt our observations in light of changed circumstances and organisational developments. This is particularly the case in respect of the management of reserves and programme support. We have additionally revised our observations in respect of risk management and have again commented on the slow progress in issuing the policies to prevent and detect fraud. We continue to see the PAHO Audit Committee as a source of assurance in respect of the review and challenge on the pace and quality of implementation.

Acknowledgments

3.4 We would like to thank the Director and her staff for their co-operation in facilitating our audit engagement. This is particularly in the context of the difficulties of the working environment and the additional demands of remote working and the operational demands on PAHO.



Gareth Davis
Comptroller and Auditor General, United Kingdom - External Auditor
31 May 2021

Appendix One Prior year recommendations

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
2018 Long Form Report Rec 1	Undertake an analysis of the Working Capital Fund utilisation and consider the need to review its capitalisation level.	<p>PAHO monitors the Working Capital Fund on a monthly basis. The current level of \$25.0 million was established by Member States at the 53rd Directing Council meeting in 2014 and is only funded at \$21.7 million, which has periodically proven to be insufficient to cover the delay in the receipt of assessed contributions. PAHO will submit a proposal, including a plan to fund the Working Capital Fund in a reasonable period of time, to be included in the 2020 Governing Bodies schedule of topics.</p> <p><i>Update March 2020</i></p> <p>The Working Capital Fund was fully funded (\$25 million) and fully used at the end of 2019. A proposal to increase the Working Capital Fund to \$50 million has been submitted to the Governing Bodies.</p> <p><i>Update September 2020</i></p> <p>An increase of the Working Capital Fund ceiling to \$50 million was approved in September during the 58th Directing Council. No further actions by PAHO.</p>	We note the change to the capitalisation level of the Working Capital Fund by the Directing Council and consider this recommendation closed.	Implemented and Closed.
2018 Long Form Report Rec 2	Clarify the ability to borrow cash between funds in the Financial Regulations and Rules and should introduce a process for the Director to authorise and report all borrowed funds.	<p>PAHO will submit a proposal as part of the standard 2020 Governing Bodies schedule of topics on Revisions to the Financial Regulations and Financial Rules.</p> <p><i>Update March 2020</i></p> <p>PAHO reported the level of internal borrowing to the Directing Council in 2019. A proposal to amend the Financial Rules will be presented to the Governing Bodies.</p> <p><i>Update September 2020</i></p> <p>The 166th Executive Committee confirmed the amendments to the Financial Rules proposed by the Director, with immediate effect. The rules give authority to the Director to determine which funds are available for borrowing and also stipulates that internal borrowing should be reported to the governing bodies through the Annual Financial Report of the Director. Furthermore, the Director receives reports on the status of internal</p>	We note the changes to the Financial Rules and consider this recommendation closed.	Implemented and Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>borrowing monthly as well as forecasts of future potential requirements based on the collection of assessed contributions to inform her decision-making process.</p> <p>No further actions by PAHO.</p>		
2018 Long Form Report Rec 3	<p>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.</p>	<p>A UN-wide assessment in 2005-2006 established the 13% PSC rate, while acknowledging it was not sufficient. PAHO tries to follow this, but many donors including Member States do not accept it. Costing analysis will be conducted as time allows, and any change to PSC policy will be submitted to Member States for concurrence.</p> <p><i>Update March 2020</i> No further comments.</p> <p><i>Update September 2020</i> Please note that a PSC Policy is in place that PAHO considers to be "equitable, consistent and transparent" (see the most recent policy from December 2018: Chapter IV Resource Mobilization, Revenue and Awards, Sub-Chapter IV.1 Mobilizing Resources from Donors, IV.1.2b PAHO Program Support Costs (PSC) on Voluntary Contributions). An analysis of PSC costs and full cost recovery is being conducted in the latter part of 2020.</p> <p><i>Update March 2021</i> An analysis of PSC costs (direct and indirect) is being conducted. Given the number and volume of Voluntary Contributions it was decided that a detailed survey will have to take place to understand better the figures and cost recovered. PBU will continue with the analysis, for consideration by EXM later this year.</p>	<p>We note PAHO's proposed action and expected completion date of June 2021. We will examine the action against this recommendation during next year's audit.</p>	In progress.
2018 Long Form Report Rec 4	<p>Review its accumulated programme support reserves and consider whether additional funds should be utilised to meet costs that have previously been borne by core resources.</p>	<p>The practice for programme support funds (PSC) in PAHO is to accumulate the income received during a biennium. When the biennium ends, the total balance is made available to finance the Program and Budget (PB) for the subsequent biennium. In cases where the Organization is not able to implement 100% of the available balance, these funds are carried over to finance the following PB biennium. PAHO will review the policy on the governance and management of these funds in order to reflect the current use of these funds.</p> <p><i>Update March 2020</i> No further comments.</p> <p><i>Update September 2020</i></p>	<p>We note that there have been no further status updates on this recommendation during 2020. We have therefore closed this recommendation as not implemented and have reformulated our recommendations on reserves in this year's report given</p>	<p>Recommendation reformulated in the current report. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		No further actions by PAHO.	the current circumstances.	
2018 Long Form Report Rec 5	Underpin any long-term strategy approved by Member States with supporting financial detail, such as a comprehensive Resource Mobilisation Strategy covering the period of the Strategic Plan.	<p>PAHO will produce a Resource Mobilization Strategy for the period 2020-2025 by 31 December 2019 and include the key components of it in the Strategic Plan.</p> <p><i>Update March 2020</i></p> <p>Following the approval the Strategic Plan 20-25 in September 2019, the Organization embarked on the development of the new Resource Mobilization (RM) Strategy to align with this long-term guiding document. Initial steps included the assessment of the RM Strategy 16-19 to build upon lessons learned and an update of the SWOT analysis to accurately present the current climate. In parallel, the development of the BWP 20-21 included RM planning as a new component of institutional efforts, which allowed all entities to clearly define targets for voluntary contribution mobilization. A mandatory Product/Service was also incorporated to ensure these efforts continue in subsequent operational planning. The first version of the RM Strategy will be shared in focus groups, including internal stakeholders from all functional levels. It is expected that the final version will be completed by the beginning of second semester 2020.</p> <p><i>Update September 2020</i></p> <p>Through its established monitoring systems, PBU monitors corporate performance of voluntary contributions. In collaboration with ERP, resource mobilization information has been included in PAHO's formal organization wide planning and monitoring process. ERP is in charge of monitoring, consolidating and reporting on progress in this regard. Director in May 2020. Two virtual meetings were held to receive her inputs. On June 9 a Focus Group session was held with 25 participants representing different levels and areas of the Organizations: Technical Regional Entities, Enabling Regional Entities and Country Offices, including managers, technical and administrative professionals to contribute to the strategy improvement and gather buy-in from critical stakeholders. After many months of work and collaboration from various colleagues within and outside ERP, the final version of the strategy has been presented to the Deputy Director in August for her final review and approval. The final step is the EXM review and</p>	We welcome the development and publication of the 2020-2025 Resource Mobilization Strategy. This recommendation is considered closed.	Implemented and Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>approval that is expected to take place in September. In addition, 20-21 RM plans have been monitored using the Organization's PMA process, that takes place every six months.</p> <p><i>Update March 2021</i></p> <p>PAHO's Resource Mobilization Strategy 2020-2025 (RMS 20-25) was finalized, approved by EXM and launched in December 2020 (document attached in English and Spanish). This coupled with a communications campaign in support for continued rollout in 2021. An Action Plan composed on three phases has been established in the RMS 20-25 to guide implementation, along with measurable indicators which are aligned with the principles of results-based management. The Resource Mobilization Strategy 2020-2025 focuses on approaches that will prepare the Organization as a whole to be well-equipped and well-positioned to raise critical resources needed to support countries in reducing health inequities and ensuring universal health for all peoples of the Americas, in alignment with the Organization's Strategic Plan 2020-2025 (SP20-25). PAHO's Strategic Plan 2020-2025 is firmly focused on reducing the growing health inequities between and within countries and territories of the Americas Region. In order to fulfill the expected commitments of SP20-25, the Organization's budget over the next six years is estimated at is \$1.86B. The RMS 20-25 establishes the RM target at \$675M for the 2020-2025 period, which is equivalent to the sum of the estimated WHO VC target and the PAHO VC target.</p> <p>No further actions by PAHO.</p>		
2018 Long Form Report Rec 6	<p>Develop a comprehensive long-term capital investment strategy that is reviewed annually and linked to detailed procurement plans, and align the financial reporting policies for property, plant and equipment and the use of capital funds to ensure efficient, consistent and harmonised reporting on</p>	<p>1) A comprehensive Organization-wide condition assessment survey of PAHO owned real estate was conducted in 2014. The results were reported in document CE156/24, Rev 1. Country Offices have been following up this plan to request the use of funds from the MCIF. Ad-hoc projects (not included in this plan) have also been funded as needed. The Condition assessment will be updated during biennium 2020-2021. PBU will assist GSO in preparing a funding strategy to accompany the investment plan.</p> <p>2) GSO will require country offices to include capital investment plan in the procurement plan and the budget.</p> <p>3) GSO will work with FRM to align financial reporting policies with the Master Capital Investment Plan.</p>	<p>We note PAHO's response and the revised formulation of the Master Capital Investment Fund report to the governing bodies.</p> <p>Given the continuing financial pressures and the changing underlying assumptions on which the existing real estate</p>	<p>This recommendation has been superseded and therefore is closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	<p>the use of funds to Member States.</p>	<p><i>Update March 2020</i> In 2019, PAHO prioritized the acquisition of the 2121 Virginia Avenue Annex as a means of reducing the Organization's recurrent office rental costs and accelerate the accumulation of resources in the Master Capital Investment Fund. The acquisition was completed on 30 December 2019 and PAHO expects to complete transfer of staff and termination of all office leases in Washington DC by June 2020. Update of the 2015 Condition Assessment is underway.</p> <p><i>Update September 2020</i> GSO will modify the annual report on the Master Capital Investment Fund for the 2020 SPBA to include an annex reporting the capital projects required for the newly acquired 2121 VA Avenue building, which were contained in the disclosure documents associated with the purchase of the building. GSO will also update the 2015 document detailing the capital projects required for maintenance of the HQ building. With the acquisition of 2121 VA Avenue, the MCIF will no longer be used to record rental income and expenses for 2121 VA Avenue, since the purchase eliminated both the land lease (income) and office space rental (expense).</p> <p><i>Update March 2021</i> AM and GSO prepared a new version of the MCIF Report to the SPBA with an updated capital budget showing the cost of pending capital projects and presenting data to clearly show revenue and expenses for each of the sub-funds of the MCIF.</p>	<p>condition survey was performed there is scope for a more comprehensive review of the property strategy. We have therefore reformulated our recommendation in this year's report. See also 2019 Recommendation 6.</p>	
<p>2018 Long Form Report Rec 7</p>	<p>Review all its current fund and reserve balances and consider the scope for rationalisation and simplification, reviewing whether balances continue to be relevant to the organisation's financial plans. This should be in the context of an overall strategy for the maintenance of reserves and funds, aligned to the development of</p>	<p>PAHO reviews the balances of these funds in accordance to the Financial Regulations and Rules, and takes appropriate action as necessary. Regular review of open funds will be conducted with the close of each biennium, as per SOP Perform Biennium Closure.</p> <p><i>Update March 2020</i> In accordance with the SOP, PBU advised FRM regarding the closure of five funds, which have been inactivated in PMIS. See attached memo as background.</p> <p><i>Update September 2020</i> PAHO reviews the balances of these funds in accordance to the Financial Regulations and Rules, and takes appropriate action as necessary. Regular review of open funds are conducted with each biennium closure, as per</p>	<p>We note PAHO's response. We have reformulated our recommendations on reserves in this year's report given the current circumstances.</p>	<p>Recommendation reformulated in the current report. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	the longer-term strategic plans of PAHO.	SOP Perform Biennium Closure. For example, five funds were closed in 2019. See attached memos as background (PBU 19-054 & PBU 19-067). No further actions by PAHO.		
2018 Long Form Report Rec 8	In consultation with Member States the funding plan being adopted by management should be approved by the Governing Body, to formalise the funding approach for Staff Health Insurance benefits.	ASHI was included on the Governing Bodies agenda in 2017 (SPBA11/10, Rev. 1) and the Member States took note of the plan to fund the liabilities and decided to consider this matter in future years under the agenda item for the annual Financial Report of the Director. AM and FRM will review with LEG how to present the ASHI funding plan developed by the Global Oversight Committee. <i>Update March 2020</i> FRM has included in the Notes to the Financial Report of the Director for 2019 a reference to the funding plan approved by the GOC. PAHO Member States review the Report during the Governing Body cycle and officially approve it during the Directing Council. <i>Update September 2020</i> The 14th GOC meeting in Geneva 12-13 November 2019 decided to maintain the target of 100% funding of the ASHI IPSAS liability, but to also define a second liability measure based on the liability associated with paying benefits to all currently eligible staff as of the end of each financial Period. Annual premium increases of 2% per Annum. Will continue until the latter standard is met. No further actions by PAHO.	In our view it is for the PAHO governing bodies to determine and approve the appropriate funding strategy for PAHO's after-service health insurance liabilities. We have superseded this recommendation in 2020.	Recommendation is superseded in the current report. Closed.
2018 Long Form Report Rec 10	Review the basis on which it monitors its expenditures against its available budget and develop an improved basis to monitor funds against a meaningful measure of expected use of resources at cost centre level. This should draw upon the PMIS functionality as far as possible and support a process than can enforce real-time budget accountabilities on cost-centre managers.	PAHO will continue exploring the capabilities on the use of PMIS to improve the cycle of Budget monitoring, assessment and reporting. The Organization has clear procedures and tools developed to monitor, asses and report both, off-line and within PMIS by cost centers. With the upcoming operational planning for 2020-2021, PBU will take advantage to automate Budget reports according to the user's needs. The new programmatic structure for the SP20-25 will facilitate a more efficient budgetary monitoring at cost center level in PMIS. <i>Update March 2020</i> No further comments. <i>Update September 2020</i> As part of its routine work, PBU is continuously seeking for improvements in reporting for entities. In the first semester of 2020, PBU has released: a)	We note management's response and the developments outlined in their actions. We continue to consider that there is scope for closer local monitoring of expenditure against budget and plan to revisit this area more substantively as part of our review of budget and field offices in 2021.	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>PAHO EXM Dashboard, that summarizes monthly corporate budgetary and financial information in a graphic manner; b) PAHO entity dashboard, that provides monthly detailed graphic and tabular information by entity on a monthly basis; c) PAHO award management database, updated daily on the status of awards within the organization; d) PAHO WHO crosswalk, that provides a tool where entities can easily identify the linkage between PAHO and WHO Program Budgets for correct fund allocation; e) PAHO PB portal, that is being currently updated with the new Programmatic results chain and will be openly available online on a quarterly basis. As background, PBU has improved many issues identified in previous years that prevented potential automatization of reporting; this includes inserting and improving system validation controls to prevent user mistakes, and considering lessons learned for improved operational planning. PBU is also intensely working with ITS to improve some reports that will be instrumental to provide a higher level of granularity of information, and will eventually contribute to automatization. The reports created offline have been developed with full automatization in mind, and they constitute a useful model to convert to real-time PMIS or Power BI platforms in due time.</p> <p>No further actions by PAHO.</p>		
2018 Long Form Report Rec 12	<p>Obtain and review independent assurance reports from the third-party provider and undertake a risk analysis to consider ways in which it will oversee the validation of its administrator's claims.</p>	<p>The Republic of the Philippines, Commission on Audit, has performed the external audit of the Staff Health Insurance Fund sampling claims from the Third Party Administrators. In addition, PAHO and WHO will develop controls to address issues identified in the audit report.</p> <p><i>Update March 2020</i> In March a PAHO / WHO team visited AETNA and reviewed the claim processes and the report and monitoring issues. See attached report.</p> <p><i>Update September 2020</i> SHI governance will discuss next steps on an external review of the third party administrator in the US. Currently, there are not sufficient funds to support a review by an external expert at PAHO. We are reviewing samples of 2020 US claims. PAHO has requested SOC reports from third party administrators.</p> <p><i>Update March 2021</i> SOC reports have been received and reviewed.</p> <p>No further actions by PAHO.</p>	<p>Our recommendation related solely to the independent assurance reports from the third-party provider. As indicated in the March 2021 status update, PAHO has reviewed the Service Organization Control (SOC) reports for the period April 2019 to March 2020 and therefore this recommendation can be considered closed.</p>	<p>Implemented and Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
			We would urge PAHO to review the SOC reports on an annual basis.	
2018 Long Form Report Rec 13	Consider undertaking an open-book audit of the accuracy of reported costs and to confirm they have complied with their contractual obligations. Such inspection rights should be exercised regularly in future.	PAHO will coordinate with Aetna to exercise periodically the audit rights specified in the contract to confirm the accuracy of records. <i>Update March 2020</i> In March a PAHO team visited AETNA and reviewed the claim process and the report and monitoring issues. See attached report. <i>Update September 2020</i> PAHO has regular meetings with the third party provider to review the status of activity and compliance with SHI rules and contracts. OIA will consider the possibility of a SHI audit in 2021. No further actions by PAHO.	PAHO has completed a review of claims for the period January - August 2020 with limited observations and note that OIA are considering this area for future internal audit activity. We therefore consider this recommendation completed. We would urge PAHO to exercise regularly its inspection rights in this area.	Implemented and Closed.
2018 Long Form Report Rec 14	Review its current procedures and processes against the benefits of the services and capacity that can be offered externally and consider the relative cost differences.	PAHO will contract an external consultant to review the costs and benefits of the third party administrator contract/s and continue the ongoing consultations with WHO/SHI on the next TPA contract/s. <i>Update March 2020</i> Discussion of this topic is expected during the GOC cycle in 2021. <i>Update September 2020</i> The SHI Global Oversight Committee (GOC) has included in its roadmap for 2021 consideration of an RFP for third party administration of health claims in the non-USA countries of the PAHO region. These services are offered by the selected vendor for the USA TPA (Cigna), and PAHO will request a proposal from Cigna for non-USA TPA services. <i>Update March 2021</i> A proposal for non-USA TPA services has been received and is under review.	We note the action taken and that a proposal has been received for the third-party administration of non-USA claims. We therefore consider that the substance of the recommendation has been implemented.	Implemented and Closed.
2018 Long Form Report Rec 15	Review the effectiveness of risk management procedures at the cost centre level; develop an action plan to embed	PAHO ERM Adviser reviews the risk management procedures in the 2nd year of each biennium with a view to developing an action plan for the next biennium. During the 2019 review additional enhancements will be reviewed to further embed risk awareness at all levels of management and	We note PAHO's responses on risk management.	This recommendation has been superseded

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	a culture of risk awareness throughout the Organization and promote the use of risk registers at cost centre level to inform decision making and monitoring of risk mitigation.	<p>an updated risk register procedure will be released in the 4th quarter of 2019.</p> <p><i>Update March 2020</i> RM procedures were reviewed and enhanced for the 2020-2021 Risk Register and released together with the launch of a new training process for cost center managers and Risk Focal Points.</p> <p><i>Update September 2020</i> No further actions by PAHO.</p>	PAHO can make better operational use of its existing risk management systems at a local level, while identifying those key risks for escalation to headquarters. In this year's reports we have reformulated our recommendation in this area.	and therefore is closed.
2018 Long Form Report Rec 16	Require cost centres to generate a full and complete list of risks, emphasising the need to capture all relevant risks from the lower levels within cost centres. Those of greatest significance should be escalated to the corporate risk register, to keep the number of escalated risks to a manageable level.	<p>Based on prior recommendations of PAHO's Audit Committee, ERM guidance to cost centers identifies commonly cited risks from prior cycles and requests that cost centers list the five or so most significant risks that are specific to the cost center for management attention. During the 2019 review of the risk management program, this guidance will be reviewed in the context of the risk approach embedded in the planning and program monitoring process.</p> <p><i>Update March 2020</i> Management does not contemplate requiring an exhaustive list of all risks at the cost center level, due to the diminishing marginal value added from listing risks beyond the top five and the common shared risks of all cost centers. Most significant risks from cost centers are already escalated to the corporate risk register.</p> <p><i>Update September 2020</i> No further actions by PAHO.</p>	We note PAHO's responses on risk management. PAHO can make better operational use of its existing risk management systems at a local level, while identifying those key risks for escalation to headquarters. In this year's reports we have reformulated our recommendation in this area.	This recommendation has been superseded and therefore is closed.
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 diligence. These risks assessment should be scalable to reflect the size and scope of a project and draw upon good	<p>As a part of PAHO's Project Management Framework the Organization addresses risk management across projects' phases. In this regard, the Organization provided guidance for risk identification and assessment during the project design phase, included risk assessment within project review checklist, and provided guidance regarding risk mitigation during the implementation phase. With this in mind, the Organization considers that risk management is already addressed in a systematic approach. To reinforce these actions, ERP will:</p> <p>a) continue to include risk management within project development/project management capacity development;</p>	We note PAHO's responses to our recommendation on project risk management. We also note the associated work that the Secretariat has been doing in response to the Executive Committee's challenge on the	In progress

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	<p>practice examples within PAHO.</p>	<p>b) continue to include risk assessment in the project review process; and c) develop criteria for determining those voluntary contribution proposals that should undergo additional risk assessment. This criteria will include scale and scope of the proposals.</p> <p><i>Update March 2020</i> PAHO has in place a corporate Project Management Framework (PMF) and complementary SOP for voluntary contributions that integrate the discipline of risk management across the project life cycle (identification, assessment, monitoring and mitigation). The inclusion of risks in project approvals is further reinforced through a corporate project review process, guided by a review checklist, to verify that risks were identified and incorporated into the project design and results framework to be adequately addressed, particularly for complex projects (i.e. SMART Hospitals, EU funded) (https://intra.paho.org/departments-offices/dd/erp/Pages/proj-sup.aspx). The integration of risks into corporate project management approaches and processes has been completed in close collaboration with the Enterprise Risk Management (ERM) Program, with additional guidance provided on the ERM intranet site (https://paho.sharepoint.com/:p:/r/Tools/RM/_layouts/15/Doc.aspx?sourcedoc=%7B404EFFB9-E2C3-4564-BBD8-9E8F616FB7AD%7D&file=Gestion%20de%20Proyectos.%20Presentacion.pptx&action=edit&mobileredirect=true).</p>	<p>Organization's management of projects funded by voluntary contributions.</p> <p>In light of the consequential ongoing changes to PAHO's project risk management procedures and that new procedures are being implemented during 2021 we consider this recommendation remains open. We will review progress during next year's audit.</p>	
2018 Long Form Report Rec 18	<p>Operationalise its anti-fraud policy as a matter of priority and use the opportunity of the launch to raise awareness of the policy, responsibility of staff and to cite examples of zero tolerance of fraudulent behaviour. From this any identifying training needs should be considered.</p>	<p>The anti-fraud policy was reviewed and discussed at the Audit Committee meeting held in April 2019. The Committee endorsed the policy and offered a few comments and suggestions for the Bureau's consideration. These comments were taken into account and, following the final internal review process, the policy will be issued in June 2019. The implementation of this policy will be accompanied by an awareness campaign and focused training activities. The policy is currently pending clearance by the E-Manual Standing Committee.</p> <p><i>Update March 2020</i> The new anti-fraud and corruption policy has yet to be issued and is still pending approval by the E-Manual review committee. We expect that the policy can be approved before the next meeting of the Audit Committee.</p> <p><i>Update September 2020</i></p>	<p>In our 2019 report we were critical that PAHO had made little progress on improving counter-fraud measures. There has been no further developments here.</p>	Not implemented.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>The anti-fraud and corruption policy has yet to be issued. LEG had kept the issuance of the policy in abeyance pending the approval of the terms of reference for the Investigations Office. These terms of reference have just been finalized and LEG will now take action to review the anti-fraud policy to make sure that it is consistent with INV's terms of reference. As such, it appears that the policy will be issued in the E-Manual in the near future, hopefully by next month. The Ethics and Ombudsman's Offices have already developed a specialized training program on sexual harassment in the workplace. This face-to-face training has already been provided to several entities in HQ, and will be mandatory for all personnel. ETH will also work with senior management to ensure that there is a consistent message at all levels across the Organization that there is no tolerance for sexual harassment in the workplace and to inform staff are of the available resources to assist them. We will have an appropriate strategy in place by the end of the year.</p> <p><i>Update March 2021</i></p> <p>The anti-fraud and corruption policy has still not been issued and remains pending in the Legal Office.</p>		
2018 Long Form Report Rec 19	<p>Perform a systematic analysis of its exposure to fraud risks throughout the organisation and consider whether current control sufficiently mitigate these risks.</p>	<p>AM as chair of the ERM Standing Committee will request that the ERM advisor lead the preparation of a risk profile for exposure to fraud risks.</p> <p><i>Update March 2020</i></p> <p>A draft policy to combat fraud and misconduct has been completed, including a listing of the most significant fraud risks facing PAHO. The ETH office is responsible for rolling out an awareness program to mitigate these risks.</p> <p><i>Update September 2020</i></p> <p>AM/ERM has prepared a draft Fraud Risk Assessment and circulated it in mid-October for validation to Business Owners responsible for managing the relevant internal controls. AM expects the Assessment to be completed, including listing of existing mitigating controls, any residual risks, and any needed actions to mitigate those residual risks.</p> <p><i>Update March 2021</i></p> <p>AM completed the Fraud Risk Assessment Map through a process of validation with all Business Owners. The Assessment will be presented periodically to the ERM CSC for review.</p>	<p>We note the actions taken. We will consider how the Fraud Risk Assessment Map is being used and maintained as part of our future programme of work.</p>	<p>Implemented and closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		No further actions by PAHO.		
2018 Long Form Report Rec 22	Consider developing an overarching assurance map and a formal process for the assurance and compliance providers to share Plans, findings and risks to ensure assurance is coordinated, themes are identified, and that intelligence informs future more integrated work plans.	<p>The Compliance and Risk Management teams will continue development of the compliance program toward a comprehensive assurance map.</p> <p><i>Update March 2020</i> Preparation of assurance map remains in progress.</p> <p><i>Update September 2020</i> AM will convene a workshop of assurance providers to review the assurance processes and develop a draft mapping document linked to PMIS business processes and compliance reports.</p> <p><i>Update March 2021</i> An Assurance Map was completed through consultation with all Business Owners and will be periodically reviewed by the ERMCS.</p> <p>No further actions by PAHO.</p>	We note the actions taken. We will consider how the Assurance Map is being used by the various stakeholders as part of our future programme of work.	Implemented and closed.
2019 Long Form Report Rec 1	Ensure that decisions on impairment of receivable assets for both Assessed and other receivables are considered against the objective criteria and accounting judgements should not be subject to the decision or review processes of Member States	<p>Impairment of receivables other than assessed contributions have been implemented by PAHO and reflected in 2019 Financial Statements. Amendments to PAHO's Financial Regulations were approved in September 2020 by the Directing Council.</p> <p>No further actions by PAHO.</p>	Following the revisions to the Financial Regulations PAHO has developed and implemented appropriate accounting policies for the impairment of receivables.	Implemented and closed.
2019 Long Form Report Rec 2	Review the current composition of the Director's Report to ensure that it presents a fair, balanced and rounded view of the performance of the organization, its financial health and of the key trends and outcomes arising from the use of resources.	<p>The Department of Program and Budget (PBU) leads the Organization's strategic and operational planning, as well as performance monitoring and assessment, a scope that is much broader than financial or budgetary management.</p> <p>The PAHO Program Budget is the official document that sets out the corporate results and targets for the Organization agreed by Member States for a period of two years. It presents the budget that PASB will require in order to support Member States in achieving the maximum impact in health. It follows the programmatic framework agreed upon in the PAHO Strategic Plan. The PAHO budget, whether assigned to the whole Organization or to programmatic or organizational elements, is unfunded fiscal space that requires actual financing. The image of an empty bucket can be useful in visualizing the concept: the bucket is only filled once actual funds</p>	We note PAHO's response and the separation of the financial reporting and the programme budget documents. On this basis we have closed the recommendation as not implemented. Our view remains that there is scope in the Director's Report to include a more rounded	Not implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>are received and assigned to the budget bucket in order to be committed (also known as obligated) and expensed. When developing the Program Budget, PAHO balances between resource mobilization and financial realities with public health priorities, as sometimes these aspects are not aligned.</p> <p>The PAHO Program Budget End of Biennium (EoB) Report represents the main accountability document where PBU coordinates, summarizes and reports on the programmatic and budgetary performance of the organization, thus complementing the financial perspective led by the Finance Department in their Financial Report of the Director. The EoB report is presented every two years to Governing Bodies, following the mandate of PAHO's Program Budget. The End of Biennium Report and the financial Report of the Director are intrinsically different documents that yet complement each other, to conform the two main accountability instruments to Member States.</p> <p>The connecting link between the two reports is the statement V, which summarizes the data from the Financial Report from the programmatic perspective. Both FMR and PBU guarantee that the information provided in both Financial Report and End of Biennium report is accurate and consistent.</p> <p>By having an entire biennial report dedicated to the performance on the programmatic and budgetary perspectives and in line with the financial report, PBU considers this recommendation completed</p> <p>In regards to the current financial situation, PBU has developed a scenarios' model in collaboration with FRM that is updated on a regular basis and assessed with EXM. Using this model, PBU has reported to Member States accordingly, and will continue to do so until the financial situation stabilizes again.</p> <p>No further actions by PAHO.</p>	<p>view of the performance of the organisation, financial health and the outcomes from the use of resources.</p>	
2019 Long Form Report Rec 3	<p>Review the financial statement presentation against the disclosure requirements of the reporting standards and ensure that they remain relevant for users and stakeholders and</p>	<p>Every year the Financial Statements are reviewed against the disclosure's requirements (IPSAS) and updated accordingly. All the suggestions of the Audit Committee have been taken into consideration in the following year. A specific task has been included in the Closure SOP. (See attachment)</p> <p>No further actions by PAHO.</p>	<p>We note PAHO's response, however none of the points of detail explained in our 2019 report have been addressed and we have not</p>	<p>Not implemented. Open.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	seek the views of the Audit Committee on the proposed changes.		seen evidence of the completion of an IPSAS disclosure guide.	
2019 Long Form Report Rec 4	Develop a methodology to monitor actual costs, savings and revenues against the 2121 Virginia Avenue business case and report as appropriate to the governing body to demonstrate the business case aims have been met.	The PASB will prepare an additional annex for the annual report to the SPBA on the MCIF comparing the actual HQ office space operating costs for the prior year with those of 2019, prior to the purchase of 2121 Virginia Avenue. This will provide an indicator of progress against the business case, which estimated significant reduction of these operating costs. Update March 2021 The referenced annex was included in the MCIF report prepared for the 2021 SPBA. No further actions by PAHO.	We note PAHO's response and the revised formulation of the Master Capital Investment Fund report to the governing bodies.	Implemented and closed.
2019 Long Form Report Rec 5	Revisit its real estate condition survey to assess risks and future costs and establish a comprehensive property strategy for consideration by the governing bodies which reflects lessons learned from the ways of working adopted following the pandemic and the impact this may have on the demand for office space.	Prepare additional information for MCIF document adding estimated VA2121 capital repair costs and update of the 2015 condition assessment using an inflation index (document CE156/24, Rev 1). This recommendation overlaps recommendation no.6 of 2018. Update March 2021 AM and GSO prepared a new version of the MCIF Report to the SPBA with an updated capital budget showing the cost of pending capital projects and presenting data to clearly show revenue and expenses for each of the sub-funds of the MCIF. No further actions by PAHO.	We note PAHO's response and the revised formulation of the Master Capital Investment Fund report to the governing bodies. Given the continuing financial pressures and the changing underlying assumptions on which the existing real estate condition survey was performed there is scope for a more comprehensive review of the property strategy. We have therefore reformulated our recommendation in this year's report. See also 2018 Recommendation 5.	This recommendation has been superseded and therefore is closed.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
2019 Long Form Report Rec 6	Engage professional valuers to perform a comprehensive IP-SAS compliant valuation of PAHO's land and buildings as at 31 December 2020 to ensure that the financial statements continue to report the fair value of assets held.	GSO and FRM have coordinated the RFP for the comprehensive 2020 land and building appraisal for all PAHO owned properties in Washington DC and the Americas region. To be implemented by an independent valuer compliant with international valuation standards. A vendor was selected. No further actions by PAHO.	A full professional revaluation of PAHO's land and buildings was completed at 31 December 2020 and reflected in the financial statements as appropriate.	Implemented and closed.
2019 Long Form Report Rec 7	Establish a roadmap for the development of prioritised compliance reporting and provide managers with the tools to monitor internal controls and business processes under their responsibility.	The Compliance Officer will prepare a multi-year roadmap for compliance reporting, to be reviewed by the ERM Standing Committee on a regular basis, and a PMIS dashboard for cost center managers to monitor compliance with internal controls and business processes. Update March 2021 The compliance road map will be shared and discussed at the ERM Standing Committee, but the timing of the roadmap slipped due to priority being placed to the assurance map. The road map will be in the agenda in the Q2 2021 meeting.	We note PAHO's response and that action is ongoing against this recommendation. We have commented further on compliance matters in this year's report.	In progress.
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.	The ERM Standing Committee will continue to review the effectiveness of the monthly compliance system in PMIS and provide a report to EXM. Update October 2020 AM has been tasked by EXM to prepare a proposal for measures to be taken by management in cases where managers are found through the compliance program to be consistently non-compliant with internal controls. Update March 2021 Discussions about appropriate measures are ongoing, in parallel with the development of a "one-stop" dashboard for cost center managers to present all relevant administrative information including compliance status. Once the dashboard is ready, AM will submit a recommendation to EXM on measures to be taken in cases of persistent non-compliance.	We note PAHO's response and that action is ongoing against this recommendation. We have commented further on compliance matters in this year's report.	In progress.
2019 Long Form Report Rec 9	Identify opportunities to further re-align the workforce as part of changes to business processes and wider strategic planning.	PAHO's Strategic Plan 2020-2025 approved by the Governing Bodies, Program Budget and Biennial Work Plans (BWP) are the basis for workforce planning. Although the HR plans for 20-21 included staffing actions for re-alignment, some of those actions were put on hold due to the financial crisis. By mandate of the Director, an Internal Steering Committee (ISC)	We note PAHO's ongoing actions and their expected implementation date of September 2021. We will examine the	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>was established in June 2020 to examine PAHO's existing organizational functions, structure, and budgets, with a view to adjusting these to accommodate the "worstcase" financial scenario. However, in view of the improved cash-flow situation resulting from payments of owed Assessed Contributions by Member States in July 2020, the ISC, composed of the Deputy Director (Chair); Assistant Director, Director of Administration; Head of CSC; Director HRM; Director PBU, and Chief Budget, switched its focus to more strategic concerns, deliberating to develop a series of recommendations to prepare the Organization to enter the 22-23 biennium on solid footing from the technical, administrative and financial perspectives. The recommended actions aim to ensure that PAHO's staffing structure aligns with the Strategic Plan 20-25 priorities and fits within the current and future financial landscape and the post COVID-19 demands for technical cooperation. Some of the Organizational Development Initiatives (ODIs) recommended by the ISC were assigned to HRM and will address recommendation # 9.</p> <p><i>Intended Actions:</i></p> <ol style="list-style-type: none"> 1) conduct a Skills and Competencies Gap Analysis for the Strategic Plan 20-25 which will be used to develop a corporate learning plan. 2) strengthen the process for bottom-up costing and operational planning for the next biennium with specific recommendations for cost center managers on staffing structure; and 3) monitor on a quarterly basis the implementation of the HR Plan by Cost Center to identify adjustments and/or corrective actions if necessary to ensure alignment with the Strategic Plan. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) The bidding process to hire a company to conduct the Skills and Competency Gap Analysis started end of 2020. HRM expects to have the selected the vendor by end of March and begin work on the analysis. Based on the project plan and timeline approved by the Steering Committee, HRM is on track. The study is expected to end with recommendations and a presentation to the Director and EXM members by August 2021. This action is also explained under recommendation 12. 2) HR bottom up costing for 2022-2023 is being led by PBU and HRM. PBU providing the planning and budget strategic direction and HRM providing 	<p>action against this recommendation during next year's audit.</p>	

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>the HR data for cost center managers to plan the work plan and expected HR resources needed. The activity is scheduled to be launched the first week of March 2021. A Standard Operating Procedure (SOP) Bottom-up Planning and Costing for 2022-23 has been developed with instructions and guidance for managers. The SOP describes the high-level process for the development of the PAHO Program Budget (PB) 2022-23 through bottom-up planning and costing, including costing of the scope of work and human resources. This process should result in a high-level estimation of the resources needed by the Pan American Sanitary Bureau (PASB) to deliver planned results for the biennium 2022-23. This process involves consultations across all functional levels of the PASB and with national authorities to identify country needs and priorities in line with regional and global mandates and context.</p> <p>3) This action item has been completed. Following the schedule of the Performance Monitoring and Assessment (PMA), HRM is monitoring the implementation. HRM has developed and launched a dashboard in PMIS - PAHO HR Plan Implementation PMAs 20-21, which provides each cost center manager with a status of the implementation of their respective HR plan. The dashboard contains 4 tabs or subreports, which shows the staffing structure in each semester and the HR plan 20-21 approved so that managers can review progress. The Dashboard has been socialized with all entities and it has been used for PMA-1 (January to June 2021 2020) and PMA-2 (July to December 2021 2020). All cost center managers and their respective Administrator have access anytime to the dashboard for their ongoing monitoring. The corporate performance monitoring and assessment (PMA) is conducted every six months in the Organization and this includes the monitoring and workplans and corresponding HR plan. It is during these corporate established process that entity managers have the opportunity to report on implementation of the plan and request or proposed changes.</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>PAHO uses WHO's recruitment platform -Stellis- not the Workday recruitment module.</p> <p>The root causes of recruitment times include:</p> <p>1) financial situation resulting in moratorium on recruitment processes;</p>	We note PAHO's ongoing actions and their expected implementation date of January 2022. We will examine the	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>2) initiation of recruitment processes without certainty that funds will be available in a timely manner causing cancellation of advertised position or a hold on selection or appointment until funding materializes; 3) delayed review of shortlist by Hiring Manager.</p> <p><i>Intended Actions</i></p> <p>1) initiate recruitment processes only if funding is available and certified by PBU; 2) establish a concrete timeline for each phase of the recruitment process, with defined responsibilities assigned to HRM (advertisement of position and shortlisting of candidate), PBU (certification of funding) and hiring manager (review of shortlist); and 3) implement the Workday Recruitment Module which will facilitate the onboarding process of the selected candidates.</p> <p><i>Update March 2021</i></p> <p>1) This action item has been completed. There is a PMIS business process for job requisition, which is the action that once approved triggers the issuing of a vacancy notice. The job requisition business process includes approval of the cost center manager, PBU and Director's Office. Once this is approved, HRM issues the corresponding vacancy notices. 2) This action item is completed and ongoing. HRM has developed a timeline document describing the selection process and steps to be completed. The document is shared with hiring managers once a vacancy notice is issued. 3) The Workday recruiting module configuration is scheduled to begin in May 2021 and to be launched in January 2022.</p>	<p>action against this recommendation during next year's audit.</p>	
<p>2019 Long Form Report Rec 11</p>	<p>Ensure that recruitment does not commence unless agreed cash resources for the post is secure.</p>	<p>Currently, the recruitment process includes PBU approval of the job requisition (request to advertise), however, PBU certification of funding is only completed upon finalization of the selection process.</p> <p><i>Intended Action:</i></p> <p>1) initiate recruitment processes only if there is evidence (or high probability) that financing for the position is available. Funds must be certified by PBU prior to issuance of vacancy notice.</p> <p><i>Update March 2021</i></p> <p>1) There is a business process in PMIS for job requisition which includes PBU approval. However, with the ongoing financial situation of the</p>	<p>We note PAHO's response and consider this recommendation closed.</p>	<p>Implemented and closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>Organization, there can be changes in funding for positions. As such, even when a position has potential of funding, if priority or funding levels change, this can impact the filling of the post.</p> <p>No further actions by PAHO.</p>		
2019 Long Form Report Rec 12	<p>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>	<p>Investment in learning and development of PAHO personnel, including contingent labour, will depend upon the availability of resources and allocated budget. The Organization has a biennial Corporate Learning Plan developed in consultation with EXM and the PAHO Learning Board. The corporate learning programs were defined according to the organizational learning priorities and the financial resources available.</p> <p><i>Intended Actions:</i></p> <ol style="list-style-type: none"> 1) continue promoting the use of the existing Learning Platforms, available to all personnel, that offer the mandatory courses and extensive learning material on leadership, managerial and technical topics; 2) carry out a Skills and Competencies Gap Analysis which is one of the Organizational Development Initiatives approved by Executive Management. In order to ensure that this initiative meets its purpose, the scope of the analysis has been consulted with the Departments under the Office of the Assistant Director and the PAHO Learning Board; and 3) Develop a corporate learning program that addresses the identified gaps. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) This action item has been completed. Different types of virtual learning have been put in place and offered to all personnel in an effort to support their continuous learning and using the current learning platforms. HRM continues promoting the use of these systems among business owners and personnel, in order to deliver training, share materials and accrue learning hours. 2) The bidding process to hire a company to conduct the Skills and Competency Gap Analysis started end of 2020. HRM expects to have the selected the vendor by end of March and begin work on the analysis. Based on the project plan and timeline approved by the Steering Committee, HRM is on track. The study is expected to end with recommendations and a presentation to the Director and EXM members by August 2021. 	<p>We note PAHO's ongoing actions and their expected implementation date of March 2022. We will examine the action against this recommendation during next year's audit.</p>	<p>In progress.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		3) The development of a corporate learning program will be conducted after the Skills and Gap Analysis has concluded and recommendations have been approved by EXM.		
2019 Long Form Report Rec 13	Ensure that the delivery and take up of training is appropriately monitored and that mandatory training is enforced and appropriately reflected through the performance measurement system.	<p>The Organization will establish an accountability framework to ensure that good practices in human resources management are followed by all managers and training of personnel is appropriately monitored.</p> <p><i>Intended Actions:</i></p> <ol style="list-style-type: none"> 1) train Administrators, HR Focal Points, managers and learning business owners on generating reports available in PMIS; 2) improve monitoring / share reports on completion of training, on a regular basis; 3) develop and publish PPES compliance dashboard (Workday Talent module); and 4) reflect completion status of mandatory training in revised PPES. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) This action item is partially completed. HRM offered a series of learning webinars last year. One of the webinars showed participants how to select their training preferences, online courses and create their own learning path. Participants learned how to generate their own learning reports from the learning platforms. 2) This action is partially completed. Last year, personnel received training on how to generate their own learning reports from PMIS. This webinar included a section for supervisors to learn how to generate training reports for their own teams. These reports facilitate the supervisors' monitoring and follow up actions to those under their supervision. 3) Updates to HRM intranet site are underway with the intention of publishing the PPES dashboard with the information on compliance for staff and managers. 4) HRM is working with WorkDay consultants to enhance the Talent Module including updates to the PPES. 	We note PAHO's ongoing actions and their expected implementation date of December 2021. We will examine the action against this recommendation during next year's audit.	In progress.
2019 Long Form Report Rec 14	Undertake regular repeat surveys of staff engagement to mirror key elements of its delivery of the people strategy	The implementation of the staff engagement surveys is currently under the responsibility of the Advisor on Staff Engagement in the Communications Department. In the event that this initiative is transferred to HRM, and subject to the approval of EXM and resource allocation, the surveys of staff engagement will be carried out every other year.	We note PAHO's intended actions and expected implementation date of December 2021. We will examine the	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	and to provide a focus to address areas of staff concern.	<p><i>Update March 2021</i></p> <p>PAHO's experience demonstrates that successful staff engagement actions involve important functions beyond the implementation of a survey, requiring cross-functional collaboration. HRM and CMU will jointly prepare a presentation with recommendations for the consideration of EXM in 2021.</p>	action against this recommendation during next year's audit.	
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>Permanent support and training is provided to staff and managers on the use of the Performance Review Module of Workday. Periodic reports are sent to Cost Center Managers and EXM Directors with information regarding the status of the performance assessments of the staff within their entities.</p> <p>Intended Actions:</p> <ol style="list-style-type: none"> 1) continue monitoring and reporting to Cost Center Managers and EXM Directors, compliance with performance evaluations by staff members in their respective entities; 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><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) This action is partially completed: During 2020, four compliance reports were shared with entity managers in HQ and HR focal points in Country Offices and Centers for their respective follow up on any pending PPES including 2019. Also, during the third quarter of 2020, HRM included in these reports information about the 2020 Mid-Year Reviews for completion and follow up. <p>The first compliance report of this year (2021) will be sent to all entity managers in HQ and HR focal points in the country offices and centers at the end of March. This report will include information about the finalization</p>	We note PAHO's ongoing and intended actions and their expected implementation date of March 2022. We will examine the action against this recommendation during next year's audit.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>of the 2020 performance evaluation cycle of the staff in each entity and any pending actions. Some country offices have had changes of PAHO/WHO representatives and as part of the administrative transfer, a report on compliance with the performance evaluations of the staff of the entity is included. In addition, a monthly review in the system of finalization of the evaluation is conducted by the HR Specialist in order to expedite the pending processes.</p> <p>2) The achievement of objectives, values and managerial competencies continue to be evaluated during the PPES cycles both in 2019 and 2020. Individual learning plans are yet to be developed, this action is depending on the results of the gap analysis.</p> <p>3) The recommendation of adding the "anytime feedback" as part of the performance cycle will be considered during the review of the Talent Module enhancements.</p> <p>4) Not yet completed.</p> <p>5) Not yet completed.</p>		
2019 Long Form Report Rec 16	<p>Ensure its response to system wide issues relating to sexual harassment form a clear part of mandatory training and staff awareness sessions and that the Organization should ensure that a culture of zero tolerance is clearly communicated by senior management.</p>	<p>The Ethics and Ombudsman's Offices have already developed a specialized training program on sexual harassment in the workplace. This face-to-face training has already been provided to several entities in HQ, and will be mandatory for all personnel. ETH will also work with senior management to ensure that there is a consistent message at all levels across the Organization that there is no tolerance for sexual harassment in the workplace and to inform staff are of the available resources to assist them. We will have an appropriate strategy in place by the end of the year.</p> <p><i>Update March 2021</i></p> <p>ETH's focus during the latter part of 2020 and early 2021 was to develop a policy against the sexual exploration and abuse of people in vulnerable situations. A policy has been prepared and is also pending review by LEG. In light of feedback recently received, it is expected that this policy will be issued shortly.</p> <p>ETH continues to provide training to prevent sexual harassment in the workplace and recently held a training session with two departments at HQ. As part of this training, ETH solicited information from participants, on an anonymous basis, regarding their perception about sexual harassment in the workplace and what can be done to address/prevent it. Apart from</p>	<p>We note PAHO's ongoing and intended actions and expectation that the policy against the sexual exploration and abuse of people in vulnerable situations will be issued shortly.</p> <p>We will examine the implementation of the policy during next year's audit.</p>	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		raising awareness during these training sessions, ETH will use the feedback it receives to develop an appropriate strategy on the prevention of sexual harassment in the Organization.		
2019 Long Form Report Rec 17	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>Currently the HR planning process provides an opportunity to initiate recruitment in advance to enable succession planning. The HR planning exercise requires the Cost Center Managers to analyze the upcoming retirements, scheduled rotation for the internationally recruited staff in country offices and expiration of staff contracts. The information provided by the Headcount Planning module of Workday allows entities to anticipate recruitment or reassignment actions to ensure business continuity and knowledge transfer.</p> <p><i>Intended actions:</i></p> <ol style="list-style-type: none"> 1) carry out training sessions for Cost Center Managers to <ol style="list-style-type: none"> a) brief them on the new HR Planning reports available, and b) emphasise the relevance of a systematic and periodic monitoring of the implementation of HR plans to ensure timely staffing actions that are aligned with the programmatic priorities of the Organization; 2) develop a Career Development / Reskilling Framework; and 3) utilize Skills and Competencies Gap Analysis to identify the interventions required to build the right experience and skills that enable internal staff to assume roles as they become vacant. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1a) The corporate HR planning for 2022-2023 will start in October 2021 at which time, HRM will include in the corporate planning SOP guidance to managers on planning for positions that will become vacant due to retirement during the biennium and advise managers to use those opportunities to redefine and update profiles require for the new areas of work aligned to the Organization's Strategic Plan. 1b) This action item has been completed. The report created by HRM enables managers to monitor the implementation of the HR Plans and take corrective measures to ensure timely staffing actions. 2) and 3) HRM will be able to work on a reskilling framework, as well as an skills inventory once the Skills and Competency Gap Analysis has been finalized, recommendations have been presented to the Director of PAHO and EXM members for their consideration and approval. 	We note PAHO's ongoing and intended actions and their expected implementation date of March 2022. We will examine the action against this recommendation during next year's audit.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
2019 Long Form Report Rec 18	Consider more granular performance measures in its output indicators which provide more measurable indicators linked to the key organisation and people strategy objectives.	<p>Entities' performance is regularly monitored in PMA every six months, i.e. output indicators (products and services) are linked to strategic objectives.</p> <p><i>Intended Actions:</i></p> <ol style="list-style-type: none"> 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; 2) Develop an implementation Roadmap for the period 2021-2023; 3) Develop a comprehensive budget for the allocation of resources to fund the initiatives of the Roadmap; and 4) implement managerial accountability scorecards in PMIS, to measure performance at the managerial and department level. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) This action item has been partially completed. HRM discussed a new strategy with ACIPS members in August 2020. People Strategy 2.0 was further refined with AM and submitted to Director in March 2021 for approval. 2) This action item has been partially completed. Roadmap initially developed for 2021 - 2023, and later expanded to 2021 - 2025 to align to Strategic Plan as per Director's request. Implementation plan submitted to Director in March 2021 for approval. 3) This action item has been partially completed. A comprehensive budget associated with each People Strategy 2.0 initiative was developed and submitted to Director in March 2021 for approval. 4) The implementation of managerial accountability dashboards in PMIS remains pending. 	We note PAHO's ongoing and intended actions and their expected implementation date of July 2021. We will examine the action against this recommendation during next year's audit.	In progress.
2019 Long Form Report Rec 19	Strengthen the governance around HR by: <ul style="list-style-type: none"> •devise more comprehensive and clear reporting to Member States on HR and the HRM function, providing a broader range of financial, performance and data and using benchmarking techniques; and 	<p>HR management information is currently available in PMIS dashboards and reports:</p> <ol style="list-style-type: none"> 1) PAHO Staff Demographic Dashboard <ol style="list-style-type: none"> a) PAHO staff by position type, b) PAHO staff by location, c) PAHO staff by cost center and position type, d) PAHO staff by nationality, e) PAHO staff by age group, f) PAHO staff average age 2) PAHO HRM Trends in Recruitment and Selection Dashboard <ol style="list-style-type: none"> a) Position by Category, b) Positions by Grade, c) Nationality, d) Positions by Cost Center, e) Candidate Source, f) Gender Distribution <p><i>Intended Actions:</i></p>	We note the actions taken in response to the recommendation. In our view, there remains a need to develop a wider range reporting on HR performance as set out in our 2019 report.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
	<p>•develop a systematic suite of HR management information and cost data for reporting to all Executive Management meetings using PMIS functionality.</p>	<p>1) propose changing the reporting period of staff statistics as of 15 December of each year, to allow for the validation of data and wider range of information; 2) establish targets to enable benchmarking of HR data of interest and comparison with WHO and other UN Organizations; and 3) partner with PBU to provide trend analysis on staffing costs.</p> <p><i>Update March 2021</i></p> <p>1) This action item has been completed. Decision memo was sent to the Director of Administration providing rationale and recommendation. HRM's request was approved. The annual report on human resources management reflects staff statistics as of 15 December. 2) Not yet completed. 3) HRM discussed staffing costs with PBU as related to ODI on voluntary separation packages. HRM data specialist when hired, will work with PBU to ascertain if a cost analysis can be included in a corporate reporting mechanism and reports to Governing Bodies.</p>		
2019 Long Form Report Rec 20	<p>Consider whether optimum use is being made of the HR function to contribute systematically to change management and organizational re-design in PAHO.</p>	<p>HRM contributes to organizational re-design by supporting reprofiling exercises and actively participating in major corporate planning activities, such as BWP and HR planning, PMAs, strategic meetings with EXM for HR, and funding discussions. HR consultation mechanisms are established to ensure that HR policies and organizational development proposals are aligned with the PAHO People Strategy, the Staff Rules and Regulations, and promote good human resources management practices.</p> <p><i>Intended Actions:</i></p> <p>1) Regularly present EXM with business cases for change that promote optimization, innovation and agility; 2) Provide guidance and promote partnership with managers to ensure that organizational re-design decisions are appropriate and do not create legal liabilities for the Organization; 3) Maintain regular communication and coordination with the PAHO/WHO Staff Association.</p> <p><i>Update March 2021</i></p> <p>1) This action item has been completed and is ongoing. HRM has presented various policy amendments to advisory committees and EXM in support of</p>	<p>We note the actions taken in response to the recommendation. This past year has been difficult and PAHO need to ensure that the new HR strategy reflects a post-Covid operating model for PAHO.</p>	<p>In progress.</p>

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
		<p>change management initiatives, e.g. enhancements to maternity leave, telework policy, review of internships and volunteers.</p> <p>2) This action item has been partially completed and is ongoing. HRM provides guidance to all cost center managers during the HR Planning process and prior to managers advertising vacant positions. HRM advises managers on financial liabilities when new positions are created.</p> <p>3) This action item has been completed and is ongoing. HRM regularly consults with the Staff Association on any item related to conditions of service, e.g. telework outside the duty station, proposed amendments to Staff Rules and policy concerns.</p>		
2019 Long Form Report Rec 21	<p>Review HRM's resourcing and skills capacity to fully utilise PMIS to ensure greater focus online management compliance with HR rules and investigate a suite of reports which could be used to hold managers to account for their HR activity. Data analytics should also be utilised to identify root causes of regular non-compliance to inform policy and controls.</p>	<p>Policy compliance: Workday is configured to reflect Staff Rules and HR policies, e.g. updated amounts of allowances, accrual and utilization of annual leave. The annual verification, which is one of the most relevant process to ensure proper administration of the staff compensation package, has been enhanced achieving a compliance of 100%.</p> <p><i>Intended Actions:</i></p> <ol style="list-style-type: none"> 1) implement managerial accountability scorecards; 2) further enhance control and monitoring of contingent workers contract duration, extension and insurance enrollment; 3) develop HR metrics and a suite of executive reports/dashboards to enable effective management of entity staffing structure, promote accountability and compliance. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) The implementation of managerial accountability dashboards in PMIS remains pending. 2) This action item has been completed and is ongoing. A potential gap in insurance coverage for interns, volunteers, and temporary advisors was eliminated by registering their insurance directly in the provider's online portal at the time of hiring rather than sending a monthly list to WHO for processing. 3) Dashboards are available in PMIS for manager review of entity metrics. Updates to HRM intranet site are underway with the intention of facilitating access to available dashboards. HRM is working with the Compliance Advisor in AM to advance this project. 	<p>We note PAHO's ongoing and intended actions and their expected implementation date of December 2021. We will examine the action against this recommendation during next year's audit.</p>	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
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>Due to the anticipated resource-constrained environment in the coming years, maintaining or increasing the number of staff positions will be difficult and as a result the Organization may continue relying on a combination of staff and non-staff contracts. In order to develop a revised Consultant Policy that addresses the Organization's needs, HRM consulted all cost center managers, the Joint Advisory Committee (JAC) and the Advisory Committee for the Implementation of the People Strategy (ACIPS). Additionally, a benchmarking analysis with other UN Organizations was carried out.</p> <p><i>Intended Actions:</i></p> <ol style="list-style-type: none"> 1) Implement the revised Consultant Policy which regulates the use of that contractual mechanism. 2) Re-assess the use of consultants vis a vis the programmatic implementation and the financial situation of the Organization; and 3) Review contractual arrangements, including Project-based staffing modalities. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1. The revised consultant policy is still under consideration. 2. This action item has been partially completed. HRM has reported rationale for continued use of consultants (Ref report to Member States). The number of consultants is increasing in response to the COVID-19 emergency and following improved financial situation of the organization (the cost-containment measures have been slightly relaxed). 3. This action item has been partially completed. HRM has reviewed the use of UN Volunteers and Junior Professional Officers sponsored by Member States, and greater use of specialists seconded from collaborating centers. An increase in the use of consultant contract mechanism is expected as the easiest way to get the much needed technical support compared to the cost of hiring fixed term and short term positions. The contracts of consultants financed with "flexible" funds can be only until 31 Dec 2021 at the latest. 	We note PAHO's ongoing and intended actions and their expected implementation date of December 2021. We will examine the action against this recommendation during next year's audit.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: March 2021	External Auditor's view	Status
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 following the April 2020 IES review. These should include more frequent reporting on key metrics and compliance aspects to senior management.	<p>HRM continues to create preventive and validation measures to facilitate policy compliance for the hiring of contingent workers. Comprehensive Standard Operating Procedures (SOP) are available and provide instructions to the HR Partners within hiring entities and personnel in general. Annex B of the SOP also contains a list of all documents HR Partners are required to upload in Workday. HRM created a report, "Find out if the person I want to hire already exists in Workday" to avoid duplicating profiles when hiring. Annex A of the SOP was updated to include enrollment in the pandemic insurance of those consultants working on the response to a WHO declared pandemic.</p> <p><i>Intended actions:</i></p> <ol style="list-style-type: none"> 1) Revise the Monthly Compliance Report submitted by Cost Center Managers to include confirmation of compliance with any new policy and procedure regarding contingent workers; 2) Streamline the competitive selection process for the hiring of consultants to ensure that candidates considered meet the minimum requirements indicated in advertisement; 3) Assess the possibility to create "condition rules" in Workday for the hiring (create position) and termination process for consultants. <p><i>Update March 2021</i></p> <ol style="list-style-type: none"> 1) The monthly Compliance Report will be revised upon issuance of a revised consultant policy. 2) The implementation of the Recruitment module will help with the streamlining of the consultant selection process. Implementation is projected to start in May 2021 and will last till the end of December 2021. 3) This action item has been partially completed. Some requests have been submitted for IT assistance to implement some changes in the business process related to consultants. 	We note PAHO's ongoing and intended actions and their expected implementation date of January 2022. We will examine the action against this recommendation during next year's audit.	In progress.



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