



Pan American Health Organization



Regional Office of the
World Health Organization





Status of the Implementation of International Public Sector Accounting Standards

Road to IPSAS 2010

146th Session of the Executive Committee
21-25 June 2010



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Road to IPSAS 2010



Requirements:

1. Annual audited financial statements
 2. Accrual of income and expenditure
 3. Capitalization of property, plant, and equipment
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Road to IPSAS 2010

Milestones Completed in 2007-2010

- Received approval and funding from Governing Bodies for the IPSAS implementation project
- Revised the Organization's Financial Regulations and Rules
- Provided corporate-wide IPSAS training sessions
- Established policies, procedures, and information systems for the accrual of revenue, expenses, and benefits
- Determined the "fair value" of the Organization's land parcels and buildings based on appraisals by real estate valuation experts
- Determined the Organization's long-term liabilities for terminal entitlements and after-service health insurance based on valuations by professional actuaries
- Established policies/procedures for the capitalization of fixed assets
- Identified categories of "in-kind" contributions provided by Member States
- Determined PAHO's inventories held for sale or in support of PAHO's mission
- Modified PAHO's information systems to support the IPSAS requirements



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Current Implementation Activities

- Finalize the IPSAS-compliant Accounting Manual
- Analyze PAHO's legal relationships with regional and sub-regional centers
- Discuss the detailed application of IPSAS to PAHO's financial transactions and statements with PAHO's External Auditor
- Prepare pro-forma financial statements



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IPSAS Financial Statements

- Statement of Financial Position (i.e., Balance Sheet)
- Statement of Financial Performance (i.e., Income Statement)
- Statement of Changes in Net Assets/Equity (new)
- Statement of Cash Flow
- Comparison of Budget and Actual Amounts
- Notes



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Impact of International Public Sector Accounting Standards on PAHO's Statement of Financial Position

<u>Assets</u>		
Cash and Cash Equivalents	—	—
Accounts Receivable:		
Quotas	Increase asset: \$32.4 m	Accrual of unpaid quota assessment balances through 31 December 2009 Accrual of all quota assessments for current year—i.e., as of 1 January 2010
Sundry	—	—
Inter-party Transfers: WHO, Centers, PAHEF	—	—
Inventories (Goods for Sale or Achieving of PAHO's mission)	Increase asset	New category with recognition of inventories held for sale or achieving of PAHO's mission (pharmaceutical drugs, etc.)

Impact of International Public Sector Accounting Standards on PAHO's Statement of Financial Position

Fixed Assets (Property, Plant, and Equipment)		
Land and Buildings	Increase asset: \$59.4 m	Land and buildings recognized at "fair value" as of 31 December 2009 based on opinion of real estate "valuation professionals"
Other Fixed Assets	Increase asset	Recognition of new assets with value > threshold as of 1 January 2010 and implementation of depreciation expense
Investments	Increase/ Decrease asset: +\$1.5m (earned interest) + \$1.2m (market value)	Accrual of interest and recognition of market value of investment portfolio based on advice of "financial expert"

Impact of International Public Sector Accounting Standards on PAHO's Statement of Financial Position

<u>Liabilities and Funds</u>		
Accounts Payable:		
WHO, Centers, PAHEF	—	—
Unliquidated obligations	Decrease liability	Accrual of liabilities for services/goods completed/delivered by end of financial period (i.e., calendar year for PAHO)
Terminal Entitlements	Increase liability: \$9.9m with \$9.9 m available	Accrual of future terminal entitlement expenses for current staff determined by professional actuaries
After-Service-Health Insurance (ASHI)	Increase liability: \$202.5m with \$22.3m available from Terminal Entitlements	Accrual of future health insurance expenses for current retirees and staff by professional actuaries
Working Capital Fund	—	—
“Surplus”/“Unfunded Liability”	<\$85.7m>	Net Change due to recognition of accruals (receivables and payables), including quotas, “fair values” of land and buildings, terminal entitlements, after-service health insurance, etc.



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