



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



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STATUS OF IMPLEMENTATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Introduction

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

Analysis: Significant Benefits of Implementing the International Public Sector Accounting Standards (IPSAS)

2. International Public Sector Accounting Standards, high quality global financial reporting standards which apply to public sector entities, are expected to enhance transparency and accountability, as well as comparability between public sector entities.
3. The implementation of IPSAS will benefit the Organization through:
 - (a) Providing annual audited financial statements to the Organization's Governing Bodies, partners, stakeholders, and donors;
 - (b) Accruing income and expenditures as the income is earned, the services are implemented, or the goods are delivered, including the full recognition of the Organization's liabilities for staff members' future entitlements; and

- (c) Capitalizing assets and recognizing depreciation expenses for property, plant, and equipment, which will describe PAHO's capital equipment, or fixed assets, in much greater detail than they are currently reflected in the Organization's financial statements.

4. The status of the implementation activities which must be completed for the transition to International Public Sector Accounting Standards is identified in the accompanying chart entitled "Status of Implementation of International Public Sector Accounting Standards."

5. The 48th Directing Council, in Resolution CD48.R1 entitled "Use of Program Budget Income Exceeding the Authorized Effective Working Regular Budget 2006-2007," approved with respect to the initial phase, and with immediate effect, the project "Strengthening the Organization's capacity to be IPSAS compliant by the year 2010" for the amount of US\$ 300,000. These financial resources have enabled the Organization to fund:

- Professional actuarial services for the determination of the long-term liabilities for accrued annual leave, repatriation grant and travel, household removal, and after-service health insurance;
- A project manager for the IPSAS implementation;
- The services of a member of the International Public Sector Accounting Standards Board to provide expert advice on the application of the new accounting standards to the Organization;
- The Organization's participation as a member of the United Nations Task Force on the implementation of International Public Sector Accounting Standards.

6. Future costs for the implementation of the International Public Sector Accounting Standards will include:

- The increase in costs associated with annual audits of the Organization's accounts;
- The services of professional actuaries to value the Organization's long-term liabilities;
- The cost of new United Nations IPSAS training modules.

7. As the Organization advances in the IPSAS implementation, the limitations of its current corporate financial and accounting system, the Financial Accounting and Management Information System (FAMIS), and the PAHO-designed Office Management Information System (OMIS) used by the country offices, to support accrual accounting standards becomes more evident. A new system is essential to provide robust support for accrual accounting and International Public Sector Accounting Standards.

8. The Organization's Corporate Management Systems working group is discussing the options for the implementation of a new management information system, including consideration for the "fast-tracking" of the implementation of new financial modules. The goal is to complete the transition to the financial modules in a new management information system prior to the implementation of the new Mid-term Strategic Plan in January 2013.

Status of the Implementation of International Public Sector Accounting Standards

Requirements/Activities	Completed	In Progress	Summer 2009	Fall 2009
1. Receive approval and funding from Governing Bodies to implement IPSAS in 2010.	√			
2. Receive agreement from the External Auditors to perform annual audits of PAHO's financial accounts beginning in 2010, if requested.	√			
3. Implement the Expenditure Recognition Policy for all funds.	√			
4. Provide introductory corporate training on IPSAS.	√			
5. Implement Expenditure Accrual : Record financial commitments in year when responsibility is assumed—i.e., services completed or goods delivered:				
• Expenditure Recognition Policy—accrue and pay for activities, goods, and services in appropriate year.	√			
• Salaries—accrue and pay each month's salary as earned.	√			
• Statutory entitlements (i.e., education grant and travel, home leave, etc.)—accrue percentage each month as earned and pay as claims are presented.	√			
• UN Joint Staff Pension Fund—accrue percentage each month as earned and transfer funds UNJSPF for the payment of future pension benefits.	√			
• Staff health insurance—accrue percentage each month as earned and pay as claims are presented.	√			

Requirements/Activities	Completed	In Progress	Summer 2009	Fall 2009
<p>6. Determine Valuations of Long-term Liabilities</p> <ul style="list-style-type: none"> • Internal PAHO Estimate: <ul style="list-style-type: none"> – Terminal entitlements accrual (i.e., annual leave, repatriation grant/travel and household goods removal) • Professional Actuarial Valuations <ul style="list-style-type: none"> – After service health insurance (ASHI) accrual* – Terminal entitlements accrual (i.e., annual leave, repatriation grant/travel and household goods removal) <p>* May result in “negative” Net Assets</p>	√	√ √		
<p>7. Capitalize “fixed assets”</p> <ul style="list-style-type: none"> • A new category of Property, Plant, and Equipment established in PAHO’s Financial Statements. • “Fixed assets” exceeding \$5,000 will be assigned a useful life and the depreciation will be expensed. • Managers must ensure control and reporting of property, plant, and equipment. 		√ √ √		
<p>8. Identify “in-kind contributions” provided to PAHO—i.e., services of MOH staff and consultants, office space provided by the ministries, etc.</p>		√		
<p>9. Identify PAHO’s inventories held for sale—i.e., publications, CDs, etc.</p>		√		
<p>10. Determine which entities will be consolidated into PAHO’s financial statements—i.e., centers, AMRO funds, etc.</p>		√		

Requirements/Activities	Completed	In Progress	Summer 2009	Fall 2009
11. Establish current valuations for PAHO's land and buildings.		√		
12. Submit proposed changes in Financial Regulations and Rules to the Governing Bodies: 144th Executive Committee, 49th Directing Council, and 145th Executive Committee: <ul style="list-style-type: none"> • Income accrual • Fixed asset capitalization and depreciation • Recognition of long-term liabilities • Annual external audits 			√ √ √ √	√ √ √ √
13. Finalize application of IPSAS accounting standards to PAHO's accounts.			√	√
14. Develop and Implement System Modifications to Support IPSAS: <ul style="list-style-type: none"> • Income accrual • Expenditure accrual • Fixed asset capitalization and depreciation 			√ √ √	
15. Provide Corporate Training on IPSAS: <ul style="list-style-type: none"> • United Nations computer-based training modules • "Expert" training by a member of the IPSAS Board 			√ √	√ √
16. Finalize Accounting Manual: <ul style="list-style-type: none"> • Policies and procedures • Financial statement reporting 				√ √