

166th SESSION OF THE EXECUTIVE COMMITTEE

Virtual Session, 22-23 June 2020

Provisional Agenda Item 5.2

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FINANCIAL REPORT OF THE DIRECTOR AND REPORT OF THE EXTERNAL AUDITOR FOR 2019

Introduction

1. In accordance with the Financial Regulations of the Pan American Health Organization (PAHO), and as stipulated in the Letter of Engagement signed between PAHO and the National Audit Office of the United Kingdom of Great Britain and Northern Ireland (NAO), the Financial Report of the Director and the Report of the External Auditor should be signed no later than 15 April. Furthermore, PAHO is required to submit these documents to the Executive Committee, in its June meeting.

Current Situation

2. Unfortunately, the 15 April deadline was not met this year due to the extraordinary circumstances. Despite the challenges posed by the COVID-19 pandemic, the Pan American Sanitary Bureau and NAO teams have worked diligently to prepare and review the financial statements of the Organization to the point where an opinion could be rendered. However, as a result of the current uncertainty surrounding the status of unpaid assessed contributions on an unprecedented scale due from several major Member States, to serve the best interests of the Organization, PAHO has requested that NAO delay issuing the opinion on the financial statements until such time as the situation is clarified.

3. If the NAO were to issue an opinion at this time, it would have significant reservations about the recoverability of material outstanding contributions and would need to seriously question the ability of the Organization to prepare accounts on a going concern basis. Under the current financial circumstances, these issues would most likely result in a qualified audit opinion. PAHO has never received a qualified opinion in its history, and such an opinion could have serious ramifications for donor and partner relationships, as well as an impact on banking and investments.

4. NAO is invited to speak to the Executive Committee Members regarding the progress and status of the audit. The Organization should be in a position to issue the

Financial Report of the Director by the opening of the Directing Council in September 2020.

Action by the Executive Committee

5. The Executive Committee is invited to take note that as a result of the current uncertainty surrounding the status of unpaid assessed contributions on an unprecedented scale due from several major Member States, PAHO has requested that NAO delay issuing its opinion on the financial statements until such time as the situation is clarified. This request is made to serve the best interests of the Organization.

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