

FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR

1 January 2006 - 31 December 2007



**Pan American
Health
Organization**



Regional Office of the
World Health Organization

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Director's Comments

1. Overview

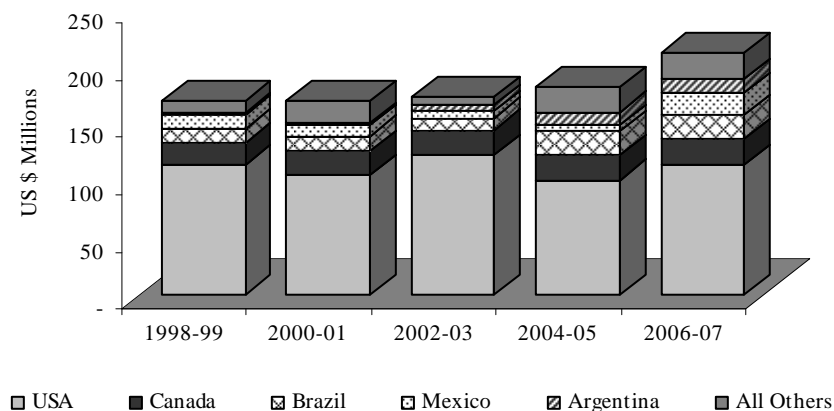
During the 2006-2007 biennium, the Pan American Health Organization (PAHO) mobilized significantly greater financial resources which enabled the Organization to strengthen its efforts to improve public health, promote well-being, reduce inequalities and social exclusion, and contribute to the health of the people of the Americas. With the increased financial resources, the Organization also provided a more comprehensive response to countries' needs and continued to promote Health for All, while moving forward in its efforts to tackle the unfinished agenda, protect health achievements, and respond to the challenges in public health faced by the Member States.

The Organization's total funding reached \$1.16 billion, \$359 million greater than 2004-2005, and the highest level of income for the Organization in any biennium. This increased income resulted from (1) the payment of Member States' quota arrearages, (2) the greater mobilization of voluntary contributions for public health, (3) the increase in procurement of essential public health vaccines and supplies on behalf of the Member States, and (4) the increased funding from the World Health Organization for the Region of the Americas. The Organization received the highest level of quota assessment payments in over ten years with current 2006-2007 biennium quota assessment receipts reaching \$155.1 million and the payment of arrearages reaching \$54.8 million. Voluntary contributions for public health reached \$290.9 million, which doubled the 2004-2005 level. The most striking increase in financial resources occurred in the Organization's procurement activities on behalf of Member States which grew from a cumulative total of \$338.9 million in 2004-2005 to \$513.7 million in 2006-2007, an overall increase of 52% for the Organization's three procurement funds. The Organization received and implemented a total of \$119.8 million from the World Health Organization, an increase of \$23.0 million over the last biennium.

2. Biennial Program Budget: Financing

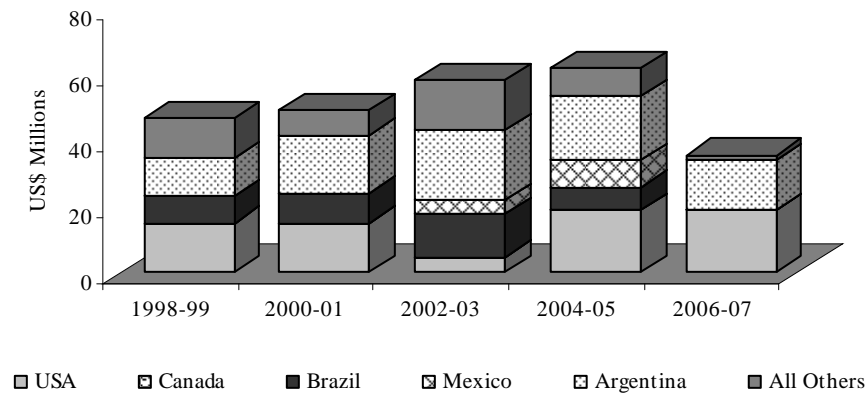
The Organization's Biennial Program Budget is financed by two components: (1) the Member States' assessed quota contributions and (2) miscellaneous income. The receipts of current and prior biennia assessed quota contributions in 2006-2007 totaled \$155.1 million and \$54.8 million, respectively. The rate of collection of current biennium assessed quota contributions for 2006-2007 was 84%, compared with 73% for the 2004-2005 biennium. Twenty-eight Member States paid their 2007 assessed quota contribution in full, seven Member States paid it in part, and four made no payments toward their 2007 assessed quota contribution.

Assessed Quota Contributions Collected



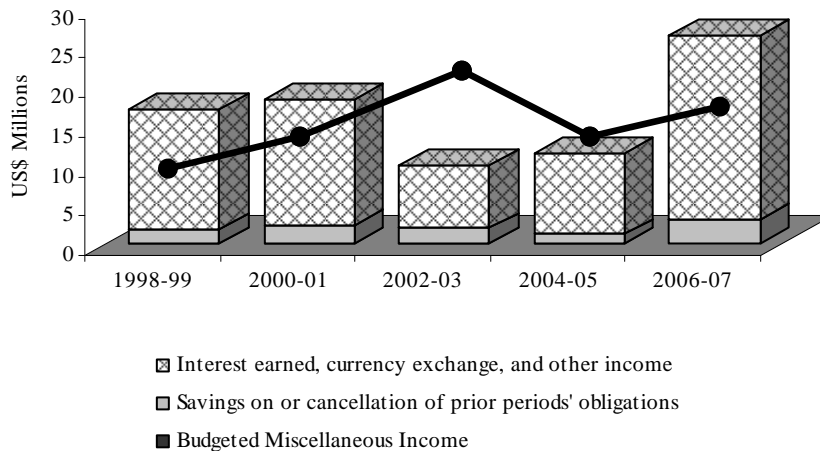
Total unpaid assessed quota contributions, including amounts due for previous financial periods decreased from \$61.7 million on 31 December 2005 to \$35.4 million on 31 December 2007. Within this figure, arrears exceeding two years were \$6.9 million. Each year the Delegates to the Directing Council or the Pan American Sanitary Conference review at length the financial circumstances of those Member States who are in arrears in their assessed quota contributions and subject to Article 6.B of the PAHO Constitution. As of 1 January 2008, there were only two Member States subject to Article 6.B, which is fewer countries than in previous biennia. The Organization is in continual communication with the respective Member States to assist them in resolving arrears through deferred payment plans and the payment of assessed quota contributions in local currency.

Assessed Quota Contributions Due



Miscellaneous income, which includes the interest earned on the Organization's investments, the gains and losses as a result of currency movements, savings on prior periods' obligations, and other income, is a significant funding component of the Biennial Program Budget and supplements the level of the Member States' assessed quota contributions. For 2006-2007, the Organization budgeted \$14.5 million in miscellaneous income. The actual amount realized for the 2006-2007 biennium was \$26.4 million which is comprised of \$23.1 million in interest earned on the funds managed by the Organization, a savings of \$3.0 million in cancellation of prior period's obligations, a loss of \$399,000 on currency exchange, and the receipt of \$660,000 in other income.

Miscellaneous Income



3. Biennial Program Budget: Implementation

The expenditures for the Biennial Program Budget's activities in support of promotion of international health programs reached \$182.2 million compared to PAHO's Biennial Program Budget of \$187.8 million, resulting in an overall financial implementation rate of 97%. After expenditures of \$182.2 million for international health programs, provision for delays in collection of assessed contributions, payment of prior years' assessed quota contribution, savings on or cancellation of prior periods' obligations, and transfers, the Organization ended the 2006-2007 biennium with an excess of income over expenditure of \$38.8 million in the Biennial Program Budget.

Biennial Program Budget: Financial Highlights

	<u>Actual</u>	<u>Budgeted</u>
Collection of 2006-2007 assessments	155.1	183.6
<i>Less:</i> Tax Equalization	(10.3)	(10.3)
Prior year's assessed quota contributions	54.8	
Interest income, currency exchange, and other income	23.4	14.5
Savings on or cancellation of prior periods' obligations	3.0	
Total Funds available	226.0	187.8
<i>Less:</i> Actual 2006-2007 operating expenditure	(182.2)	(187.8)
Net Surplus from operations	43.8	
<i>Less:</i> Transfer to Expanded Program on Immunization	(3.0)	
Transfer to Capital Equipment Fund	(1.8)	
Transfer to Building Fund	(.2)	
Total changes in fund balances	<u>38.8</u>	

The significant Biennial Program Budget expenditure categories are shown below, in millions of United States dollars:

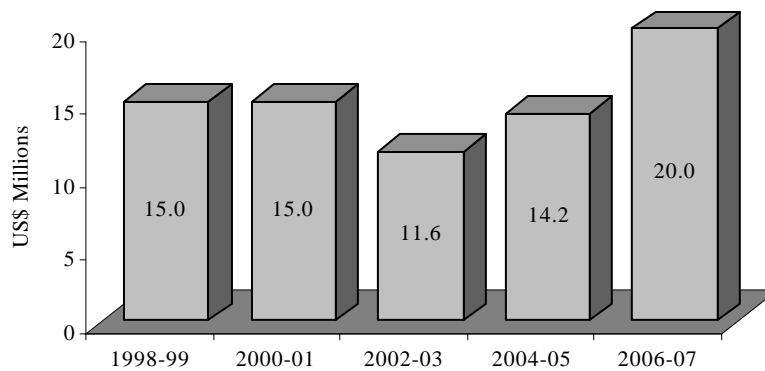
Staff: salaries and entitlements	\$114.9
Consultants, local and short-term staff	20.8
Staff duty travel	5.4
Contractual services	7.7
Seminars and courses	9.8
Information technology	6.0
General operating expenses	9.1
Other costs	8.5
Total Regular Program Budget Expenditure	<u>\$182.2</u>

The most significant expenditure category for the implementation of international health programs is personnel costs, which reflects PAHO's commitment to providing technical cooperation to the Member States in order to strengthen public health in the countries of the Americas. The expenditures for duty travel, contractual services, seminars and courses, information technology, and general operating expenses contribute to this commitment.

4. Working Capital Fund

At the beginning of the 2006-2007 biennium, the Organization's Working Capital Fund balance was \$14.2 million. With the accumulation of \$38.8 million in "Total Changes in Fund Balances" for the PAHO Regular Budget during the 2006-2007 biennium, the Working Capital Fund would have exceeded its \$20.0 million authorized ceiling level established by the 44th Directing Council in 2003. Therefore, in compliance with Financial Regulation 4.4, \$33.0 million were transferred to the Holding Account. Thus, as of 31 December 2007, the Working Capital Fund's balance was \$20.0 million. In September 2008, the 48th Directing Council will determine the utilization of the funds in the PAHO Holding Account.

Level of Working Capital Fund



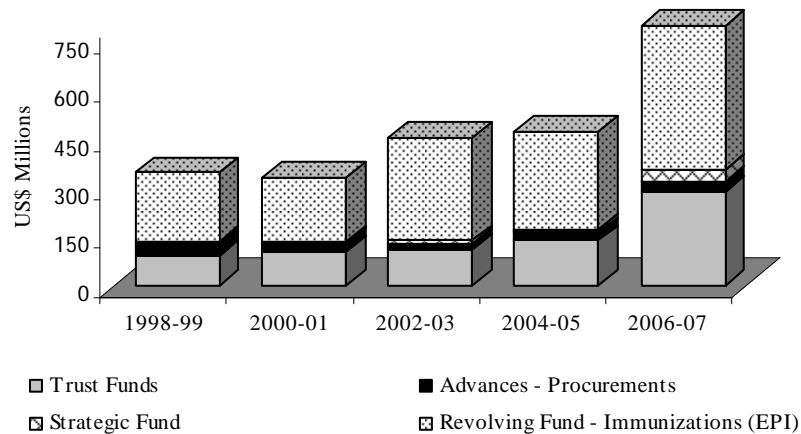
5. Biennial Program Budget: WHO Allocation and Other Sources Funds from WHO

During 2006-2007 the Pan American Health Organization/Regional Office of the Americas (AMRO) implemented \$75.1 million from the Biennial Program Budget Allocation of the World Health Organization (WHO) in order to implement the international health programs established by the World Health Assembly for the Region of the Americas. In addition, the Organization implemented \$44.7 million in Other Sources Funds from WHO. In comparison, during 2004-2005, the Organization implemented \$72.5 million in WHO Regular Program Budget Allocation funds and \$24.3 million in Other Sources Funds from WHO. Therefore, the total WHO funding implemented by PAHO/AMRO during the 2006-2007 biennium reached \$119.8 million, an increase of \$23.0 million from the previous biennium.

6. PAHO's Other Sources Funds

The increased financial resources for public health in the Region were mobilized through bilateral actions, strategic alliances and partnerships, the adoption of a programmatic approach, and an intensification of the public policy dialogue with regional and sub-regional organizations. The combined Trust Fund income and the Member States' funding for procurement services increased to \$804.6 million, a growth of \$328.6 million, or 69%, over the previous two year period.

Other Sources Funds



7. PAHO's Trust Funds

The Pan American Health Organization's image as a reliable partner for the Member States, stakeholders, partners, and the people of the Americas was a catalyst for PAHO receiving \$290.9 million in voluntary funds to assist the peoples of the Americas in attaining the best possible health for all. These funds are composed of \$112.7 million from governments for external projects, \$156.0 million from governments for internal projects within their own countries (\$148.9 million for Brazil), \$11.3 million from international organizations, \$10.7 million from private and public sector organizations, and \$208,000 from other voluntary contributions. The most significant voluntary fund contributions for projects external to the respective countries were received from Brazil (\$10.1 million), Canada (\$21.7 million), Norway (\$3.1 million), Spain (\$27.7 million), Sweden (\$10.0 million), the United Kingdom (\$3.4 million), and the United States (\$33.7 million).

The most significant contributions from international organizations were received from the European Community (\$2.0 million), the International Bank for Reconstruction and Development (\$1.2 million), the U.N. Development Program (\$661,200), the Inter-American Development Bank (\$713,000), the U.N. Environment Program (\$4.9 million), and the U.N. International Strategy for Disaster Reduction (\$1.2 million). The largest contributions from the private and public sectors were received from the Pan American Health and Education Foundation (\$2.3 million), the Global Alliance (\$1.3 million), the Albert B. Sabin Institute (\$1.4 million), the Church of the Latter-Day Saints (\$1.2 million), the Global Fund (\$850,000), and the Johns Hopkins School of Public Health (\$450,000). The Organization continues to seek new financial resources from outside the Organization to augment public health projects in the Americas.

8. Procurement on Behalf of Member States

During 2006-2007 the total income for procurement services on behalf of Member States increased to \$513.7 million compared with \$338.9 million in 2004-2005. Through extensive international bidding, PAHO is able to purchase vaccines, public health supplies and equipment, and publications on behalf of Member States, government and international institutions at affordable prices. Funding for vaccine and syringe purchases through the Revolving Fund for the Expanded Program on Immunization, which is a purchasing mechanism created to guarantee the quality and timely mobilization of vaccines at an affordable cost, increased from \$302.2 million in 2004-2005 to \$448.9 million in 2006-2007. Through this significant support to Member States' vaccination programs, the Organization contributes to the challenges of bringing good health to the most neglected, vulnerable, marginalized, and excluded populations in the Americas.

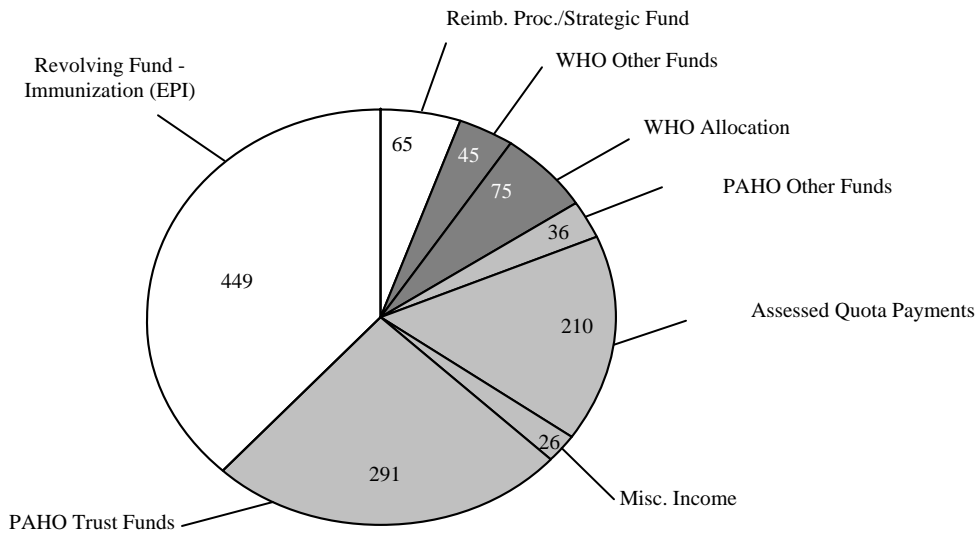
During the same period, funding for the purchases of medical supplies (i.e., HIV/AIDS diagnostic kits, etc.), medical equipment, and publications, processed through the Advances from Governments and Institutions for

Procurement Fund, increased from \$25.7 million to \$30.7 million. Furthermore, the Regional Revolving Fund for Strategic Public Health Supplies, which was created in 1999 in order to facilitate the procurement of strategic public health supplies at lower, more stable prices, to increase availability of strategic supplies, and to create greater planning capacity for procuring and distributing products, received \$34.1 million for the purchase of strategic supplies. These strategic supplies were focused on combating malaria, tuberculosis, leishmanial disease, dengue, and HIV/AIDS. The largest volumes of procurement purchases placed through the three procurement funds were made by Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

9. Total Biennial Program Budget and Other Sources Funding and Implementation

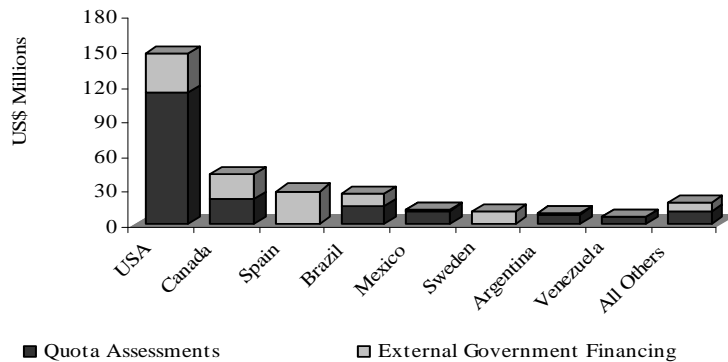
Total income in 2006-2007 for all PAHO activities, net of eliminations, reached \$1.16 billion, which represents a 45% increase on the \$799 million income for 2004-2005. The trend of rising income is welcomed in view of the increasing demands being made on the Organization.

PAHO/AMRO Income for 2006-2007 Program Activities (in US\$ millions)



Total 2006-2007 income from nine Member States, partners, and stakeholders, including both Biennial Program Budget funds and voluntary contributions (i.e., trust funds) from governments, partners, and stakeholders, are shown below. This chart indicates that the Organization relies heavily on a relatively small number of Member States and partners/stakeholders as a major source of financing of the Organization’s activities.

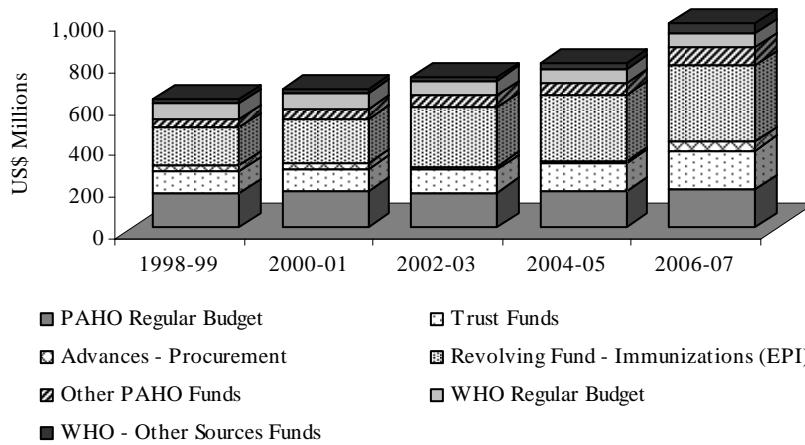
Assessed Quota Payments & Government Financing of External Projects for 2006-2007



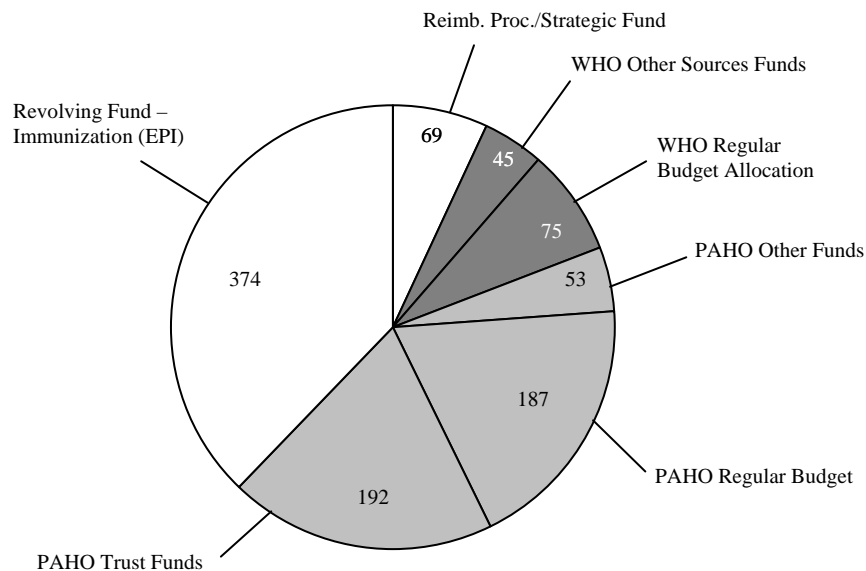
10. Expenditure by Source of Fund

The higher level of income has enabled PAHO/AMRO to achieve significantly increased programmatic activity. PAHO/AMRO's total expenditure, before the expenditures by the three non-consolidated centers and eliminations, increased to \$994.6 million in 2006-2007 from \$797.6 million in 2004-2005, an increase of 25% during the 2006-2007 biennium. This increase in expenditure is attributable to an increase of (1) \$8.6 million in PAHO's Biennial Program Budget expenditure, (2) \$58.1 million in the expenditure of the Trust Funds, (3) \$59.7 million in the Expanded Program on Immunization, (4) \$24.3 million in Advances from Governments and Institutions for Procurement, (5) \$19.4 million in the Strategic Fund, (6) \$4.0 million in other PAHO funds, and (7) \$2.6 million in the WHO Regular Budget Allocation and \$20.3 million in WHO Other Sources Funds.

Expenditures by Sources of Funds



PAHO/AMRO Expenditure for Program Activities for 2006-2007 (in US\$ millions)



11. Liquidity and Investment Management

The financial stability of the Organization depends not only upon timely receipt of assessed quota contributions, voluntary contributions, and other income but also on effective management of liquidity and the appropriate investment policies. The Investment Committee regularly reviews the portfolio's performance and makes recommendations on the strategy to preserve the Organization's capital, while benefiting from the conditions in the financial markets.

Total cash and investments for the Organization at 31 December 2007 were \$397.2 million, an increase of \$208.2 million over the cash and investment balance as of 31 December 2005. The investments are primarily short-term (less than 12 months) and are held to finance the Biennial Program Budget activities, the procurement on behalf of Member States, the implementation of partner/stakeholder agreements, and other activities for which cash has yet to be disbursed. The longer-term investments are placed for future projects and activities and future entitlements of current staff members.

12. Performance of the Centers Administered by PAHO

Caribbean Epidemiology Center (CAREC)

Quota assessment receipts for the 2006-2007 biennium reached \$3.6 million, or 76% of the 2006-2007 quota assessments. Receipts on arrearages amounted to \$1.1 million, or 26% of its quota assessment arrearages. The net shortfall of income over expenditure in the 2006-2007 CAREC Regular Budget was \$9,149, which decreased the Working Capital Fund balance to \$663,538 as of 31 December 2007. Income for trust funds reached \$4.7 million, and CAREC generated income of \$1.1 million from providing specialized services to its Member States.

Caribbean Food and Nutrition Institute (CFNI)

Quota assessment receipts for the 2006-2007 biennium reached \$420,325, or 58% of the 2006-2007 quota assessments. Receipts on arrearages amounted to \$76,571, or 6% of the total quota assessment arrearages as of 31 December 2007. The net shortfall of income over expenditure for the 2006-2007 Regular Program Budget was \$140,670, which resulted in a cumulative deficit of \$504,276 in the Working Capital Fund as of 31 December 2007. The Pan American Health Organization is currently funding this deficit. CFNI received \$1.1 million in trust fund income.

Institute of Nutrition of Central America and Panama (INCAP)

The Institute's financial performance remains strong, with a fully-funded Working Capital balance of \$1.0 million and an Endowment Fund of \$407,304. Quota assessment receipts for the 2006-2007 biennium amounted to \$797,904, or 93% of the biennium's total quota assessments. Receipts on arrearages amounted to \$100,571, or 100% of the total quota assessment arrearages as of 31 December 2007. INCAP received \$5.2 million in trust fund income during 2006-2007.

13. Conclusion

The growth in financial resources and increasing complexity of the demands being made upon the Organization pose challenges for future financial management. The emphasis on increased decentralization to the country offices and the implementation of Results Based Management are impacting the responsibilities and accountabilities of the senior managers and strengthening the focus on timely program implementation. The implementation of the Financial Accountability Framework in 2006-2007, which included the review of financial policies and procedures, training and workshops, and the requirement that the Representatives in the Organization's country offices and senior managers at Headquarters certify their offices' 2006-2007 financial accounts strengthened accountability and responsibility. Furthermore, the implementation of the new Expenditure Recognition Policy and the expected implementation of International Public Sector Accounting Standards (IPSAS) in alignment with the United Nations and its specialized agencies will enhance the Organization's commitment to Results Based Management. These initiatives will continue to

position the Organization as a leader in the implementation of best practices of both public and private sector institutions and will support its continued commitment to its fiduciary responsibilities.

14. Components of the Financial Report

As required by Financial Regulation 13.2, a final financial report covering the full biennium is prepared at the end of the biennium. PAHO's financial statements are presented in compliance with the revised United Nations System Accounting Standards. Similar statements have also been prepared in accordance with the United Nations System Accounting Standards for CAREC, CFNI, and INCAP.

The Organization's funds are composed of proprietary funds which include the Biennial Program Budget and Working Capital Fund, the Special Fund for Program Support Costs, and other Special Funds. These funds finance the programs of the Organization. The PAHO program fiduciary funds include the allocation of funds from the WHO Regular Budget and other WHO/UN allocations, trust funds provided by partners, stakeholders, and donors for specific projects, and funds administered on behalf of centers. These funds support the implementation of program activities in accordance with agreements or understandings of related parties or other legal authorities. Non-project funds include a number of funds that have been established as the result of resolutions adopted by the PAHO Governing Bodies or decisions by the Director. They have been established for the benefit of the Member States or PAHO staff members, or to monitor or manage special, non-program activities.

PAHO's financial statements include:

- *The Statement of Income and Expenditure and Changes in Fund Balances*, Statement I, reflects the income, expenditure, and changes in fund balances for the Organization's Regular Budget and Working Capital Fund, the Trust Funds, the Special Funds, the Non-project Funds, the WHO Regular Budget allocation and voluntary funds for the Region of the Americas, as well as the funds for the three non-consolidated centers.
- *The Statement of Assets, Liabilities, and Reserves and Fund Balances*, Statement II, is supported by accompanying Explanatory Notes and Schedules that give greater detail of the overall activity.
- *The Statement of Cash Flow*, Statement III, identifies the cash flow of the Organization's funds and highlights the increases and decreases of the Organization's assets, liabilities, reserves, and fund balances.
- *The Statement of Regular Budget Appropriations*, Statement IV, reflects the status of the appropriations of the PAHO Regular Budget and the WHO Regular Budget Allocation to the Regional Office of the Americas presented according to the appropriation resolution approved by the 46th Directing Council in 2005.

15. Accounting Policies

The major accounting policies of the Organization appear in the Explanatory Notes of the Financial Statements. The accounting policies and procedures followed by the Organization remain consistent with the Organization's Financial Regulations and with the more detailed financial and accounting procedures established by the Director in light of these Regulations.

Income for the Regular Budgets of PAHO, CAREC, CFNI, and INCAP are recorded according to the total assessed quota contributions of the 2006-2007 Biennial Program Budget with a provision for delays in the collection of quota contributions. Income from all other sources is recorded on a cash basis; interest is recorded in the accounts when credited to the Organization's bank accounts; and Trust Funds are recorded as received when the funds are credited to the Organization's bank accounts.

Budgetary accounting, unlike financial accounting, goes beyond the actual basis for recording expenses (disbursements and accounts payable) by recording as expenditure at the end of the financial period, with the corresponding liability, all valid unliquidated obligations. These unliquidated obligations are commitments involving a liability against the

resources of the current financial period, e.g., for personnel services, procurement of supplies, duty travel, etc. for which the activities, services, and goods have been completed or delivered, or are contractually due to be completed or delivered, by 31 December 2007, but the funds have not been disbursed as of 31 December 2007. In accordance with Article IV of the Financial Regulations, unliquidated obligations are recorded in the books of accounts in respect of the Regular Budgets of PAHO, CAREC, CFNI, and INCAP. The Regular Budget of WHO and other WHO funds, as well as all other funds of the Pan American Health Organization, except for Trust Funds, shown in Statement I under the section, Pan American Health Organization, are shown on the same basis.

Pan American Health Organization
Summary of Expenditure by Source of Funds
Financial Periods 1998-1999 to 2006-2007

(expressed in US dollars)

	1998-1999	2000-2001	2002-2003	2004-2005	2006-2007
Pan American Health Organization					
Regular Budget	165 397 243	173 886 468	171 104 979	175 259 824	182 159 558
Special Funds					
Capital Equipment	275 640	1 674 697	3 166 312	3 288 942	5 560 513
Cholera		52 270			
Health Promotion		282 529	452 980	95 421	743 594
Income from Services	5 086 116	8 644 226	7 057 963	6 677 560	8 132 115
Measles	326 650	12 186			
Natural Disaster Relief	7 132 493	4 014 165	1 652 695	7 804 977	6 104 014
Preinvestment Fund in Environment and Health	15 339	7 671			
Program Support Costs	10 624 310	8 033 449	14 504 420	13 207 553	14 176 798
Textbook Program					
Trust Funds	105 600 566	104 301 059	107 158 512	134 329 239	192 385 273
Nonproject Funds					
Advances from Governments and Institutions for Procurement	30 292 067	30 043 502	18 101 496	15 267 257	39 560 171
Building Fund	1 654 304	10 598 533	2 002 641	1 893 036	2 106 746
Provision for Termination and Repatriation Entitlements	2 608 940	2 951 227	3 073 854	4 679 075	4 081 003
Revolving Fund for the Expanded Program on Immunization	185 822 312	213 971 492	289 783 443	314 165 224	373 866 864
Sale of Vaccine at PANAFTOSA	115 677	24 577	14 426	74 637	94 129
Regional Revolving Fund for Strategic Public Health Supplies		5 420 137	12 251 116	10 218 556	29 577 919
Tax Equalization Fund	6 817 349	9 355 716	9 531 526	10 330 177	11 217 762
Subtotal PAHO	521 769 006	573 273 904	639 856 363	697 291 478	869 766 459
CAREC					
Regular Budget	3 611 245	3 599 227	3 796 159	4 197 126	4 552 490
Trust and Special Funds	3 227 278	4 266 666	6 348 549	8 182 824	9 493 863
CFNI					
Regular Budget	629 310	644 749	603 878	581 328	637 566
Trust and Special Funds	101 578	311 034	998 590	1 571 278	1 595 273
INCAP					
Regular Budget	1 197 411	1 229 023	1 619 920	1 398 561	1 458 436
Trust and Special Funds	4 677 268	4 116 383	4 381 931	4 327 416	5 201 215
Subtotal Centers	13 444 090	14 167 082	17 749 027	20 258 533	22 938 843

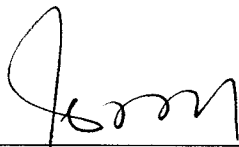
	1998-1999	2000-2001	2002-2003	2004-2005	2006-2007
World Health Organization					
Regular Budget	80 958 498	77 347 752	73 247 611	72 537 769	75 117 851
United Nations Development Program	381 053	73 336			
United Nations Population Fund	1 417 191	401 433	321 489	132 903	
Others	15 592 757	18 074 189	12 961 409	24 216 401	44 667 138
Subtotal WHO	98 349 499	95 896 710	86 530 509	96 887 073	119 784 989
Eliminations			(26 247 003)	(28 120 184)	(34 798 521)
Total All Funds	633 562 595	683 337 696	717 888 896	786 316 900	977 691 770

^{1/} Eliminations started in 2002-2003.

Letter of Transmittal

In accordance with the provisions of Regulation XIII of the Financial Regulations, I have the honor to submit the Financial Report of the Pan American Health Organization for the financial period 1 January 2006 to 31 December 2007.

The details of the presentation of the statements will be found in the Introduction.



Mirta Roses Periago
Director

Pan American Sanitary Bureau


Certification of Financial Statements

The appended Statement I to Statement X and Schedule 1 to Schedule 10 and supporting Explanatory Notes are approved:



Sharon G. Frahler

Area Manager, Financial
Management and Reporting



Mirta Roses Periago

Director

4 April 2008

Opinion of the External Auditor

To the Directing Council of the Pan American Health Organization

I have audited the accompanying financial statements, comprising Statements I to X, Schedules 1 to 10 and Notes of the Pan American Health Organization for the financial period ended 31 December 2007.


Respective Responsibilities

These financial statements are the responsibility of the Director of the Pan American Health Organization. My responsibility is to express an opinion on these financial statements based on my audit performed in accordance with Article XIV of the Financial Regulations and Rules.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director of the Pan American Health Organization, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

Opinion

 In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended in accordance with the United Nations System Accounting Standards and Pan American Health Organization's stated accounting policies set out in Note 2 to the financial statements and schedules. These accounting policies are appropriate to the Organization's circumstances and were consistently applied and adequately disclosed.

Further, in my opinion, the transactions of the Pan American Health Organization, which I have tested as part of my audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Article XIV of the Financial Regulations, I have also issued a long-form Report on my audit of the Pan American Health Organization's financial statements.



T J Burr
Comptroller and Auditor General,
United Kingdom
External Auditor

National Audit Office, London

14 April 2008

INTRODUCTION

The Financial Report of the Director and the Report of the External Auditor for the financial period 1 January 2006 to 31 December 2007 are presented in the following sequence:

- Part I** Financial statements of the Organization for the financial period 2006-2007 as required by the Financial Regulations, together with supporting schedules and explanatory notes
- Financial statements for the Caribbean Epidemiology Center (CAREC) for 2006-2007
- Financial statements for the Caribbean Food and Nutrition Institute (CFNI) for 2006-2007
- Report of the External Auditor
- Part II** Financial statements for the Institute of Nutrition of Central America and Panama (INCAP) for 2006-2007
- Report of the External Auditor
- Annex** Consolidated Centers for information only

Part I

Pan American Health Organization Financial Statements



PAN AMERICAN HEALTH ORGANIZATION

Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

Pan American Health Organization						
	Regular Budget and Working Capital Fund	Holding Account (Note 27)	Trust Funds (Schedule 6)	Special Funds (Statement I.1)	Nonproject Funds (Statement I.2)	Subtotal
Income						
<i>Assessed quota contributions (Schedule 1)</i>	173 297 000				10 253 000	183 550 000
<i>Voluntary contributions</i>						
PAHO program activities			290 869 104	5 620 928		296 490 032
Non-PAHO program activities					503 133 210	503 133 210
<i>Other income</i>						
Revenue-producing activities				16 550 901	1 720 795	18 271 696
Funds received under interorganization arrangements						
Allocation from other funds						
Income for services rendered				7 193 846	16 494 812	23 688 658
Interest income	23 161 331		3 903	443 488	2 242 342	25 851 064
Currency exchange differential	(398 538)			11 927	(449 177)	(835 788)
Other/Miscellaneous	660 291					660 291
<i>Total Income</i>	196 720 084		290 873 007	29 821 090	533 394 982	1 050 809 163
Expenditure						
International health program	182 159 558		192 385 273	34 717 034		409 261 865
Other purposes					460 504 594	460 504 594
<i>Total Expenditure</i>	182 159 558		192 385 273	34 717 034	460 504 594	869 766 459
Excess (Shortfall) of Income over Expenditure						
	14 560 526		98 487 734	(4 895 944)	72 890 388	181 042 704
Provision for delays in collection of assessed quota contributions (Schedule 1)	(28 491 595)					(28 491 595)
Payment of assessed quota contributions for prior years (Schedule 1)	54 809 510					54 809 510
<i>Net Excess (Shortfall) of Income over Expenditure</i>	40 878 441		98 487 734	(4 895 944)	72 890 388	207 360 619
Savings on or cancellation of prior periods' obligations	3 032 755					3 032 755
Other project adjustments						
Transfers to/from funds	(38 118 398)	33 051 197		1 867 201	3 200 000	
Total Changes in Fund Balances	5 792 798	33 051 197	98 487 734	(3 028 743)	76 090 388	210 393 374
Fund Balances, 1 January 2006	14 207 202		36 232 385	31 558 842	91 527 967	173 526 396
Fund Balances, 31 December 2007	20 000 000	33 051 197	134 720 119	28 530 099	167 618 355	383 919 770

The accompanying notes and schedules are an integral part of the financial statements.

Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

World Health Organization		Centers					
Regular Budget	Other Sources Funds (Statement I.4)	Administered by PAHO (Statement I.3)	Subtotal PAHO/WHO and Centers	Eliminations (Note 26)	Total 2006-2007	Total 2004-2005	
		6 343 520	189 893 520		189 893 520	190 134 520	<i>Assessed quota contributions</i>
		10 932 529	307 422 561		307 422 561	157 266 638	<i>Voluntary contributions</i>
		1 331 762	504 464 972	(2 432 105)	502 032 867	329 628 925	<i>PAHO program activities</i>
		1 641 004	19 912 700	(15 202 399)	4 710 301	5 084 877	<i>Non-PAHO program activities</i>
75 117 851	44 667 138		119 784 989		119 784 989	96 887 073	<i>Other income</i>
		610 137	610 137	(610 137)			<i>Revenue-producing activities</i>
		454 791	24 143 449	(16 553 879)	7 589 570	7 140 247	<i>Funds received under interorganization arrangements</i>
		453 333	26 304 397		26 304 397	12 249 174	<i>Allocation from other funds</i>
		199	(835 589)		(835 589)	(484 355)	<i>Income for services rendered</i>
		175 302	835 593		835 593	940 151	<i>Interest income</i>
75 117 851	44 667 138	21 942 577	1 192 536 729	(34 798 520)	1 157 738 209	798 847 250	<i>Currency exchange differential</i>
							<i>Other/Miscellaneous</i>
							<i>Total Income</i>
							Expenditure
75 117 851	42 058 262	20 040 868	546 478 846	(15 261 466)	531 217 380	441 381 183	<i>International health program</i>
	2 608 876	2 897 975	466 011 445	(19 537 054)	446 474 391	344 935 717	<i>Other purposes</i>
75 117 851	44 667 138	22 938 843	1 012 490 291	(34 798 520)	977 691 771	786 316 900	<i>Total Expenditure</i>
		(996 266)	180 046 438		180 046 438	12 530 350	Excess (Shortfall) of Income over Expenditure
		(1 528 722)	(30 020 317)		(30 020 317)	(51 825 672)	<i>Provision for delays in collection of assessed quota contributions</i>
		1 317 189	56 126 699		56 126 699	47 780 506	<i>Payment of assessed quota contributions for prior years</i>
		(1 207 799)	206 152 820		206 152 820	8 485 184	<i>Net Excess (Shortfall) of Income over Expenditure</i>
			3 032 755		3 032 755	1 206 959	<i>Savings on or cancellation of prior periods' obligations</i>
		13 781	13 781		13 781	22 365	<i>Other project adjustments</i>
							<i>Transfers to/from funds</i>
		(1 194 018)	209 199 356		209 199 356	9 714 508	Total Changes in Fund Balances
		9 855 079	183 381 475		183 381 475	173 666 967	Fund Balances, 1 January 2006
		8 661 061	392 580 831		392 580 831	183 381 475	Fund Balances, 31 December 2007

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Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
Special Funds
Financial Period 2006-2007

(expressed in US dollars)

	Capital Equipment (Note 14)	Health Promotion (Note 15)	Income from Services (Note 18)	Natural Disaster Relief (Note 16)	Program Support Costs (Note 17)	Total 2006-2007	Total 2004-2005
Income							
<i>Assessed quota contributions</i>							
<i>Voluntary contributions</i>							
PAHO program activities				5 620 928		5 620 928	10 361 307
Non-PAHO program activities							
<i>Other income</i>							
Revenue-producing activities					16 550 901	16 550 901	12 863 774
Funds received under interorganization arrangements							
Allocation from other funds							
Income for services rendered			7 193 846			7 193 846	6 589 762
Interest income		173 134		270 354		443 488	325 063
Currency exchange differential				11 927		11 927	56 826
Other/Miscellaneous							
Total Income		173 134	7 193 846	5 903 209	16 550 901	29 821 090	30 196 732
Expenditure							
International health program	5 560 513	743 594	8 132 115	6 104 014	14 176 798	34 717 034	31 074 453
Other purposes							
Total Expenditure	5 560 513	743 594	8 132 115	6 104 014	14 176 798	34 717 034	31 074 453
Excess (Shortfall) of Income over Expenditure							
	(5 560 513)	(570 460)	(938 269)	(200 805)	2 374 103	(4 895 944)	(877 721)
Provision for delays in collection of assessed quota contributions							
Payment of assessed quota contributions for prior years							
Net Excess (Shortfall) of Income over Expenditure	(5 560 513)	(570 460)	(938 269)	(200 805)	2 374 103	(4 895 944)	(877 721)
Savings on or cancellation of prior periods' obligations							
Other project adjustments							(160 255)
Transfers to/from funds	1 867 201					1 867 201	3 400 000
Total Changes in Fund Balances	(3 693 312)	(570 460)	(938 269)	(200 805)	2 374 103	(3 028 743)	2 362 024
Fund Balances, 1 January 2006	3 756 282	2 181 975	3 028 919	5 346 317	17 245 349	31 558 842	29 196 818
Fund Balances, 31 December 2007	62 970	1 611 515	2 090 650	5 145 512	19 619 452	28 530 099	31 558 842

The accompanying notes and schedules are an integral part of the financial statements.

Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
Nonproject Funds
Financial Period 2006-2007

(expressed in US dollars)

	Advances from Governments & Institutions for Procurement (Schedule 2)	Building Fund (Note 13)	Provision for Termination & Repatriation Entitlements (Note 12)	Revolving Fund for the Expanded Program on Immunization (Schedule 3)
Income				
<i>Assessed quota contributions</i>				
<i>Voluntary contributions</i>				
PAHO program activities				
Non-PAHO program activities	30 651 461			439 206 633
<i>Other income</i>				
Revenue-producing activities		1 722 022		
Funds received under interorganization arrangements				
Allocation from other funds				
Income for services rendered			5 488 485	10 187 480
Interest income			2 242 342	
Currency exchange differential				(449 177)
Other/Miscellaneous				
Total Income	30 651 461	1 722 022	7 730 827	448 944 936
Expenditure				
International health program				
Other purposes	39 560 171	2 106 746	4 081 003	373 866 864
Total Expenditure	39 560 171	2 106 746	4 081 003	373 866 864
Excess (Shortfall) of Income over Expenditure				
	(8 908 710)	(384 724)	3 649 824	75 078 072
Provision for delays in collection of assessed quota contributions				
Payment of assessed quota contributions for prior years				
Net Excess (Shortfall) of Income over Expenditure	(8 908 710)	(384 724)	3 649 824	75 078 072
Savings on or cancellation of prior periods' obligations				
Other project adjustments				
Transfers to/from funds		200 000		3 000 000
Total Changes in Fund Balances	(8 908 710)	(184 724)	3 649 824	78 078 072
Fund Balances, 1 January 2006	16 772 414	364 679	24 495 357	46 609 599
Fund Balances, 31 December 2007	7 863 704	179 955	28 145 181	124 687 671

The accompanying notes and schedules are an integral part of the financial statements.

Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
Nonproject Funds
Financial Period 2006-2007

(expressed in US dollars)

Sale of Vaccine at PANAFTOSA (Note 19)	Regional Revolving Fund for Strategic Public Health Supplies (Schedule 4)	Tax Equalization Fund (Note 4)	Total 2006-2007	Total 2004-2005	
		10 253 000	10 253 000	11 006 000	Income
					Assessed quota contributions
					Voluntary contributions
	33 275 116		503 133 210	330 155 627	PAHO program activities
					Non-PAHO program activities
(1 227)			1 720 795	1 547 706	Other income
					Revenue-producing activities
					Funds received under interorganization arrangements
					Allocation from other funds
	818 847		16 494 812	14 020 991	Income for services rendered
			2 242 342	1 460 274	Interest income
			(449 177)		Currency exchange differential
					Other/Miscellaneous
(1 227)	34 093 963	10 253 000	533 394 982	358 190 598	Total Income
					Expenditure
					International health program
94 129	29 577 919	11 217 762	460 504 594	356 627 962	Other purposes
94 129	29 577 919	11 217 762	460 504 594	356 627 962	Total Expenditure
(95 356)	4 516 044	(964 762)	72 890 388	1 562 636	Excess (Shortfall) of Income over Expenditure
				(3 000)	Provision for delays in collection of assessed quota contributions
				15 000	Payment of assessed quota contributions for prior years
(95 356)	4 516 044	(964 762)	72 890 388	1 574 636	Net Excess (Shortfall) of Income over Expenditure
					Savings on or cancellation of prior periods' obligations
			3 200 000		Other project adjustments
					Transfers to/from funds
(95 356)	4 516 044	(964 762)	76 090 388	1 574 636	Total Changes in Fund Balances
96 825	4 036 741	(847 648)	91 527 967	89 953 331	Fund Balances, 1 January 2006
1 469	8 552 785	(1 812 410)	167 618 355	91 527 967	Fund Balances, 31 December 2007

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Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
Consolidation of Centers
Financial Period 2006-2007

(expressed in US dollars)

	Caribbean Epidemiology Center (Statement V)	Caribbean Food and Nutrition Institute (Statement VIII)	Institute of Nutrition of Central America and Panama (Statement XI)	Total Unconsolidated Centers 2006-2007	Total Unconsolidated Centers 2004-2005
Income					
<i>Assessed quota contributions</i>	4 756 053	730 067	857 400	6 343 520	5 828 520
<i>Voluntary contributions</i>					
PAHO program activities	4 688 371	1 093 943	5 150 215	10 932 529	9 818 015
Non-PAHO program activities	946 140		385 622	1 331 762	1 109 977
<i>Other income</i>					
Revenue-producing activities	1 057 829	86 170	497 005	1 641 004	2 349 596
Funds received under interorganization arrangements				610 137	675 118
Allocation from other funds			454 791	454 791	661 682
Income for services rendered			275 022	453 333	317 977
Interest income	178 311		(8 809)	199	77 738
Currency exchange differential	9 008		171 728	175 302	128 385
Other/Miscellaneous	3 574				
<i>Total Income</i>	11 639 286	1 910 180	8 393 111	21 942 577	20 967 008
Expenditure					
International health program	12 673 427	2 232 839	5 134 602	20 040 868	17 818 000
Other purposes	1 372 926		1 525 049	2 897 975	2 440 533
<i>Total Expenditure</i>	14 046 353	2 232 839	6 659 651	22 938 843	20 258 533
Excess (Shortfall) of Income over Expenditure	(2 407 067)	(322 659)	1 733 460	(996 266)	708 475
Provision for delays in collection of assessed quota contributions	(1 159 484)	(309 742)	(59 496)	(1 528 722)	(1 654 646)
Payment of assessed quota contributions for prior years	1 140 047	76 571	100 571	1 317 189	1 152 070
<i>Net Excess (Shortfall) of Income over Expenditure</i>	(2 426 504)	(555 830)	1 774 535	(1 207 799)	205 899
Savings on or cancellation of prior periods' obligations					24 572
Other project adjustments	19 742		(5 961)	13 781	187 847
Transfers to/from funds					
Total Changes in Fund Balances	(2 406 762)	(555 830)	1 768 574	(1 194 018)	418 318
Fund Balances, 1 January 2006	5 202 756	224 511	4 427 812	9 855 079	9 436 761
Fund Balances, 31 December 2007	2 795 994	(331 319)	6 196 386	8 661 061	9 855 079

The accompanying schedules are an integral part of the financial statements.

**Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
World Health Organization: Other Sources Funds
Financial Period 2006-2007**

(expressed in US dollars)

	Associate Professional Officers	Real Estate Fund	Trust Fund for Human Reproductive Program	Information Technology Fund	Special Fund for Research & Training
Income					
<i>Assessed quota contributions</i>					
<i>Voluntary contributions</i>					
PAHO program activities					
Non-PAHO program activities					
<i>Other income</i>					
Revenue-producing activities					
Funds received under					
interorganization arrangements	149 908	483 537	81 162	789 975	558 235
Allocation from other funds					
Income for services rendered					
Interest income					
Currency exchange differential					
Other/Miscellaneous					
<i>Total Income</i>	149 908	483 537	81 162	789 975	558 235
Expenditure					
International health program	149 908				
Other purposes		483 537	81 162	789 975	558 235
<i>Total Expenditure</i>	149 908	483 537	81 162	789 975	558 235
Excess (Shortfall) of Income over Expenditure					
Provision for delays in collection of assessed quota contributions					
Payment of assessed quota contributions for prior years					
<i>Net Excess (Shortfall) of Income over Expenditure</i>					
Savings on or cancellation of prior periods' obligations					
Other project adjustments					
Transfers to/from funds					
Total Changes in Fund Balances					
Fund Balances, 1 January 2006					
Fund Balances, 31 December 2007					

**Pan American Health Organization
Statement of Income and Expenditure and Changes in Fund Balances
World Health Organization: Other Sources Funds
Financial Period 2006-2007**

(expressed in US dollars)

Sasakawa Health Trust Fund	Special Account for Servicing Costs	Terminal Payments Account	Trust Funds (Projects)	Voluntary Funds for Health Promotion	Total 2006-2007	Total 2004-2005	
							Income
							<i>Assessed quota contributions</i>
							<i>Voluntary contributions</i>
							PAHO program activities
							Non-PAHO program activities
							<i>Other income</i>
							Revenue-producing activities
							Funds received under
							interorganization arrangements
							Allocation from other funds
							Income for services rendered
							Interest income
							Currency exchange differential
							Other/Miscellaneous
382 624	2 319 560	695 967	25 990	39 180 180	44 667 138	24 349 304	<i>Total Income</i>
382 624	2 319 560	695 967	25 990	39 180 180	44 667 138	24 349 304	Expenditure
							International health program
							Other purposes
							<i>Total Expenditure</i>
382 624	2 319 560	695 967	25 990	39 180 180	42 058 262	22 243 381	
		695 967			2 608 876	2 105 923	
382 624	2 319 560	695 967	25 990	39 180 180	44 667 138	24 349 304	
							Excess (Shortfall) of Income over Expenditure
							Provision for delays in collection of assessed quota contributions
							Payment of assessed quota contributions for prior years
							<i>Net Excess (Shortfall) of Income over Expenditure</i>
							Savings on or cancellation of prior periods' obligations
							Other project adjustments
							Transfers to/from funds
							Total Changes in Fund Balances
							Fund Balances, 1 January 2006
							Fund Balances, 31 December 2007

Pan American Health Organization
Statement of Assets, Liabilities, and Reserves and Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	2007	2005
Assets			
Cash and term deposits (Statement III)		301 566 257	124 094 637
Investments, at cost	Note 3	95 666 324	65 011 217
Accounts receivable			
Assessed quota contributions due from Member and Participating States and Associate Members (Schedule I)		35 422 209	61 740 124
Provision for delays in collection of assessed quota contributions		(35 422 209)	(61 740 124)
Sundry debtors, net	Note 5	1 904 398	1 379 481
Balance due from World Health Organization for interorganization funding activities			4 338 697
Balance due from Centers for interorganization funding activities	Note 6	337 566	
Prepaid Interest		61 148	51 510
Deferred charges	Note 7	3 217 464	2 852 250
Land and buildings: Headquarters and country offices	Note 8	14 207 681	14 207 681
Total Assets		416 960 838	211 935 473
Liabilities and Reserves and Fund Balances			
<i>Liabilities</i>			
Assessed quota contributions received in advance	Note 9	156 157	151 350
Unliquidated obligations		5 442 431	6 588 500
Accounts payable			
Balance due to the Pan American Health and Education Foundation under operating agreement		650 018	1 761 062
Balance due to World Health Organization for interorganization funding activities		877 621	
Balance due to Centers for interorganization funding activities	Note 10	3 552 301	4 846 837
Other sundry creditors	Note 11	8 154 859	10 853 647
<i>Total Liabilities</i>		18 833 387	24 201 396
<i>Reserves and Fund Balances</i>			
<i>Special Funds</i>			
Capital Equipment Fund	Note 14	62 970	3 756 282
Health Promotion	Note 15	1 611 515	2 181 975
Income from Services	Note 18	2 090 650	3 028 919
Natural Disaster Relief	Note 16	5 145 512	5 346 317

	Reference	2007	2005
Program Support Cost	Note 17	19 619 452	17 245 349
Trust Funds (Schedule 6)		134 720 119	36 232 385
<i>Total Special Funds</i>		163 250 218	67 791 227
<i>Other Funds</i>			
Advances from Governments and Institutions for Procurement (Schedule 2)		7 863 704	16 772 414
Building Fund	Note 13	179 955	364 679
Provision for Termination and Repatriation Entitlements	Note 12	28 145 181	24 495 357
Revolving Fund for the Expanded Program on Immunization (Schedule 3)		124 687 671	46 609 599
Sale of Vaccine at PANAFTOSA	Note 19	1 469	96 825
Regional Revolving Fund for Strategic Public Health Supplies (Schedule 4)		8 552 785	4 036 741
Tax Equalization Fund	Note 4	(1 812 410)	(847 648)
<i>Total Other Funds</i>		167 618 355	91 527 967
<i>Holding Account</i>	Note 27	33 051 197	
<i>Working Capital Fund</i>	Note 20	20 000 000	14 207 202
<i>Total Fund Balances (excludes Centers administered by PAHO)</i>		383 919 770	173 526 396
Equity in Land and Buildings	Note 8	14 207 681	14 207 681
<i>Total Reserves and Fund Balances</i>		398 127 451	187 734 077
Total Liabilities and Reserves and Fund Balances		416 960 838	211 935 473

The accompanying notes and schedules are an integral part of the financial statements.

Pan American Health Organization
Statement of Cash Flow
Financial Period 2006-2007

(expressed in US dollars)

	2006-2007	2004-2005
Cash Flows from Operating Activities		
Net excess (shortfall) of income over expenditure (Statement I, excluding Centers administered by PAHO)	207 364 315	8 279 285
(Increase) decrease in prepaid interest	(9 638)	(51 510)
(Increase) decrease in sundry debtors	(524 917)	186 705
(Increase) decrease in deferred charges	(365 214)	(449 286)
Increase (decrease) in contributions or payments received in advance	4 807	2 245
Increase (decrease) in unliquidated obligations	(1 146 069)	410 994
Increase (decrease) in accounts payable	(2 698 788)	1 559 991
<i>Less</i> : Interest income	(25 851 064)	(11 931 197)
	<hr/>	<hr/>
<i>Net Cash from Operating Activities</i>	176 773 432	(1 992 773)
Cash Flows from Investing and Financing Activities		
(Increase) decrease in investments	(30 655 107)	(25 520 507)
(Increase) decrease in interorganization funding balance receivable:		
World Health Organization	4 338 697	(4 338 697)
Centers Administered by the Pan American Health Organization	(337 566)	21 731
Increase (decrease) in interorganization funding balance payable:		
Pan American Health and Education Foundation	(1 111 044)	(1 381 614)
World Health Organization	877 621	(18 265 236)
Centers Administered by the Pan American Health Organization	(1 294 536)	1 034 213
<i>Add</i> : Interest income	25 851 064	11 931 197
	<hr/>	<hr/>
<i>Net Cash from Investing and Financing Activities</i>	(2 330 871)	(36 518 913)
Cash Flows from Other Sources		
Savings on or cancellation of prior periods' obligations	3 032 755	1 182 387
Other project adjustments	(3 696)	(165 482)
	<hr/>	<hr/>
<i>Net Cash from Other Sources</i>	3 029 059	1 016 905
Net Increase (Decrease) in Cash and Term Deposits	177 471 620	(37 494 781)
Cash and Term Deposits as of 1 January 2006	124 094 637	161 589 418
	<hr/>	<hr/>
Cash and Term Deposits as of 31 December 2007	301 566 257	124 094 637
	<hr/>	<hr/>

Pan American Health Organization
Statement of Regular Budget Appropriation ^{1/}
Financial Period 2006-2007

(expressed in US dollars)

Description of Appropriation Sections	Appropriation			Expenditure			
	Original	Transfers	Revised	Disbursements	Unliquidated Obligations	Total	Balance
Part I - Communicable Diseases	24 346 900	1 571 844	25 918 744	25 555 864	362 880	25 918 744	
Part II - Non-Communicable Disease and Reduction of Risk Factors	17 165 100	(1 000 000)	16 165 100	14 455 068	216 919	14 671 987	1 493 113
Part III - Sustainable Development and Environmental Health	30 236 800	(1 554 815)	28 681 985	26 900 137	529 928	27 430 065	1 251 920
Part IV - Family and Community Health	15 759 700	(724 216)	15 035 484	14 752 684	282 800	15 035 484	
Part V - Health Technologies	5 610 800	87 614	5 698 414	5 643 967	54 447	5 698 414	
Part VI - Health Systems Development	47 787 100	(2 570 629)	45 216 471	44 172 436	701 527	44 873 963	342 508
Part VII - Knowledge Management and Information Technology	19 072 100	628 552	19 700 652	18 498 054	1 202 598	19 700 652	
Part VIII - Managerial and Administrative Processes	49 260 900	3 500 713	52 761 613	51 641 515	1 120 098	52 761 613	
Part IX - Core Presence in Countries	46 378 600	60 937	46 439 537	45 797 297	642 240	46 439 537	
<i>Subtotal</i>	255 618 000		255 618 000	247 417 022	5 113 437	252 530 459	3 087 541
Country Variable	4 950 000		4 950 000	1 155 937	13 707	1 169 644	3 780 356
Retirees Health Insurance	5 000 000		5 000 000	3 577 306		3 577 306	1 422 694
<i>Effective Working Budget (Parts I-IX)</i>	265 568 000		265 568 000	252 150 265	5 127 144 ^{2/}	257 277 409	8 290 591
Part X - Staff Assessment (Transfer to Tax Equalization Fund)	10 253 000		10 253 000		10 253 000	10 253 000	
Total	275 821 000		275 821 000	252 150 265	15 380 144	267 530 409	8 290 591

^{1/} This statement consists of PAHO Regular Budget and WHO Regular Budget.

^{2/} This figure includes PAHO's portion of \$3,393,304 and WHO's portion of \$1,733,848.

Pan American Health Organization
Explanatory Notes to Financial Statements
Financial Period 2006-2007

(expressed in US dollars)

1. Mission of the Pan American Health Organization

The Pan American Sanitary Bureau (PASB), the oldest international health agency in the world, is the Secretariat of the Pan American Health Organization (PAHO). The Bureau's mission 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.

2. Accounting Policies

- (a) The significant accounting policies and reporting practices applied to transactions reflect:
- the requirements of PAHO's Financial Regulations and Rules;
 - the more detailed financial and accounting procedures established by the Director in light of these Regulations and Rules;
 - the decisions taken from time to time by the Governing Bodies.
- (b) The main accounting policies are compatible with the principles and practices applicable at the World Health Organization, and the United Nations and its specialized agencies, insofar as these are relevant to the operations of PAHO.
- (c) These policies are also compatible with the disclosure requirements of International Accounting Standard 1, "Disclosure of Accounting Policies," insofar as these are applicable to the operations of PAHO.

(d) Period of Account

The period of account is a biennium, which consists of two consecutive calendar years.

(e) Accounting Convention

The financial statements are prepared under the historical cost convention, except where modified in Policy (f).

(f) Capital Assets

In accordance with Financial Rule 112.9, all assets are charged to expenditure in the biennium of purchase. Non-expendable equipment and vehicles are not shown in the Statement of Assets, Liabilities, and Reserves and Fund Balances (Statement II). However, items of this nature are recorded in the project and office inventories of the Organization.

(g) Land and Buildings

Land and buildings are shown in the Statement of Assets, Liabilities, and Reserves and Fund Balances (Statement II). The value of all buildings represents the cost at the time of acquisition or construction.

The land of the previous Governor Shepherd building in Washington, D.C., is shown at the appraised value as of December 1985.

It is not the policy of the Organization to make any adjustments for depreciation or appreciation in value, or for fluctuation in currencies.

(h) Income

Income for the Regular Budget is recorded at the total assessed quota contributions of the 2006-2007 biennial budget with a provision for delays in the collection of the assessed quota contributions. Income from all other sources is recorded on a cash basis (i.e., when actually received). Interest from fixed-term deposits and securities is recorded at the time it is credited to PAHO's bank accounts. Amounts recorded include any related exchange differential.

(i) Expenditure

All expenditure against PAHO Regular Budget (Statement I) reflects goods and services that were delivered or contractually due to be delivered by 31 December 2007. Resolution CD47.R13 of the 47th Directing Council approved this change in expenditure recognition on 29 September 2006. This new expenditure recognition policy will provide a more direct alignment between the achievement of expected results and the expenditure reported.

This basis of recording expenditure is also applied to the funds, shown in the Statement of Income and Expenditure and Changes in Fund Balances (Statement I), except for Trust Fund project costs (Schedules 5 and 6) which are recorded on a cash basis (i.e., when monies are paid for goods and services).

(j) Exchange Policy

Except where PAHO procedures provide otherwise, income and expenditure in local currency are recorded in U.S. dollars at the United Nations' rate of exchange prevailing at the date of transaction.

Where applicable, end-of-month local currency cash balances are revalued using the next month's United Nations rate of exchange.

Local currency cash balances held at the end of the financial period are translated into U.S. dollars using the rates prevailing at 1 December 2007.

(k) Investments

Investments held by the Organization are shown at the historical price in the financial statements. The market value of the securities is included for comparative purposes.

The investment policies, which are established by the Investment Committee, include the placement of the funds of the Organization in certificates of deposits, deposits with International Banking Facilities and overseas branches of approved banks, Eurodollar certificates, United States Treasury Bills, notes, and bonds, United States federal agency securities, commercial paper, institutional liquid reserves, and principal protected notes, including equity participating structures, as well as federal agency range notes. Within the confines of a managed investment account, other investment vehicles may be authorized by the Investment Committee where the portfolio manager demonstrates specific expertise.

(l) Assessed Quota Contributions Due

After reduction by a provision for uncollected contributions, amounts due on assessed quota contributions are shown with a balance of zero (Statement II). The Organization adopts this approach in the interest of prudence.

(m) Unliquidated Obligations

Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the financial period. In accordance with Financial Regulation 4.5 (as amended by Resolution CD47.R13 of the 47th Directing Council), appropriations for unliquidated obligations remain available for the following Financial Period to cover the costs of the activities which were completed or were contractually due to be completed by 31 December 2007.

Liabilities shown in the Statement of Assets, Liabilities, and Reserves and Fund Balances include unliquidated obligations charged against PAHO funds excluding Trust Funds. Trust Funds shown in Schedules 5 and 6 are reflected on a cash basis.

(n) Accounts Receivable and Payable

Accounts receivable and payable are maintained within the Organization's single set of accounts and are not segregated by source of funds.

(o) Eliminations on consolidation

In order to reflect intraorganizational transactions, an Eliminations Column has been included on Statement I. Further details are given in Note 26.

3. Investments

The book value of the investments held in the Organization's portfolio, including those funds externally managed, is \$95,666,324. The market value of these investments is \$97,795,187 as of 31 December 2007 and the full maturity value of the investments and corresponding interest will be \$104,671,514.

4. Tax Equalization Fund

This Fund, 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 PAHO 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.

The status of the Tax Equalization Fund as of 31 December 2007 is:

Member States	Balance 1 January 2006	Credits From the Tax Equalization Fund	Apportionment to Member States	Available To Cover Tax Reimbursements to Staff ^{2/}	Taxes Reimbursed to Staff	Balance 31 December 2007
Canada	18 842	2 858 108	(2 808 108)	50 000	(49 137)	19 705
Colombia	17 187	217 364	(217 364)			17 187
United States	(900 395)	13 751 756	(3 551 756)	10 200 000	(11 165 122)	(1 865 517)
Venezuela ^{1/}	16 718	739 964	(736 964)	3 000	(3 503)	16 215
Other		5 566 542	(5 566 542)			
Total	(847 648)	23 133 734	(12 880 734)	10 253 000	(11 217 762)	(1 812 410)

^{1/} During the 2006-2007 biennium, Venezuela made payments towards its assessments for 2005. Therefore, \$3,000 was credited to the Tax Equalization Fund in accordance with Resolution CD44.R11.

^{2/} In accordance with PAHO's accounting policies, income from assessed quota contributions, including amounts due to the Tax Equalization Fund, is recorded at the total assessed amount with a provision for delays in collection. Therefore, Statement I reflects the 2006-2007 assessed portion for tax equalization of \$10,250,000, with no provision for uncollected amounts due.

5. Sundry Debtors

	<u>2007</u>	<u>2005</u>
Advances made to staff members and short-term consultants in accordance with the Regulations and Rules of the Organization	550 899	717 309
Accounts Receivable	1 326 142	634 815
Deposits and guarantees	27 357	27 357
Total	<u>1 904 398</u>	<u>1 379 481</u>

6. Balance Due from Centers for Interorganization Funding Activities

The net results of the accounting transactions between the following Centers and the Organization represent receivables due from the Centers. (For balance due to Centers, see Explanatory Note 10.)

	<u>2007</u>	<u>2005</u>
Caribbean Food and Nutrition Institute (Statement IX)	337 566	
Total	<u>337 566</u>	

7. Deferred Charges

Deferred charges are prepaid expenses and advances made to individuals or projects in accordance with the Financial Regulations and Rules of the Organization and are charged to expenditure upon receipt of the required claim or supporting documentation.

	<u>2007</u>	<u>2005</u>
Advances made to staff members pending submission of claims and chargeable to 2008 commitments	1 690 479	1 654 253
Advances for staff health insurance claims awaiting settlement	1 526 985	1 197 997
Total	<u>3 217 464</u>	<u>2 852 250</u>

8. Land and Buildings

The amount of \$14,207,681 shown as the value of the Headquarters and country offices' land and buildings is comprised as follows.

Washington, D.C., United States of America		
Main building: land and building	6 906 170 ^{1/}	
Annex: land only	3 429 533 ^{2/}	10 335 703
Buenos Aires, Argentina		116 561 ^{1/}
Brasilia, Brazil		803 545 ^{1/}
Bridgetown, Barbados		1 718 907 ^{1/3/}
Guatemala City, Guatemala		96 391 ^{1/}
Port-au-Prince, Haiti		531 097 ^{1/}
Asuncion, Paraguay		270 892 ^{1/}
Lima, Peru		125 940 ^{1/4/}
Caracas, Venezuela		208 645 ^{1/}
Total		<u>14 207 681</u>

^{1/} At cost.

^{2/} The land is valued at the appraised value as at 31 December 1985.

^{3/} The building is owned by PAHO, the land is a 99 year lease (2094) - land and building revert to Barbados' Crown in 2094.

^{4/} Original property was exchanged with the government of Peru for a new property valued at \$1.7 million (12 December 2007).

8.1 Non-expendable Inventory

The original cost of non-expendable inventory items valued at \$500 or more held by the Organization as of 31 December 2007 totaled \$29,033,527. Although the inventory amount is not reported in the financial statements as an asset, inventory lists are prepared, both in Washington and in the country offices, in order to maintain effective custody of the physical assets of the Organization.

9. Assessed Quota Contributions Received in Advance

Assessed Quota contributions received in advance of \$156,157 (Statement II) includes \$3,050 received from Bahamas, \$110 received from Barbados, \$126,375 received from Colombia, \$10,109 received from Costa Rica, \$24 received from Dominican Republic, \$178 received from Guatemala, \$539 received from Trinidad and Tobago, and \$15,772 received from United Kingdom as partial payments of their 2008 assessed quota contributions.

10. Balance Due to Centers for Interorganization Funding Activities

The net results of the accounting transactions between the following Centers and the Organization represent an amount payable to the Centers of \$3,552,301. (For balance due from Centers, see Explanatory Note 6.)

	<u>2007</u>	<u>2005</u>
Caribbean Food and Nutrition Institute (Statement IX)		223 960
Caribbean Epidemiology Center (Statement VI)	721 919	3 321 967
Institute of Nutrition of Central America and Panama (Statement XII)	2 830 382	1 300 910
Total	<u>3 552 301</u>	<u>4 846 837</u>

11. Other Sundry Creditors

	<u>2007</u>	<u>2005</u>
Accounts Payable to vendors and institutions	5 554 578	3 398 766
Accounts Payable	2 600 281	7 454 881
Total	<u>8 154 859</u>	<u>10 853 647</u>

12. Provision for Termination and Repatriation Entitlements

Under the Staff Rules, terminating staff members are entitled to certain terminal payments, such as payment for annual leave, repatriation grant, cost of repatriation travel, and other appropriate separation indemnities. The Organization established the Provision for Termination and Repatriation in April 1972 and has followed the policy of setting aside funds to cover these costs. During the 2006-2007 biennium, the rate of contribution to the Provision was maintained at 6% of net salaries. The provision has no actuarial or statistical basis. Funds available within this account do not equal the Organization's total contingent liability for termination and separation entitlements for all staff, but are considered sufficient to meet the recurring costs of normal staff attrition, including agreed termination settlements.

The status of the Provision is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	24 495 357	22 436 943
Income:		
Provision for terminal payments based on a percentage of salaries	5 488 485 ¹	5 277 215
Interest earned	2 242 342	1 460 274
Subtotal	<u>32 226 184</u>	<u>29 174 432</u>

	<u>2006-2007</u>	<u>2004-2005</u>
Less: Expenditure		
Accrued annual leave	1 803 421	1 550 422
Repatriation grant	814 567	1 335 891
Repatriation travel and removal	787 705	518 010
Settlement under agreed termination	45 012	137 172
Other terminal payments	<u>630 298</u>	<u>1 137 580</u>
Subtotal	<u>4 081 003</u>	<u>4 679 075</u>
Balance as of 31 December	<u>28 145 181</u>	<u>24 495 357</u>

^{1/} Provision for terminal payments of \$5,488,485 has been eliminated as per Note 26.

12.1 Staff Health Insurance Arrangements

Staff health insurance arrangements are provided through the Organization's participation in the World Health Organization's Staff Health Insurance Fund. The Organization contributes to the Fund on the basis of a percentage of staff salaries.

The financial position of the Fund is shown in the WHO financial statements.

13. Building Fund

The PAHO Building Fund was established as the "Building Reserve Fund" by Resolution CD8.R14 of the 8th Meeting of the Directing Council in September 1955. The purpose of the fund is the procurement of buildings as well as the construction, reconstruction and renovation of the buildings owned by PAHO or country offices. Building maintenance is actually charged to General Operating Expenses.

The status of the Building Fund is:

	<u>Rental Income</u>	<u>Major Maintenance and Repair Project</u>	<u>Total</u>
Balance as of 1 January 2006	24 556	340 123	364 679
Funds received from land rental of Headquarters Annex Building at 2121 Virginia Avenue, Washington, D.C.	1 632 850		1 632 850
Funds received from Conference and other room rental	89 172		89 172
Transfer from rental income in accordance with Resolution CD31.R12 of the 31st Directing Council (1985)			
a.) Transfer from excess miscellaneous income earned over miscellaneous income appropriated by the PAHO Governing Bodies		200 000	200 000
b.) Transfer from revenues received from land and space rentals, other sales and services and program support costs	(300 000)	300 000	
Subtotal	<u>1 446 578</u>	<u>840 123</u>	<u>2 286 701</u>
Less: Expenditure for office rental at 2121 Virginia Avenue	1 619 163		1 619 163
Less: Expenditure for maintenance and repair projects		487 583	487 583
Balance as of 31 December 2007	<u>(172 585)</u>	<u>352 540</u>	<u>179 955</u>

14. Special Fund for Capital Equipment

This Fund was established in 1993 by the Director under the authority vested in him by Financial Regulation 9.3 (originally 6.7) and subsequently reaffirmed by Resolution CE111.R20 of the 111th Session of the Executive Committee (1993). The purpose of the Capital Equipment Fund is to make major purchases of equipment, such as replacement of the telephone exchange system, replacement or updating computer equipment, and major software purchases.

The status of the fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	3 756 282	3 645 224
Less: Expenditure	<u>5 560 513</u>	<u>3 288 942</u>
Subtotal	(1 804 231)	356 282
Transfer Funds from Working Capital Fund	<u>1 867 201</u>	<u>3 400 000</u>
Balance as of 31 December	<u><u>62 970</u></u>	<u><u>3 756 282</u></u>

15. Special Fund for Health Promotion

The Directing Council at its 13th Meeting in 1961 established the Special Fund for Health Promotion with the objective of strengthening the health program of the Americas.

The status of the fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	2 181 975	2 143 333
Interest earned	<u>173 134</u>	<u>134 063</u>
Subtotal	2 355 109	2 277 396
Less: Expenditure	<u>743 594</u>	<u>95 421</u>
Balance as of 31 December	<u><u>1 611 515</u></u>	<u><u>2 181 975</u></u>

16. Special Fund for Natural 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 which can be used promptly by the Organization's Emergency Preparedness and Disaster Relief team.

The status of the fund is shown under Schedule 5.

17. Special Fund for Program Support Costs

This Fund 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).

Trust Fund Projects, Procurement on Behalf of Member States, and the Strategic Funds are charged program support costs based on a percentage of the direct project cost incurred, and this income is credited to the Fund. The Fund supports other activities such as sales of publications, support to fellowships and others. The Fund is used to provide support for PAHO's administrative costs.

The status of the fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	17 245 349	17 738 151
Adjustment to Beginning Balance		<u>(149 023)</u>
Revised Balance as of 1 January	17 245 349	17 589 128
Program Support Costs earned on Trust Fund Projects	14 504 589 ^u	11 064 301
Service Charge 3% for procurement on behalf of Member States	1 101 093 ^u	424 660
Sales of Publications	758 452	875 470
Administrative Support Charge 3% to Strategic Fund	(269 770)	158 670
Support to fellowships	122 311	77 250
OAS Reimbursements	<u>334 226</u>	<u>263 423</u>
Subtotal	33 796 250	30 452 902
Less: Expenditure	<u>14 176 798</u>	<u>13 207 553</u>
Balance as of 31 December	<u><u>19 619 452</u></u>	<u><u>17 245 349</u></u>

^u Program Support Costs of \$14,504,589 and \$1,101,093 have been eliminated as per Note 26.

18. Special Fund for Income from Services

This fund was established with the aim of providing medical research laboratories, institutions, and the general public with quality-assured research supplies and information services and publications. Income is derived from charging for the services provided.

The status of the fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	3 028 919	3 116 717
Income for services rendered	<u>7 193 846</u>	<u>6 589 762</u>
Subtotal	10 222 765	9 706 479
Less: Expenditure	<u>8 132 115</u>	<u>6 677 560</u>
Balance as of 31 December	<u><u>2 090 650</u></u>	<u><u>3 028 919</u></u>

19. Nonproject Fund for Sale of Vaccine at PANAFTOSA

This Fund was established by the Director under the authority of Financial Regulation 9.3 (originally 6.7). Income earned from the sale of vaccine produced at PANAFTOSA is credited to the Fund and used to help finance the Center's expenditure. The low level of income reflects the Center's decision to cease the production and sale of vaccines.

The status of the Nonproject Fund for Sale of Vaccine at PANAFTOSA is as follows:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	96 825	170 407
Income	(1 227)	1 055
Less: Expenditure	<u>94 129</u>	<u>74 637</u>
Balance as of 31 December	<u><u>1 469</u></u>	<u><u>96 825</u></u>

20. Working Capital Fund

The Working Capital Fund was established for the primary purpose of providing funds as required to finance the Regular Budget pending receipt of contributions from Member and Participating States. The Fund is also used to provide funds for the Organization's Centers pending receipt of their assessed quota contributions.

The 37th Directing Council (1993), noting that since 1978-1979 the budget of the Organization had grown from \$64,849,990 to \$159,457,717 in 1994-1995, authorized the Director to increase gradually the level of the Working Capital Fund from \$11,000,000 to an authorized level not to exceed \$15,000,000. The 44th Directory Council (2003) increased the authorized level of the Working Capital Fund from \$15,000,000 to \$20,000,000.

In February 1979 the Director of the Organization, under the authority vested in him by Resolution CE81.R1 of the 81st Session of the Executive Committee, signed a contract with the Inter-American Development Bank (IDB) to guarantee a new loan of \$5 million to PAHEF for the Textbook and Instructional Materials Program. Under this PAHO/IDB contract, PAHO agreed that during the 30-year period of the amortization of the loan, its Working Capital Fund would be maintained at a level not less than the balance owed on the loan plus interest. PAHEF commenced repayment of the loan in August 1989.

The Directing Council noting that the Working Capital Fund served as a guarantee for the loan from the IDB, approved the allocation from the Working Capital Fund of a reserve amount equal to the outstanding loan balance, which would be reduced as the loan is paid. The unencumbered level of the Working Capital Fund would increase accordingly. The amount of the loan outstanding as of 31 December 2007 was \$1,923,325.

The status of the Working Capital Fund including the current portion of the IDB loan as of 31 December 2007 is as follows:

	Unencumbered Balance	Allocated for Guarantee of Loan	Total
Balance as of 1 January 2006	11 950 544	2 256 658	14 207 202
Reduction for guarantee of loan	333 333	(333 333)	
Funds available	12 283 877	1 923 325	14 207 202
Less: Transfer to Capital Equipment Fund	1 867 201		1 867 201
Transfer to Expanded Program on Immunization	3 000 000		3 000 000
Transfer to Building Fund	200 000		200 000
Transfer to Holding Account (Note 27)	33 051 197		33 051 197
Plus: Surplus from 2006-2007 biennium (Statement I)	43 911 196		43 911 196
Balance as of 31 December 2007	18 076 675	1 923 325	20 000 000

21. Disclosure as to Participation in the United Nations Joint Staff Pension Fund

PAHO is a member Organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits. The Pension Fund is a funded, defined benefit plan. The financial obligation of the Organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the 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. At the time of this report the United Nations General Assembly has not invoked this provision.

22. WHO Regular Budget and Other Funds

PAHO serves as the World Health Organization Regional Office for the Americas. Under this arrangement, WHO provided PAHO with Regular Budget funding of \$75,117,851 in 2006-2007. These funds have been used for providing technical support to the Member States in the Americas Region.

In 2006-2007, WHO provided funding for non-Regular Budget projects totaling \$60,946,823. These funds are established by WHO for specific purposes, the majority of which is spent on health promotion. During the biennium PAHO implemented \$44,667,138 (per Statement I.4).

23. Cases of Fraud and Presumptive Fraud

The Organization experienced seventeen cases of financial fraud within the 2006-2007 biennium for a total of \$24,220. Of this total, \$19,846 was recovered prior to 31 December 2007. The remaining balance of \$4,374 was recorded as a loss to the Organization.

The Organization experienced twenty cases of other losses (thefts) within the 2006-2007 biennium for a total of \$54,867. Of this total, \$5,716 was recovered within the biennium

24. Amounts Written Off and Administrative Waivers

In accordance with Financial Regulation 13.6, a total of \$6,557 was written off. This amount reflects \$ 3,586 in uncollectible debts written off during the year 2006 and \$2,971 written off during the year 2007 resulting from a 2003 check difference.

As of 31 December 2007, there are approximately \$300,000 of requested administrative waivers under examination.

25. Ex-gratia Payments

In accordance with Financial Regulation 13.5, the Director has the authority to make such ex-gratia payments that he/she deems necessary in the interests of the Organization. These payments amounted to \$19,664 during the 2006-2007 biennia.

26. Eliminations on Consolidations of the Various PAHO funds

Every biennium PAHO has internal transactions, not involving the use of cash, within funds and between the different funds. These internal transactions are included in income and in expenditure in the relevant funds. Because these are only internal transactions, their inclusion in income and expenditure results in an over-statement (duplication) of both income and expenditure by the same amount. Income and expenditure should only reflect the transactions of PAHO with external entities.

The "Eliminations" column in the "Statement of Income and Expenditure and Changes in Fund Balances" allows for the elimination.

The internal transactions involving income and expenditure are as follows:

Account	Reference	2006-2007	2004-2005
INCOME			
Non-PAHO program activities			
Service charge for procurement on behalf of Member Governments	Note 17	1 101 093	424 660
Administrative Support Charge 3% to Strategic Fund	Note 17		158 670
INCAP - Staff Provident Fund (INCAP's Note 20)		385 622	466 122

Account	Reference	2006-2007	2004-2005
CAREC - Terminal Entitlements Fund (CAREC's Note 11)		450 402	80 877
CAREC - Staff Provident Fund (CAREC's Note 11)		494 988	506 350
Subtotal		2 432 105	1 636 679
Revenue-producing activities			
Program Support Costs earned on Trust Funds Projects	Note 17	14 504 589	11 064 301
Program Support Costs earned on the Natural Disaster Relief	Schedule 5		
INCAP - Special Funds Services (INCAP's Note 20)		152 999	115 173
CAREC - Program Support Costs earned on Trust Funds Projects (CAREC's Note 11)		544 811	496 725
Subtotal		15 202 399	11 676 199
Allocations from other funds			
INCAP - Provision for Personnel Entitlements (INCAP's Note 20)		610 137	675 118
Subtotal		610 137	675 118
Income for services rendered			
Administrative Support Charge 3% to Strategic Fund	Schedule 4	818 847	115 217
Administrative Support Charge 3% to Revolving Fund for the Expanded Program on Immunization	Schedule 3	10 187 480	8 628 559
Provision for Termination & Repatriation Entitlements	Note 12	5 488 485	5 277 215
INCAP - Program Support Costs (INCAP'S Note 20)		59 067	111 197
Subtotal		16 553 879	14 132 188
Total Income Eliminations		34 798 520	28 120 184
Expenditure			
International health program			
Program Support Costs earned on Trust Funds Projects	Note 17	14 504 589	11 064 301
Program Support Costs earned on the Natural Disaster Relief	Schedule 5		
CAREC - Program Support Costs earned on Trust Funds Projects (CAREC's Note 11)		544 811	496 725
CAREC - Staff Provident Fund (CAREC's Note 11)			94 087
INCAP - Technical services from extrabudgetary projects			
INCAP - Special Funds Services (INCAP's Note 20)		152 999	115 173
INCAP - Program Support Costs (INCAP'S Note 20)		59 067	111 197
Subtotal		15 261 466	11 881 483
Other purposes			
Service charge for procurement on behalf of Member Governments	Note 17	1 101 093	424 660
Administrative Support Charge 3% to Strategic Fund			158 670
Administrative Support Charge 3% to Strategic Fund	Schedule 4	818 847	115 217
Administrative Support Charge 3% to Revolving Fund for the Expanded Program on Immunization	Schedule 3	10 187 480	8 628 559
Provision for Termination & Repatriation Entitlements	Note 12	5 488 485	5 277 215
CAREC - Terminal Entitlements Fund (CAREC's Note 11)		450 402	80 877
CAREC - Staff Provident Fund (CAREC's Note 11)		494 988	412 263
INCAP - Staff Provident Fund (INCAP's Note 20)		385 622	466 122
INCAP - Provision for Personnel Entitlements (INCAP's Note 20)		610 137	675 118
Subtotal		19 537 054	16 238 701
Total Expenditure Eliminations		34 798 520	28 120 184

27. Holding Account

In accordance with Financial Regulation 4.4, any balance of the appropriation not obligated by the end of the current financial period, shall be used to replenish the Working Capital Fund to its fixed level after which any residual balance will be placed in a Holding account for subsequent use as decided by the Directing Council in September 2008.

Status of the Holding Account as of 31 December 2007 is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January		
Add: Surplus for 2006-2007 biennium	<u>33 051 197</u>	
Balance as of 31 December	<u><u>33 051 197</u></u>	

28. Goods and Services Contractually Due to be Delivered in Subsequent Financial Period

In accordance with Financial Regulation 4.6, any claims for goods and services contractually due to be delivered in a subsequent financial period that exist against the Organization at the end of a financial period shall be established as obligations against appropriations established for the relevant subsequent financial period and shall be disclosed as a note to the Financial Statements. The amount attributable to 2008-2009 totals \$672,964.

**Pan American Health Organization
Statement of Assessed Quota Contributions Due from
Member and Participating States and Associate Members
Financial Period 2006-2007 and Prior Years**

(expressed in US dollars)

Member and Participating States and Associated Members	Year	Amount Due	Collected	Balance Due 31 December 2007
Antigua and Barbuda	2006-2007	34 648	34 648	
		<u>34 648</u>	<u>34 648</u>	
Argentina	2006-2007	8 488 072		8 488 072
	2004-2005	8 488 070	1 574 780	6 913 290
	2002-2003	8 341 138	8 341 138	
	2000-2001	2 572 828	2 572 828	
		<u>27 890 108</u>	<u>12 488 746</u>	<u>15 401 362</u>
Bahamas	2006-2007	121 260	121 260	
		<u>121 260</u>	<u>121 260</u>	
Barbados	2006-2007	138 580	138 580	
		<u>138 580</u>	<u>138 580</u>	
Belize	2006-2007	51 968	51 968	
		<u>51 968</u>	<u>51 968</u>	
Bolivia	2006-2007	121 260	121 260	
	2004-2005	57 210	57 210	
		<u>178 470</u>	<u>178 470</u>	
Brazil	2006-2007	14 810 822	14 810 822	
	2004-2005	6 988 625	6 988 625	
		<u>21 799 447</u>	<u>21 799 447</u>	
Canada	2006-2007	21 460 734	21 460 734	
		<u>21 460 734</u>	<u>21 460 734</u>	
Chile	2006-2007	935 420	935 420	
	2004-2005	717 710	717 710	
		<u>1 653 130</u>	<u>1 653 130</u>	
Colombia	2006-2007	1 628 326	1 628 326	
	2004-2005	610 665	610 665	
		<u>2 238 991</u>	<u>2 238 991</u>	

Member and Participating States and Associated Members	Year	Amount Due	Collected	Balance Due 31 December 2007
Costa Rica	2006-2007	225 194	225 194	
	2004-2005	103 119	103 119	
		<u>328 313</u>	<u>328 313</u>	
Cuba	2006-2007	1 265 734	1 084 859	180 875
	2004-2005	1 112 581	1 112 581	
		<u>2 378 315</u>	<u>2 197 440</u>	<u>180 875</u>
Dominica	2006-2007	34 648		34 648
	2004-2005	34 648	17 324	17 324
	2002-2003	17 024	17 024	
		<u>86 320</u>	<u>34 348</u>	<u>51 972</u>
Dominican Republic	2006-2007	311 808	311 808	
	2004-2005	157 249	157 249	
		<u>469 057</u>	<u>469 057</u>	
Ecuador	2006-2007	311 808	311 808	
		<u>311 808</u>	<u>311 808</u>	
El Salvador	2006-2007	121 260	121 260	
		<u>121 260</u>	<u>121 260</u>	
France	2006-2007	502 356	502 356	
		<u>502 356</u>	<u>502 356</u>	
Grenada	2006-2007	51 968	51 968	
		<u>51 968</u>	<u>51 968</u>	
Guatemala	2006-2007	225 194	225 194	
		<u>225 194</u>	<u>225 194</u>	
Guyana	2006-2007	34 648	33 849	799
		<u>34 648</u>	<u>33 849</u>	<u>799</u>
Haiti	2006-2007	121 260		121 260
		<u>121 260</u>		<u>121 260</u>
Honduras	2006-2007	121 260	121 260	
	2004-2005	17 483	17 483	
		<u>138 743</u>	<u>138 743</u>	
Jamaica	2006-2007	311 808	188 191	123 617
	2004-2005	265 973	265 973	
		<u>577 781</u>	<u>454 164</u>	<u>123 617</u>

Member and Participating States and Associated Members	Year	Amount Due	Collected	Balance Due 31 December 2007
Mexico	2006-2007	10 532 140	10 532 140	
	2004-2005	8 315 572	8 315 572	
		18 847 712	18 847 712	
Netherlands	2006-2007	155 902	155 902	
		155 902	155 902	
Nicaragua	2006-2007	121 260	121 260	
		121 260	121 260	
Panama	2006-2007	225 194	164 202	60 992
	2004-2005	63 743	63 743	
		288 937	227 945	60 992
Paraguay	2006-2007	311 808	274 711	37 097
	2004-2005	298 328	298 328	
		610 136	573 039	37 097
Peru	2006-2007	710 226	2 941	707 285
	2004-2005	710 226	710 226	
	2002-2003	325 310	325 310	
		1 745 762	1 038 477	707 285
Puerto Rico	2006-2007	194 030	194 030	
	2004-2005	97 015	97 015	
		291 045	291 045	
Saint Kitts and Nevis	2006-2007	34 648	34 648	
		34 648	34 648	
Saint Lucia	2006-2007	51 968	51 968	
	2004-2005	34	34	
		52 002	52 002	
Saint Vincent and the Grenadines	2006-2007	34 648	34 648	
		34 648	34 648	
Suriname	2006-2007	121 260	70 630	50 630
	2004-2005	121 260	121 260	
	2002-2003	91 503	91 503	
		334 023	283 393	50 630
Trinidad and Tobago	2006-2007	311 808	311 808	
		311 808	311 808	

Member and Participating States and Associated Members	Year	Amount Due	Collected	Balance Due 31 December 2007
United Kingdom	2006-2007	103 934	103 934	
		<u>103 934</u>	<u>103 934</u>	
United States of America	2006-2007	113 217 518	94 531 198	18 686 320
	2004-2005	18 786 511	18 786 511	
		<u>132 004 029</u>	<u>113 317 709</u>	<u>18 686 320</u>
Uruguay	2006-2007	450 388	450 388	
	2004-2005	450 388	450 388	
	2002-2003	221 295	221 295	
		<u>1 122 071</u>	<u>1 122 071</u>	
Venezuela	2006-2007	5 543 232	5 543 232	
	2004-2005	2 774 616	2 774 616	
		<u>8 317 848</u>	<u>8 317 848</u>	
Total		<u>245 290 124</u>	<u>209 867 915</u>	<u>35 422 209</u>
Amounts consist of:				
Contributions for 2006-2007		183 550 000	155 058 405	28 491 595
Contribution for prior years		61 740 124	54 809 510	6 930 614
		<u>245 290 124</u>	<u>209 867 915</u>	<u>35 422 209</u>

Pan American Health Organization
Statement of Advances from Governments and Institutions for Procurement
Financial Period 2006-2007

(expressed in US dollars)

This Statement represents funds deposited with the Organization by governments and institutions/agencies under the jurisdiction of the minister of health for the purchase, on behalf of the Ministry, of supplies, equipment, and literature which otherwise would be either unobtainable or subject to procurement difficulties in the countries concerned. A 3% service charge is applied to the net cost of the items purchased. During the biennium the cumulative service charges amounted to \$1,101,093. In accordance with Resolution CD28.R36 of the 28th Directing Council, this amount was included in the Special Account for Program Support Costs and has been used to defray part of the staff costs related to these procurement functions.

Source of Funds	Balance 1 January 2006	Funds Received	Refunds and Transfers	Expenditure	Balance 31 December 2007
Antigua and Barbuda	9 345				9 345
Argentina	49 408	759 342	(10 025)	793 292	5 433
Bahamas		101 434		100 381	1 053
Barbados		1 180		812	368
Belize		35 913		29 548	6 365
Bolivia	7 542 047	1 027 025	(672 468)	7 656 051	240 553
Brazil	6 181 669	8 798 149	(1 030 006)	12 054 431	1 895 381
Colombia	204 594	749 979	(23 498)	225 541	705 534
Costa Rica	192 201	22 292	(59 753)	136 250	18 490
Cuba	175 941	10 695 649		10 741 421	130 169
Dominican Republic		4 235		1 201	3 034
Ecuador	63 687	1 120 399	(1 728)	619 629	562 729
El Salvador	30 535	7 751	(11 277)	26 767	242
Grenada	454	4 269	(1 802)	2 921	
Guatemala	1 145 143	6 441 071	(442 328)	4 038 346	3 105 540
Guyana	562 518	752 632		586 314	728 836
Haiti	13 331				13 331
Honduras	17 953	173 025	(37 380)	45 685	107 913
Jamaica	34 306	40 277	(49)	39 547	34 987
Mexico	1 246		(843)		403
Nicaragua	157 793	1 122 766	(7)	1 243 740	36 812
Panama	45 722	128 608		87 056	87 274
Paraguay	33 627	107 073	(6 000)	66 791	67 909
Peru	12 739	42 772	(14 009)	40 239	1 263
Suriname	1 612	100 251		101 107	756
Trinidad and Tobago	176 292	707 113	(4 775)	845 515	33 115
Uruguay	26 057	56 092		64 795	17 354
United States		1 301			1 301
Venezuela	94 194	4 048	(37 237)	12 791	48 214
Total	16 772 414	33 004 646	(2 353 185)	39 560 171	7 863 704

Pan American Health Organization
Statement of the Revolving Fund for the Expanded Program on Immunization
Financial Period 2006-2007

(expressed in US dollars)

The establishment of the Revolving Fund for the Expanded Program on Immunization was authorized by Resolution CD25.R27 of the 25th Directing Council (1977). The Revolving Fund finances the procurement of vaccines for Member States/Institutions unable to deposit funds with the Organization in U.S. currency in advance of procurement.

In accordance with the provisions of the Revolving Fund, the Director is authorized to transfer funds over and above a minimum Reserve Account balance of \$100,000 to the Revolving Fund as additional capital. In 2006-2007 the 3% service charge earned (\$10,187,480) and the valuation losses and other charges (\$449,177) were respectively credited and charged to the capitalization. The expenditure (\$374,178,350) allocated to countries is based on standard agreed-upon pricing of vaccines. The total difference between the standard and actual pricings in 2006-2007 was \$216,979 and it was credited to the capitalization of the Revolving Fund.

	Balance 1 January 2006	Expenditure	Income	Balance 31 December 2007
Country Summary Totals (see overleaf)	11 683 035	374 178 350	439 206 633	76 711 318
Purchase orders not invoiced yet	(94 507)	(94 507)		
	11 588 528	374 083 843	439 206 633	76 711 318
Capitalization of the Revolving Fund	34 921 071	(216 979)	9 738 303	44 876 353
Reserve Account Balance	100 000			100 000
Transfer to/from funds			3 000 000	3 000 000
Closing Fund Balance	46 609 599	373 866 864	451 944 936	124 687 671

Funds available for future Revolving Fund purchases

Revolving Fund Balance as of 31 December 2007 (per above)	124 687 671
Plus: Amount due to Fund from Member States/Institutions (Gross)	13 131 212
Less: Funds received in advance from Member States/Institutions (Gross)	(91 750 437)
	(78 619 225)
Amount Available for Future Purchases as of 31 December 2007	46 068 446

Pan American Health Organization
Statement of the Revolving Fund for the Expanded Program on Immunization
Financial Period 2006-2007

(expressed in US dollars)

Source of Funds	Balance Available/ (Balance Due) 1 January 2006	Expenditure	Reimbursements	Balance Available/ (Balance Due) 31 December 2007 ^{1/}
Anguilla		33 333	20 641	(12 692)
Antigua and Barbuda	(35 280)	55 289	78 742	(11 827)
Argentina	8 496 063	62 927 729	65 284 994	10 853 328
Bahamas	(154 696)	342 359	452 518	(44 537)
Barbados	(5 528)	200 751	150 666	(55 613)
Belize	129 751	421 464	520 804	229 091
Bermuda	(16 698)	207 219	163 305	(60 612)
Bolivia	569 095	14 344 600	13 481 084	(294 421)
Brazil	1 339 005	59 736 185	86 063 497	27 666 317
British Virgin Islands	(2 817)	30 163	29 286	(3 694)
Cayman Islands	(41 693)	112 162	114 973	(38 882)
Colombia	13 032 246	48 243 134	71 508 376	36 297 488
Costa Rica	(1 566 981)	6 323 865	6 502 391	(1 388 455)
Cuba	7 271	226 464	227 988	8 795
Dominica	(8 256)	49 763	38 125	(19 894)
Dominican Republic	(474 627)	7 788 685	7 061 044	(1 202 268)
Ecuador	(2 170 441)	25 406 918	27 994 113	416 754
El Salvador	(1 777 480)	11 424 743	10 129 850	(3 072 373)
Grenada	5 245	117 584	104 282	(8 057)
Guatemala	(342 625)	17 799 218	16 297 533	(1 844 310)
Guyana	162 035	747 595	621 321	35 761
Haiti	(195 917)	248 732	195 917	(248 732)
Honduras	578 930	11 248 665	18 220 415	7 550 680
Jamaica	(376 952)	1 332 840	1 656 697	(53 095)
Montserrat	(195)	10 274	8 810	(1 659)
Netherlands Antilles	20 074	132 977	133 460	20 557
Nicaragua	(369 612)	6 192 307	5 314 217	(1 247 702)
Panama	(289 203)	6 917 036	7 402 771	196 532
Paraguay	(1 312 440)	10 709 839	11 052 204	(970 075)
Peru	(2 081 116)	34 913 515	43 657 061	6 662 430
Saint Kitts and Nevis	(2 539)	48 502	51 041	(27 326)
Saint Lucia	4 409	107 568	75 833	(13 919)
Saint Vincent and The Grenadines	(3 196)	83 039	72 316	(101 209)
Suriname	(108 948)	286 132	293 871	(230 167)
Trinidad and Tobago	(195 119)	627 783	592 735	(18 918)
Turks and Caicos Islands	(14 056)	44 896	40 034	(746 447)
Uruguay	(7 844)	6 393 943	5 655 340	(1 509 531)
Venezuela	(1 106 830)	38 341 079	37 938 378	
Total	11 683 035	374 178 350	439 206 633	76 711 318

^{1/} These balances are shown as net of total receivables and total advances from the Member States/Institutions.

Pan American Health Organization
Statement of the Regional Revolving Fund for Strategic Public Health Supplies
Financial Period 2006-2007

(expressed in US dollars)

This Fund was established in 1999 by the Director under the authority vested in him by Financial Regulation 9.3 (originally 6.7), following the request of PAHO Member States. The objectives of the Fund include reducing the cost of strategic public health supplies, making these supplies continuously available to the Member States, assisting the Member States in improving their planning capabilities to use these supplies, and broadening the scope of the Member States' public health programs. The Director approved the use of the 3% administrative service charge for the capitalization of the Fund effective 1 August 2005. This capitalization amounted to \$934,064 at the end of biennium. As of 31 December 2007 eighteen Member States had indicated their commitment to participate in the Fund through an exchange of letters.

Member States	Balance as of 1 January 2006	Funds Received	Expenditure	Balance as of 31 December 2007
Belize		370 278	270 276	100 002
Bolivia	1 498	615 203	270 562	346 139
Brazil	1 338 795	15 424 018	13 155 681	3 607 132
Ecuador		1 860 087	1 430 063	430 024
El Salvador		1 700 413	1 387 875	312 538
Guatemala	2 090 861	11 016 820	10 907 736	2 199 945
Haiti	9 245	755 381	657 291	107 335
Honduras	268 554	927 875	811 260	385 169
Nicaragua	212 571	180 607	265 219	127 959
Peru		386 461	386 461	
Suriname		37 973	35 495	2 478
<i>Subtotal</i>	3 921 524	33 275 116	29 577 919	7 618 721
<i>Capitalization</i>	115 217	818 847		934 064
Total	4 036 741	34 093 963	29 577 919	8 552 785

Pan American Health Organization
Statement of Voluntary Contributions Special Fund for Natural Disaster Relief
Financial Period 2006-2007

(expressed in US dollars)

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
I. Government Financing					
<i>Canada</i>					
Humanitarian Assistance to Grenada - Hurricane Emily 2005	026119	9 400		9 400	
Emergency Relief for Victims of Hurricane Stan	026121	51 071	1	51 072	
Peru Earthquake 2007 Flash Appeal: Health Cluster	026131		147 536	97 969	49 567
Hurricane Felix Nicaragua Flash Appeal 2007: Health and Water Sanitation	026132		100 110	57 226	42 884
Tropical Storm Noel Flash Appeal 2007	026134		202 266	18 174	184 092
<i>Subtotal</i>		60 471	449 913	233 841	276 543
<i>Netherlands</i>					
Hurricane Stan/United Nations Appeal for Guatemala 2005	077087	1 177 740	2	1 177 742	
<i>Subtotal</i>		1 177 740	2	1 177 742	
<i>Norway</i>					
Emergency Relief for Victims of Hurricane Stan/United Nations Appeal for Guatemala 2005	198017	331 020	(263)	330 757	
<i>Subtotal</i>		331 020	(263)	330 757	
<i>Principality of Monaco</i>					
Emergency Relief for Victims of Hurricane Stan	442001	428			428
<i>Subtotal</i>		428			428
<i>Sweden</i>					
Emergency Relief for Victims of Hurricane Stan/United Nations Appeal for El Salvador 2005	163126	761 845	(276)	761 569	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Hurricane Stan/United Nations Appeal for Guatemala 2005	163128	586 917	(1 482)	585 435	
Earthquake in Peru August 2007 - Health Projects	163131		1 081 552		1 081 552
Support to UN Flash Appeal Nicaragua 2007 - 2008	163132		618 022		618 022
<i>Subtotal</i>		1 348 762	1 697 816	1 347 004	1 699 574
<i>United Kingdom</i>					
Emergency Assistance Hurricane Ivan	140054		(161)	(161)	
<i>Subtotal</i>			(161)	(161)	
<i>United States of America</i>					
Emergency Assistance Hurricane Ivan	002105	(37)	37		
Immediate Health Needs - Response to the Flooding in Guyana	002110		(1 515)	(1 515)	
Emergency Repairs to the Richmond Hill Home for the Elderly	002111	(569)	40 000	39 431	
Urgent Health Needs in El Salvador and Guatemala after Tropical Storm Stan	002112	(194)	228 984	228 790	
Urgent Health Needs in Nicaragua Resulting from Hurricane Betha	002113	88	39 002	39 090	
Flooding in Suriname - Health Needs 2006	002114		199 996	199 996	
Methanol Poisoning Outbreak - Nicaragua Highlights Impact Assessment	002115		49 999	49 999	
Dengue Outbreak Medical Response in Paraguay 2007	002118		49 000	49 464	(464)
Hurricane Dean in Jamaica - Health Emergency Needs	002119		60 000	20 069	39 931
Hurricane Felix in Nicaragua - Appeal for Health Emergency Needs	002120		280 000	273 961	6 039

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Tropical Storm Noel / Health Emergency Needs in Dominican Republic	002123			66 256	(66 256)
<i>Subtotal</i>		(712)	945 503	965 541	(20 750)
Total - Government Financing		2 917 709	3 092 810	4 054 724	1 955 795
II. International Organizations					
<i>Caribbean Disaster Emergency Response Agency</i>					
Haiti Support Health Sector after Tropical Storm Jeanne	429001	(100 000)	100 000		
<i>Subtotal</i>		(100 000)	100 000		
<i>European Community</i>					
Health Response to Hurricane Ivan - Grenada	049045	(16 987)	15 131	(1 856)	
Health Response to Hurricane Frances and Jeanne - Bahamas	049046	(6 260)	6 260		
Health Response for the Areas Affected by the Floods - Guyana	049050	(47 179)	47 179		
Relocation of Promess' Stock	049051	10 017	28 340	38 357	
Public Health Intervention for the Floods in the Coastal Region of Ecuador	049055		174 999	174 999	
Reduce the Health Risk after the Floods on the Population of Suriname	049056		503 957	503 957	
Emergency Public Health Intervention after Floods in Bolivia	049057		170 432	208 984	(38 552)
Reduce the Health Risks on the Most Affected Population in Nicaragua after Hurricane Felix	049058		333 024	416 061	(83 037)
Reduce the Health Risks after Hurricane Dean on the Most Affected Population in Jamaica	049059		398 468	95 234	303 234
Reduce the Health Risks of the Affected Population in Dominican Republic after Tropical Storm Noel	049062		234 240	226 820	7 420

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Disease Prevention and Control Activities and Disaster Preparation & Mitigation Activities in the Areas of the RAAN Region Impacted by Hurricane Felix, Nicaragua	049064		426 980	36 757	390 223
<i>Subtotal</i>		(60 409)	2 339 010	1 699 313	579 288
United Nations Office of the Coordination of Humanitarian Affairs (OCHA)					
Eruption of Tungurahua Volcano 2006 - Humanitarian Assistance	191055		30 000	30 000	
<i>Subtotal</i>			30 000	30 000	
United Nations Development Program (UNDP)					
Floods in the Ecuadorian Coast	191054		39 400	39 400	
<i>Subtotal</i>			39 400	39 400	
Total - International Organizations		(160 409)	2 508 410	1 768 713	579 288
III. Private and Public Sector					
Income from Project Services					
Haiti: Sale of Fuel	099000	446 440		260 877	185 563
<i>Subtotal</i>		446 440		260 877	185 563
Various Grantors (Undesignated Contributions)					
Transport Distribution of Water Tanks "Rainwater harvesting in the Interior of Suriname"	215051		19 700	19 700	
<i>Subtotal</i>			19 700	19 700	
Total - Private and Public Sector		446 440	19 700	280 577	185 563

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>Special Fund for Natural Disaster Relief</i>	215000	2 142 577	282 289		2 424 866
Total - Special Fund		2 142 577	282 289		2 424 866
Total		5 346 317	5 903 209	6 104 014	5 145 512

Balance at 31 December 2007 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by PAHO	5 333 821
Expenditure funded by PAHO in excess of receipts incurred on projects	(188 309)
Total	<u>5 145 512</u>

^{1/} Funds Received are shown net of refunds to Donors.

**Pan American Health Organization
Statement of Trust Funds
Financial Period 2006-2007**

(expressed in US dollars)

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
I. Government Financing (External Projects)					
<i>Argentina</i>					
Reference Center for Epidemiological Surveillance, Entre Rios (Phase II)	059016	21 430		9 919	11 511
Contribution of Government to INPPAZ	059018	(536 339)	316 624		(219 715) ^{2/}
<i>Subtotal</i>		(514 909)	316 624	9 919	(208 204)
<i>Brazil</i>					
Contribution of the Government to PANAFTOSA	063001	(106 865)	4 434 860	2 783 021	1 544 974
Government Contribution to BIREME	063004	400 010	1 135 409	1 535 419	
Library for Adolescent Health and Public Health	063122	29 816	2 245 675	2 196 613	78 878
Support to BIREME to Strengthen Public Sanitary Care	063145	232 960	309 037	541 997	
Strengthening of Sanitary Surveillance System and VLH in CEARA	063170	85 110	1	85 111	
Implementation of Web Portal of Information and Knowledge "Secretaria de Saude Sao Paulo (SACPJ)"	063176		150 862	150 862	
Development of Animal Health Programs	063181		1 748 292	1 734 349	13 943
Government Contribution BIREME	063185		43 243	43 243	
<i>Subtotal</i>		641 031	10 067 379	9 070 615	1 637 795
<i>Canada</i>					
Prevention and Control of Communicable Diseases in South America	026101	1 080	(582)	(3 571)	4 069
Emergency Preparedness and Disaster Relief Program 2003-2004	026107	126 081	(595)	125 486	
Eradication of Measles and Vaccine Preventable Diseases	026108	318	(318)		

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Canadian International Immunization Initiative/CIII-Phase II	026109	2 406 555	3 012 536	3 831 110	1 587 981
Internally Displaced Populations and Refugee Health in Colombia and Neighboring Countries	026115	43 961	(1 622)	42 339	
Strengthening Emergency Disaster Response in Haiti	026117	290 965	(11 698)	279 267	
Prevention and Control of Communicable Diseases in South America	026120	590 303	3 685 217	2 872 582	1 402 938
Consultant Trust Fund for Human Resources Mobilization	026122		254 897	86 932	167 965
Improved Health for Colombian Internally Displaced Persons	026123		438 379	438 379	
Strengthening Emergency Disaster Response in Haiti - Phase II	026124		449 277	447 618	1 659
Programme for Emergency Preparedness and Disaster Relief	026125		1 964 202	796 195	1 168 007
Support to PAHO Health Program	026126		3 399 915	616 753	2 783 162
Support to Bolivia for the Purchase of Vaccines and Syringes	026127		147 018	147 018	
Free Obstetric Care for Poor Pregnant Women	026128		4 592 666	133 293	4 459 373
Support to a Vaccination Expansion Program in Haiti (PAPEV) PAHO/UNICEF	026129		1 364 438	845 205	519 233
Improved Health for Colombian Internally Displaced Persons (IDPs) - Phase IV	026130		474 024	154 149	319 875
Strengthening Emergency Disaster in Haiti	026133		700 771	124 506	576 265
Aquatox: Youth, Science Environment and Health	109032	88 872	55 137	144 009	
Guidelines/Development of Domestic Wastewater Use Policies in Latin America	109033	1 065	2 608	3 673	
Regional Workshop of Sustainable Use of Water in Urban Areas - 2006	109034		31 416	31 287	129
Health and the Environment	281031	910		910	
Promote Tobacco Control	281035	3 028		3 028	
Support Implementation Framework Convention on Tobacco Control	281037	13 860	(1)	13 859	
Strengthening Capacity to Implement FCTC and Smoke Free Environments in the Americas	281038		129 210	114 090	15 120
Proposal to Support CARICOM Summit of Heads of Government on Chronic Disease Prevention and Control and Assess the Applicability to Other Regions	435002		204 379	69 936	134 443

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Counter - Terrorism Capacity Building in Support to the "Cricket World Cup" (CWC)	452001		792 328	599 419	192 909
<i>Subtotal</i>		3 566 998	21 683 602	11 917 472	13 333 128
Colombia					
Seminar "Healthcare Technology Management (HTM) and Clinical Engineering"	066060		17 000	17 000	
<i>Subtotal</i>			17 000	17 000	
Denmark					
Scientific Forums / Therapeutic Abortion - March 2007	284009		12 800	12 711	89
<i>Subtotal</i>			12 800	12 711	89
Finland					
Second - Level Health Care - Integrated Health Care System	256013	18 647	(2)	18 645	
Regional Coordinating Meeting of the "Quit and Win"	256014	1 108	(1 108)		
<i>Subtotal</i>		19 755	(1 110)	18 645	
France					
Expert Assistance in the Fields of Health and Social Development	247017	9 354	(9 220)	134	
Expert Assistance by Reg. Advisor of Health & Social Development	247021	14 134	54 537	46 138	22 533
Etiology of Parkinson Disease and Quality Control of Beaches and other Swimming Areas	247022	13 904		(610)	14 514
Implementation of Training French Language to PAHO Employees	247023	5 291			5 291
Caribbean Network of Cancer Registries/Cervical Cancer Program	247024	5 567		5 341	226
<i>Subtotal</i>		48 250	45 317	51 003	42 564
Germany					
Men's Participation in Reproductive Health Programs in Central America	217037	57 541	(5)	57 536	
Improving Water and Sanitation in Indigenous Communities	217044	206 049		205 975	74

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Promotion of Youth and Violence Prevention	217045	133 830	371 354	502 306	2 878
GTA Backup Initiative Personnel Support to PAHO	217047	19 860	(19 860)		
Strengthening the Country Coordinating Mechanism, 2004-2006 GFTAM Bolivia	217048	57 893	129 515	156 899	30 509
<i>Subtotal</i>		475 173	481 004	922 716	33 461
Italy					
Caribbean Cooperation in Health Voluntary Contribution to Support Public Health in Argentina	261009	6 280	(6 280)		
Support to National Health System/ Uruguay	261024	22 328	(5 113)	17 215	
Support to National Health System/ Uruguay	261025	233 341	324 267	264 107	293 501
Support to National Health System/ Argentina	261026	327 540	(550)	326 990	
<i>Subtotal</i>		589 489	312 324	608 312	293 501
Mexico					
Health Promotion and Disease - Risk Prevention in North Mexican Border	076019		1 133 370	976 970	156 400
<i>Subtotal</i>			1 133 370	976 970	156 400
Netherlands					
Netherlands Holding Account	077001	200 830	(200 830)		
Netherlands' Deployment of Young Professionals in the Health Sector	077081	455 520	72 868	224 567	303 821
<i>Subtotal</i>		656 350	(127 962)	224 567	303 821
Norway					
Support to MASICA: PROFIN Component	251020	13 658	(13 658)		
Prevention of Intrafamily Violence in Central America Phase II	251021	2 091	(2 091)		
AIDS Prevention in Prioritized Groups of Ages 10-29 years	251023	18 453	(18 453)		
Preparatory Support for Mother-to- Child HIV/AIDS Transmission	251024	253	(253)		
Socioeconomic Development of Health and Equity (2002-2005)	251028	168 873	94 998	221 145	42 726
Women Health and Development: Gender Equity	251029	199 830	263 790	460 225	3 395
National Health Accounts in the Americas	251030	131 687	94 996	226 683	
HIV/AIDS Prevention in Young People	251031	247 448	369 807	617 149	106

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Development of Human Resources in Health	251032	117 375	149 995	267 137	233
Norwegian Technical Exchange	251033	399 970	321 970	654 176	67 764
Promotion of Gender Equity for the Eradication of Violence Against Women in Nicaragua	251034		1 881 682	922 876	958 806
<i>Subtotal</i>		1 299 638	3 142 783	3 369 391	1 073 030
Peru					
Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS)	081001	544 081	615 838	582 600	577 319
Conservation of Nonhuman Primates	081009	351	63 800	63 187	964
<i>Subtotal</i>		544 432	679 638	645 787	578 283
Puerto Rico					
Application of Geographic Information System in Public Health	359002	24 494	69 880	94 374	
<i>Subtotal</i>		24 494	69 880	94 374	
Spain (Including Provincial Governments)					
Spain Holding Account	230001	23 429	9 927 102		9 950 531
Tenth Plan - Strengthening Public Health Labs and Libraries	230068	897	(897)		
Tenth Plan - AIDS and Sexually Transmitted Diseases	230069	5 435	(1)	5 434	
Tenth Plan - Support for the Latin American Center for Perinatology	230070	7 298	(7 298)		
Tenth Plan - Strengthening the Quality of Health Services in the Americas	230071	176 021	(2)	176 019	
Tenth Plan - Measles Eradication	230072	9	(9)		
Tenth Plan (Additional Funds) Essential Medicines	230075	190 383	(276)	190 107	
Eleventh Plan - Strengthening Public Laboratories in Latin America Program BALMIS	230077	4 140	(1)	4 139	
Eleventh Plan - COMP II - AIDS and Sexually Transmitted Diseases	230078	212 374	(2 197)	210 177	
Eleventh Plan - COMP III - Health Services Access Maternal Health	230079	13 114	(7 840)	5 274	
Eleventh Plan - Support to Master in Tropical Medicine	230081	12 020	188	12 208	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Eleventh Plan - COMP IV - Strengthen National Programs Quality of Health Services	230082	10 500	(402)	10 098	
Eleventh Plan - COMP IV - Essential Medicines	230083	55 345	(2 142)	53 203	
Eleventh Plan - COMP X - Technical Cooperation Organ Transplant "Proyecto Siembra"	230084	44 290	(70)	44 220	
Implementation of Reserve Acct Support Spanish Contribution	230086	3 545	(3 545)		
Health in Ibero-America/Communicable Diseases and HIV/AIDS	230087		466 120	440 629	25 491
Health in Ibero-America/Family and Community Health	230088		203 677	187 212	16 465
Health in Ibero-America/Technologies in Health	230089		391 194	328 188	63 006
Health in Ibero-America/Strengthening Public Health Systems	230090		578 683	473 310	105 373
Support to the Master in Tropical Medicine (IV EDITION/2006)	230091		12 208	9 471	2 737
Virtual Health Library: Spain and Scientific Electronic Library Online (Scielo)	230092		68 423	68 423	
Health in Ibero-America Communicable Diseases and HIV/AIDS - YEAR 2	230093		1 378 868	576 751	802 117
Health in Ibero-America Communicable Diseases and HIV/AIDS - YEAR 2	230094		602 747	146 216	456 531
Health in Ibero-America Communicable Diseases and HIV/AIDS - YEAR 2	230095		1 395 388	497 647	897 741
Health in Ibero-America Communicable Diseases and HIV/AIDS - YEAR 2	230096		1 987 197	601 123	1 386 074
Rapid Response for the Americas in Disaster Situation	230097		920 995	576 709	344 286
Improvement of Sanitary Conditions of Rural Areas in Choco and Buenaventura "Valle" - Colombia	230098		424 080	91 554	332 526
Mobil Health Care Assistance - Bolivia	230099		8 105 380		8 105 380
Spanish Fund 2007 Contribution - Haiti	230100		1 100 010	291 787	808 223
Support to the Master in Tropical Medicine - 2008 Edition	230101		21 125		21 125
Strengthening of Health Promotion Strategy in Latin American Schools	438001	64 788	122 381	183 462	3 707
<i>Subtotal</i>		823 588	27 681 086	5 183 361	23 321 313

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>Sweden</i>					
Temporary Holding Account - Swedish Contribution	163001	11 155			11 155
Extension of Social Protection in Health	163109	546	(546)		
Creating Smoke-free Environment in the Americas - 2002-2004	163112	208	(672)	(464)	
Strengthening the Healthy Workplace Initiative	163114	121	(121)		
Integral Model of Health Development with Social Participation	163117	1 202 485	4 884 312	4 871 779	1 215 018
Health Development Programmes in Central America 2005-2007 Social Protection in Health	163122	493 780	1 240 334	1 238 762	495 352
Health Development Programmes in Central America 2005-2007 Gender and Ethnic Inequities	163123	283 922	671 784	560 263	395 443
Health Development Programmes in Central America 2005-2007 Family and Community Health	163124	1 111 006	2 352 709	2 122 992	1 340 723
Health Development Programmes in Central America 2005-2007 Secondment of Swedish Expert	163125		442 952	110 394	332 558
Health System Development Course Latin & Central America - 2006	163129	185 166	(1 503)	183 663	
Support to Health Systems Development Course in Latin and Central America - 2007	163130		361 607	340 083	21 524
<i>Subtotal</i>		3 288 389	9 950 856	9 427 472	3 811 773
<i>Switzerland</i>					
Improvement of the Sanitary Conditions of Rural Areas - Phase III	246004	11 917	4 503	16 420	
Improvement of Sanitary Conditions of Rural Areas of Peru	246006		149 973	105 922	44 051
<i>Subtotal</i>		11 917	154 476	122 342	44 051
<i>United Kingdom</i>					
Local Purchases in Bolivia	140017	1 702	(1 923)	(221)	
Communicable Disease Control in Central America	140028	446	(1 314)	(868)	
Communicable Disease Control Project	140033	375 384	(26 406)	348 856	122
Reduction of Disasters in Countries Affected by Hurricane Mitch	140037	524	(831)	(307)	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Prevention and Control of STI/HIV/AIDS	140046	134 474		99 176	35 298
Support to PAHO Member States for Prevention and Control of STI/HIV/AIDS	140050	152 699	185 320	270 950	67 069
Reduction of the Public Health Risk of Disasters 2003-2007	140051	4 291	(5 721)	(1 430)	
Emergency Preparedness and Disaster Relief Coordination Programme	140057	860 387	2 855 712	3 098 609	617 490
Tortola Workshop of the Management of Mass Fatalities after Natural Disasters - December 2006	140058		10 000	6 006	3 994
Water and Sanitation Baseline Assessment and Hygiene Promotion in East Coast Demerara and West Coast Demerara, Including Preliminary Studies for a National Sanitation Strategy	140059		294 660	24 112	270 548
Leadership and Health Workforce Development	218001		120 000		120 000
<i>Subtotal</i>		1 529 907	3 429 497	3 844 883	1 114 521
United States of America					
Measles Elimination	002063		(315)	(315)	
Regional Plan for Reduction in Maternal Mortality	002065		(15)	(15)	
Support of the Tripartite Landmine Initiative in Central America	002087	(2 925)	6 063	3 138	
Strengthening the National Program for the Control of TB	002096	(3 523)	945 875	949 681	(7 329)
Inter-American Coalition for the Prevention of Violence	002101	37 428	67 500	114 933	(10 005)
Reduction of the Public Health Risk of Disasters	002102	25 687	2 099 500	2 109 591	15 596
Program in Infectious Diseases Maternal/Neonatal and Health Systems	002108	35 666	11 083 000	11 322 700	(204 034)
Surveillance and Containment of Antimicrobial Resistance in Dominican Republic	002109	189	147 500	149 239	(1 550)
Expansion of Directly Observed Treatment Short-course Strategy for Tuberculosis	002116		1 040 000	1 048 136	(8 136)
Elimination of Measles, Rubella and Congenital Rubella Syndrome in the Americas	028040	478 240	(457 322)	20 918	
Coordination of Comprehensive Emerging Infectious Disease Plans	028041	(13 791)	14 514	723	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Environmental Health in Latin America and the Caribbean - Year 4	028042	103 157	(103 157)		
Building Inter-Country Collaboration and Cooperation for Epidemiology and Surveillance Training in Central America, Dominican Republic and Haiti - Year 2004-2005	028043	(672)	672		
Coordination of Comprehensive Emerging Infectious Disease Plans - Year 3	028045	(4 823)	583 667	578 844	
Elimination of Measles, Rubella and Congenital Rubella Syndrome in the Americas - Year 2	028047	(765 472)	2 863 858	2 098 386	
Achieve and Sustain Measles, Rubella and Congenital Rubella Syndrome (CRS) Elimination in the Americas	028048		5 085 394	5 085 394	
Elimination of Measles, Rubella and Congenital Rubella Syndrome (CRS) in the Americas - Year 4	028049		3 779 697	3 852 192	(72 495)
Environmental Health in Latin America and the Caribbean - Year 5	028051	(630)	903 813	954 083	(50 900)
Building Inter-Country Collaboration and Cooperation for Epidemiology and Surveillance	028052		90 630	90 630	
Regional Workshop on Environmental Health and Water Safety Plan	028054	(24 900)	24 900		
Health Promotion and Non-Communicable Diseases and Injury Prevention Initiatives in Latin America and the Caribbean	028055		1 076 089	1 076 089	
Health Promotion and Non-Communicable Disease and Injury Initiatives Prevention in Latin America and the Caribbean	028056		730 815	741 595	(10 780)
Health Promotion and Non-Communicable Disease and Injury Prevention Initiatives in Latin America and the Caribbean	028057		13 161	13 230	(69)
Coordination of Comprehensive Emerging Infectious Disease Plans - Year 4	028060		1 639 702	1 647 405	(7 703)
Coordination of Comprehensive Emerging Infectious Disease Plans	028061		118 000	125 113	(7 113)
Safety Injection Toolkit Translation/ Adaptation from English to Spanish of WHO Documents	028062		4 821	4 821	
Children Health Workshop - Argentina - November 2005	028063	(10 000)	10 000		

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Centers for Disease Control and Prevention (CDC) - Purchase Orders 06-07	028064		2 400	10 398	(7 998)
Central American Diabetes Initiative (CAMDI) Enhancing to Monitor Diabetes and Other Chronic Diseases	028065		97 017	97 426	(409)
Diabetes Prevention and Control in the Americas - The Central America Diabetes Initiative (CAMDI) III: Enhancing Capacity to Monitor Diabetes and other Chronic Diseases	028066		27 744	29 799	(2 055)
Influenza Preparedness in the Americas Region	028069		169 060	170 084	(1 024)
Influenza Preparedness in the Americas Region	028070		59 558	71 088	(11 530)
U.S. Mexico Border Diabetes Prevention and Control - Phase II	028074		69 574	69 574	
U.S. Mexico Border Diabetes Prevention and control - Phase II	028075		74 000	82 347	(8 347)
US/Mexico Diabetes Prevention and Control Project Initiative	040015	43 904		34 598	9 306
Diabetes Prevention and Control Project Initiative	040017	11 244	(2)	11 242	
US/Mexico Border Diabetes Prevention (DPCP) Initiative	040023	283 954		2 853	281 101
Promoting Cross-National Research on Aging for Policy Formulation	040027	6 413			6 413
US/Mexico Border Diabetes Prevention and Control Project Initiative - Amendment 7	040030	107 364		93 101	14 263
U.S. Mexico Border Diabetes Prevention and Control Initiative - Amendment 8	040033	126 210		88 111	38 099
Environmental Health in Latin America and the Caribbean	046007	13 750	104 465	120 012	(1 797)
Improving Environmental Public Health in the Americas	046008	24 894	70 902	99 040	(3 244)
Cardiovascular Disease Prevention and Control in the Americas	137016		215 380	27 122	188 258
Center for Reproduction and Conservation of Primates (PPP/CRPC)	137017		300 000	132 906	167 094
Contribution to XIV RIMSA Meeting in Mexico - April 2005	190005		5 000	5 000	
Internally Displaced People and Refugees of Colombia	374003		(1 452)	(1 452)	
Internally Displaced People and Refugees of Colombia - Phase III	374005	262 489	196 121	458 610	
Improved Health Response for Colombian Internally Displaced Population (IDPs)	374006		400 000	397 348	2 652

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Health for Internally Displaced Population in Colombia and Refugees in Neighboring Countries	374007			36 146	(36 146)
Support for PAHO Choice Project in 3 Latin American Countries	433001		4 996	4 996	
Mental Health Research Development in Latin America	433002	35 232	104 184	146 904	(7 488)
Symposium/Use Lay Health Workers to Promote Cardiovascular Health in the Americas	441001	8 571	2	8 573	
Support of a Mental Health Conference in Brazil	445001	8 000		8 000	
<i>Subtotal</i>		785 656	33 667 311	34 190 337	262 630
Uruguay					
Strengthening the Laboratory Treatment of Drinking Water	087009	2 542	(2 542)		
<i>Subtotal</i>		2 542	(2 542)		
Total - Government Financing (External Projects)		13 792 700	112 713 333	80 707 877	45 798 156
II. Government Financing (Internal Projects)					
Argentina					
Managerial Support for National Health Development	059001	705	171 086	705	171 086
Communication Plan to Support Rubella Vaccination Campaign - 2006	059031		1 990 307	1 951 045	39 262
<i>Subtotal</i>		705	2 161 393	1 951 750	210 348
Bolivia					
Epidemiologic Shield to Support Health Sector Reform	062040	100 142	40 350	115 334	25 158
<i>Subtotal</i>		100 142	40 350	115 334	25 158
Brazil					
Integrated Network for Health Information	063084	49 375	2 508 501	775 941	1 781 935
Strategic Restructuring of Management in Ministry of Health	063103	511 488	3 360 056	1 529 368	2 342 176
Eradication of <i>Aedes aegypti</i>	063109	1 551 971	2 841 594	3 183 229	1 210 336
Adolescent Health	063117	21 711	(6 682)	15 029	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Municipal Organization for One Health System	063124	7 606 258	62 771 792	37 172 574	33 205 476
Health Services Development	063129	1 174 797	540 843	1 715 640	
Improve Activities of the National Health Council	063134	50 774	137 721	180 152	8 343
Development of Pharmaceutical Assistance	063137	71 234	4 048 372	2 722 612	1 396 994
National Program Control of Tuberculosis	063151	1 144 485	7 513 758	3 632 119	5 026 124
Development and Implementation of Health Supplement	063160	105 442	(7 244)	98 198	
Development of Health Services System	063163	90 045	(6 114)	83 931	
Epidemiological and Environmental Surveillance	063166	1 899 431	14 692 954	11 182 036	5 410 349
Optimization of Sanitary Surveillance Activities in the Health System	063167	274 449		227 399	47 050
Decentralized Management Qualification/"SUS"	063168	417 182	6 450 170	3 571 096	3 296 256
Reorganization of National System Sanitary Surveillance	063171	362 175	1 886 973	1 480 653	768 495
Program Qualification of Supplemental Health	063172		2 687 362	1 348 359	1 339 003
Development and Organization of Health Systems and Services	063173		8 506 384	6 604 575	1 901 809
Support of the Implementation of the Policy of Strategic and Participatory Management of "SUS"	063174		4 610 453	2 996 512	1 613 941
Economy of Health	063175		1 503 347	947 116	556 231
Development of Human Resources in Health	063177		6 938 615	1 306 017	5 632 598
Development of Management System of Technology in Health	063178		7 148 633	3 697 703	3 450 930
National Coordination of the Health in the Mercosur	063179		677 722	416 572	261 150
Family Health - Food and Nutrition	063180		4 912 548	1 313 418	3 599 130
Environmental Health / Institutional Strengthening and Training Human Resources for FUNASA	063182		403 998	2 646	401 352
Quality Program "Sistema Unico de Saude (SUS)"	063183		3 857 048	327 867	3 529 181
Implementation of National Policies on Blood	063184		952 063	40 272	911 791
<i>Subtotal</i>		15 330 817	148 930 867	86 571 034	77 690 650
Chile					
Promotion of Bioethics	064004	241 055	399 980	180 130	460 905
<i>Subtotal</i>		241 055	399 980	180 130	460 905

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Colombia					
Diagnosis of Foot and Mouth Disease ELIXA/EITB MOU No. 9	066052	1 090	(1 090)		
Strengthening Public Health National Surveillance System	066054	406	(406)		
Implementation/Evaluation of Public Health Policies - Cauca	066056		136 617	136 617	
National Professional Veterinary Public Health	066057		15 772	15 772	
Strengthening of Institutional Management / "Secretaria Distrital de Salud"	066058		358 525	149 350	209 175
Systematization Primary Health Care, Food Safety and Nutrition	066059		327 862	125 942	201 920
<i>Subtotal</i>		1 496	837 280	427 681	411 095
Cuba					
Managerial Support for National Health Development	067001	500	37 375	37 375	500
<i>Subtotal</i>		500	37 375	37 375	500
Guatemala					
Support for the Child Protection Fund	072010	395 873	118 806	398 032	116 647
Technical and Integral Development for Division of Record and Control of LUCAM	072012	331 668	1 141 612	1 107 387	365 893
Technical and Integral Development for the Division of Food and Drugs	072013	4 505	9 223	9 174	4 554
Multisectorial Initiative to Reduce Malaria in Five Priority Areas in Guatemala	072016		176 988	165 496	11 492
<i>Subtotal</i>		732 046	1 446 629	1 680 089	498 586
Guyana					
Animal Health Surveillance System	330005	12 697	5 070	994	16 773
Human Resource Development for Health Sector Reform	330006	1 065	(1)	1 064	
<i>Subtotal</i>		13 762	5 069	2 058	16 773
Mexico					
Contribution to XIV RIMSA Meeting - April 2005	076015	660		660	
Program on Globalization and Health	076016		66 302	66 302	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Risks/Impact Construction ARCEDIANO DAM on Health Population in Guadalajara	076017		212 288	212 288	
International Conference HIV/AIDS, Mexico - August 2008	076018		916 050	56 980	859 070
<i>Subtotal</i>		660	1 194 640	336 230	859 070
Netherlands Antilles					
Health System Reform Process	084001	31 795	(31 795)		
<i>Subtotal</i>		31 795	(31 795)		
Panama					
Development of Food Protection Program	079009	778	(6)	772	
<i>Subtotal</i>		778	(6)	772	
Paraguay					
Strategic Plan Strengthening Epidemiology Surveillance and Dengue Control	080018		154 860	121 750	33 110
<i>Subtotal</i>			154 860	121 750	33 110
Peru					
Managerial Support for National Health Development	081003	414 007	695 910	690 499	419 418
Worldwide Survey on Mental Health	081039	28 735			28 735
<i>Subtotal</i>		442 742	695 910	690 499	448 153
Suriname					
Baseline Survey to be used for the Annual Evaluation of the Health Sector Reform Program	082005	25 000	24 633	49 633	
Implementation of HIV Related Behavioral Surveillance Surveys in Suriname	082006		59 586	4 992	54 594
<i>Subtotal</i>		25 000	84 219	54 625	54 594
Uruguay					
National Survey Risk Factor for NCD in Uruguay	087010		23 515	20 331	3 184

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Dengue Prevention and Control - Purchase of Materials	087011		37 904	37 904	
<i>Subtotal</i>			61 419	58 235	3 184
Total - Government Financing (Internal Projects)		16 921 498	156 018 190	92 227 562	80 712 126
Total - Government Financing		30 714 198	268 731 523	172 935 439	126 510 282
III. International Organizations					
<i>Caribbean Community (CARICOM) Secretariat</i>					
Public Health Program Support Cricket World Cup - 2007	018013		137 348	76 984	60 364
<i>Subtotal</i>			137 348	76 984	60 364
<i>Caribbean Development Bank</i>					
Leaders Course/Development and Disasters/Focus on Health - 2005/06	021008	19 500		17 741	1 759
<i>Subtotal</i>		19 500		17 741	1 759
<i>European Community</i>					
Develop a Health Training Program to Prepare for Volcanic Eruptions Central American Disaster Information Network	049042	(49 628)	49 628		
Improved Health Response for IDPs in Choco, Nariño, Putumayo - Colombia	049048	(82 143)	87 170	5 027	
PAHO Health Response for Refugees in Ecuador	049052	123 415	32 383	155 798	
Strengthening Local Health Disaster Management in the Andean Region-Bolivia, Colombia, Ecuador, Peru and Venezuela	049053	74 801	18 140	92 941	
Strengthening Local Health Disaster Management in the Andean Region-Bolivia, Colombia, Ecuador, Peru and Venezuela	049054		346 349	429 517	(83 168)
Safe Local Hospitals: Pilot Strategy to Promote and Improve Disaster and Emergency Health Preparedness - Bolivia, Ecuador and Peru	049055		454 086	26 400	427 686
Strengthen the Colombian Health System's Capacity and Coordination to Meet IDP Needs in the Most Critical Departments with New Cases of Displacement	049060		292 220		292 220
Strengthening Communities through Safer Health Facilities in the Caribbean	049061		374 221		374 221
	049063				

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Development of a Disaster Information Network in the Andean Community (CAN) Region	447001		315 008	350 809	(35 801)
<i>Subtotal</i>		66 445	1 969 205	1 060 492	975 158
<i>Inter-American Development Bank</i>					
Oral Health of Children from Low-Income Families	091024	33 644	(86)	33 558	
Community Participation and Health Education for Dengue Control	091025	21 133	1	21 134	
Early Implementation of a Comprehensive HIV/AIDS Care Program	091026	35 358	520 000	554 695	663
Regional Control System of AFTOSA in the MERCOSUR	091027	47 000	193 066	240 066	
<i>Subtotal</i>		137 135	712 981	849 453	663
<i>International Bank for Reconstruction and Development (World Bank)</i>					
Training Program towards Laboratory Environment	191039	64 006		43 970	20 036
Basic Health Care Needs of the most Vulnerable and Underserved	199026	399	(2 570)	(2 171)	
Emergency Health Interventions in Haiti Prevention and Treatment of Communicable Diseases and Healthy Schools - Phase 2	199028		1 250 000	1 205 452	44 548
<i>Subtotal</i>		64 405	1 247 430	1 247 251	64 584
<i>Joint United Nations Program on AIDS (UNAIDS)</i>					
Development of a National Response Information System on HIV Epidemic in Bolivia	191042	17 911	(759)	17 152	
Strengthening the Country Information System (CRIS)	191046	2 508	(4)	2 504	
Creating Environment for HIV/AIDS Prevention, Care and Treatment - Suriname	191047	10 117	1	10 118	
Program Acceleration Funds (FAP) - Dominican Republic - 2004/2005	191049	90 250	57 000	103 953	43 297
Program Acceleration Funds (FAP) - Belize	191051	23 750		21 027	2 723

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Growing Feminization of the Epidemic and the Specific Vulnerability of Women to HIV	191060		15 667	9 050	6 617
Strengthen Communication Techniques for People Living with HIV/AIDS	191063		83 280	16 234	67 046
Support to Regional AIDS Activities	332018	5 248		5 248	
Access to Medicaments for HIV/AIDS	332033	1 427	(1 531)	(104)	
UNAIDS Regional Funds for HIV/AIDS Activities	332045	12 461	(1)	12 460	
Health Protection for Homosexuals and Prostitutes - HIV/AIDS	332067	26 493	(130)	26 363	
UNAIDS' Contribution for Services	332071	2 684	(2 684)		
Primary Care HIV Integrated Community Clinics in the Bahamas	332072	75 000	(7 023)	67 977	
<i>Subtotal</i>		267 849	143 816	291 982	119 683
Organization of American States (OAS)					
Publication and Distribution of the Book Neuroscience Psychoactive Substance Use and Dependence	139008			8 725	
<i>Subtotal</i>				8 725	
Organization of Eastern Caribbean States (OECS)					
OECS Health Sector Reform Project No. 2000-89	377004	167 622	(14 437)	153 185	
<i>Subtotal</i>		167 622	(14 437)	153 185	
United Nations Children's Fund (UNICEF)					
Cooperation in Disaster Preparedness	187078	39 980	191 552	217 485	14 047
Social Communication Plan for the Prevention and Control of Dengue in Paraguay	187079		6 980	6 980	
<i>Subtotal</i>		39 980	198 532	224 465	14 047
United Nations Development Fund for Women (UNIFEM)					
Key Components of Laws and Policies on Domestic Violence Against Women in Latin America and the Caribbean	421004		18 000	19 221	(1 221)

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Publication of the Statistical Brochure "Gender, Health and Development in the Americas Basic Indicators 2007"	421005		10 000	759	9 241
<i>Subtotal</i>			28 000	19 980	8 020
United Nations Development Program (UNDP)					
Seminar - Control and Surveillance of Water Quality and Sanitation	191043	256		256	
Caribbean Commission on Health and Development for the Policy Round Table	191044	2 645		2 645	
Regulation and Access of Essential Generic Medicines	191045	47 436	180 152	251 723	(24 135)
Assist to Vulnerable Children Orphaned by HIV/AIDS - Honduras	191048	36 119	(25 456)	10 663	
Prevention of Violence with Weapons	191050	43 000		43 000	
Create a Healthy Environment in "CITE SOLEIL"	191053	47 599		47 599	
Program Acceleration Funds (FAP/UNAIDS) - Venezuela	191056		71 250	70 783	467
Workshop on Regulation of Intellectual Property on Free Trade Agreements, Dominican Republic	191057		15 000	15 000	
Joint Program for the Support of Human Security in Honduras	191058		236 110	89 447	146 663
National Disaster in Peru / Damage Limit to Risk Management and Prevention	191059		96 800	53 497	43 303
Development of a National Disaster Plan for Suriname	191061		11 887	11 887	
Program Acceleration Funds (FAP/UNAIDS) - Phase II	191062		46 075		46 075
Program Acceleration Funds (FAP/UNAIDS)	191064		29 400	24 485	4 915
<i>Subtotal</i>		177 055	661 218	620 985	217 288
United Nations Environment Program (UNEP)					
Regional Alternatives to DDT for Malaria Vector Control	195002	617 889	4 883 017	3 537 579	1 963 327
<i>Subtotal</i>		617 889	4 883 017	3 537 579	1 963 327

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
United Nations International Strategy for Disaster Reduction (ISDR)					
Collaboration in the Americas to Reduce Social and Health Impact of Disasters	368002	148 742		148 742	
Collaboration in the Americas to Reduce Social and Health Impact of Disasters - II	368003		1 197 200	779 816	417 384
Preparation of the Draft Kit for the ISDR 2008-2009 Campaign on Safer Hospitals and Health	368004		31 667	31 667	
<i>Subtotal</i>		148 742	1 228 867	960 225	417 384
United Nations Population Fund (UNFPA)					
Publication of the Statistical Brochure "Gender, Health and Development in the Americas Basic Indicators 2007"	278004		10 000	6 348	3 652
II International Health Systems Development Course - Nicaragua - August/September 2006	278005		27 454	27 454	
<i>Subtotal</i>			37 454	33 802	3 652
World Health Organization (WHO)					
Research in Tropical Diseases in Central and South America	198008	57 733	(7 692)	50 041	
MEGA Country Project - Brazil	198016	432	(432)		
<i>Subtotal</i>		58 165	(8 124)	50 041	
Total - International Organizations		1 773 512	11 225 307	9 152 890	3 845 929

IV. Private and Public Sector**Albert B. Sabin Institute**

Elimination of Rubella and Congenital Rubella Syndrome in the Americas	397002	67 803	1 177 000	1 158 446	86 357
Guide on Surveillance on Diarrheal Diseases Caused by Rotavirus	397003		15 000	8 121	6 879
Support Workshop in Rotavirus Vaccine Virus Concentration Test - Venezuela - June 2006	397004		39 999	39 705	294

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Introduction of the Rotavirus Vaccine in the Americas	397005		170 000	38 775	131 225
<i>Subtotal</i>		67 803	1 401 999	1 245 047	224 755
American Red Cross					
Integrated Management of Childhood Illness (IMCI)	248002	90 760	(15 023)	75 737	
<i>Subtotal</i>		90 760	(15 023)	75 737	
American Thoracic Society					
Donation to promote the Practical Approach to Lung Disease in Low Tuberculosis Prevalence Countries in Latin America	449001		33 500	30 359	3 141
<i>Subtotal</i>			33 500	30 359	3 141
Asociacion Española Vacunologia					
Fellowship on Vaccine Techniques	412002	5 271	(3 101)	2 170	
<i>Subtotal</i>		5 271	(3 101)	2 170	
Bill and Melinda Gates' Children's Vaccine Program					
Project for Accelerated Vaccine Introduction	365001	108 019	(169)	107 850	
<i>Subtotal</i>		108 019	(169)	107 850	
Carter Center INC					
Elimination of Oncocercosis in Venezuela	398002		(382)	(382)	
<i>Subtotal</i>			(382)	(382)	
Catholic Medical Mission					
Action for Family Health - To Scale-up the Integrated Management of Childhood Illness Strategy	402002	121 673	99 991	221 664	
<i>Subtotal</i>		121 673	99 991	221 664	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Center for Addiction and Mental Health					
Alcohol Related Activities	425001	18 485	1	18 486	
<i>Subtotal</i>		18 485	1	18 486	
Chlorine Chemistry Council					
WHO Manuals on Drinking Water Safety in Latin America	357001	93		93	
<i>Subtotal</i>		93		93	
Declaration of the Americas (DOTA)					
Seminar - Institutional Response to Diabetes in the Bahamas	360010	752	(752)		
Diabetes Awareness Workshop - Peru - April 2005	360011	1 543	(787)	756	
Support to Diabetes Activities in the Americas	360012	17 210	(1)	17 209	
<i>Subtotal</i>		19 505	(1 540)	17 965	
Family Health International					
Strengthening Adolescent Health by Preventing HIV/AIDS	406001	57		57	
<i>Subtotal</i>		57		57	
Ford Foundation					
Mainstreaming Gender Equity in Health Sector Reform	053001	122 132		107 329	14 803
National Observatory on Health Sector Reform in Chile	053002	114 251		113 276	975
<i>Subtotal</i>		236 383		220 605	15 778
Glaxosmithkline (GSK)					
Technical Visits to LF Endemic Countries by Regional Program Review Group for the Americas	364003	17 580	(6 336)	11 244	
<i>Subtotal</i>		17 580	(6 336)	11 244	
Global Alliance V. I. (GAVI)					
Support to Immunization Activities in Haiti	387001	64 186		62 911	1 275
Injection Safety Project - Honduras	387002	363 495		309 384	54 111
Injection Safety Project - Haiti	387003	165 146	95 500	258 422	2 224
Injection Safety Project - Bolivia	387004	7 419	363 000	117 697	252 722

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Injection Safety Project - Cuba	387005		170 500	26 011	144 489
Injection Safety Project - Nicaragua	387006		432 000	269 815	162 185
Strengthening of the Immunization Systems (ISS)	387007		46 600	22 370	24 230
Improvement of Cold Chain Transport Training, and Waste Disposal Units for Injection Safety	387008		133 600	28 044	105 556
Support the Immunization Services (ISS) of Bolivia 2007-2009	387009		71 875		71 875
Immunization Services Support Guyana 06-07	387010		15 000		15 000
<i>Subtotal</i>		600 246	1 328 075	1 094 654	833 667
Henry M. Jackson Foundation for the Advancement of Military Medicine					
Develop Multi-Stage, Multi-Antigen Vaccine Against Malaria	432002	37	(37)		
<i>Subtotal</i>		37	(37)		
Income from Project Services					
PROMESS: Sale of Vaccines and Essential Drugs	099020	964 469	1 802 026	2 010 492	756 003
<i>Subtotal</i>		964 469	1 802 026	2 010 492	756 003
International Diabetes Federation					
Support the Diabetes Action Now - DAN Awareness Workshop - Brazil - March 2006	345003		29 971	29 971	
Support of the Study of the Cost of Diabetes in Latin America	345004		21 667		21 667
<i>Subtotal</i>			51 638	29 971	21 667
International Life Sciences Institute					
Healthy Lifestyles - Healthy People	302006	28 398	133 905	139 195	23 108
<i>Subtotal</i>		28 398	133 905	139 195	23 108

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>International Organization for Migration</i>					
Internally Displaced Population - Santander, Colombia	414002	256	(256)		
Healthy Settings Strategy in the Indigenous Communities of Sierra Nevada and Serrania Perija, Colombia	414003		8 839	8 839	
<i>Subtotal</i>		256	8 583	8 839	
<i>IPAS</i>					
Collaboration to include Abortion-related Variables in the Perinatal Information System	455001		50 000		50 000
<i>Subtotal</i>			50 000		50 000
<i>Johns Hopkins School of Public Health</i>					
Surveillance of Vaccine - Preventable Bacterial Diseases in the Region of the Americas: SIREVA II	366004		450 000	387 063	62 937
<i>Subtotal</i>			450 000	387 063	62 937
<i>March of Dimes</i>					
Reduction of Vertical Transmission of Infectious Diseases in the Latin American and Caribbean Regions	353005		10 000	3 595	6 405
<i>Subtotal</i>			10 000	3 595	6 405
<i>Micronutrient Initiative</i>					
Iron Deficiency Anemia Control in Children under 2 Years of Age	436001	135 449	55 299	154 935	35 813
<i>Subtotal</i>		135 449	55 299	154 935	35 813
<i>Mormon Church, Latter-Day Saints</i>					
Measles and Rubella Campaign 2006 in Dominican Republic	367002		149 999	149 999	
Measles and Rubella Campaign in Guatemala	367003		500 000	499 816	184
Multi-Antigen Campaign in Haiti	367004		500 000		500 000
Measles and Rubella Campaign in Bolivia	367005		50 000		50 000
<i>Subtotal</i>			1 199 999	649 815	550 184

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>National Safety Council</i>					
XVIII World Congress on Health & Safety at Work	440001	11 967	28 712	40 679	
<i>Subtotal</i>		11 967	28 712	40 679	
<i>Pan American Health and Education Foundation (PAHEF)</i>					
Prevention of Cervical Cancer in Latin America and the Caribbean	144001		(9 880)	(9 880)	
New Medical Professionalism/ Reorientation Medical Education	144006	30 398	54 249	84 647	
Epidemiological Profile of Intestinal Worms in School-Age Children - Belize	144007	10 970	(6 213)	4 757	
Prevention of Cervical Cancer in Latin America and the Caribbean - Phase II	144008	329 655	916 353	842 187	403 821
Strengthening the Teaching and Training of Geriatrics in Latin America 2005	144009	51 044	(5)	51 039	
Expansion of Central American Diabetes Initiative to Belize & Panama	144010	24 310	28 668	24 670	28 308
Improving the Availability of Blood for Patients in Guatemala and Paraguay	144011	83 258	71 712	143 978	10 992
Promoting Oral Health: The Use of Salt Fluoridation to Prevent Dental Caries	144012	4 866		4 866	
Healthy People: Live Healthy, Live Well	144013	10 736		3 894	6 842
Purchase of Hospital Bed Mattresses in Haiti	144014	1 790		1 790	
Creation of a Regional Disaster Response Team in Latin America and the Caribbean	144015		159 498	159 498	
Strengthening the Teaching and Training of Geriatrics in Latin America - 2006	144016		48 410	48 410	
Information Communication and Education Materials for Flooding	144017		4 408	4 408	
Pro-Vac Workshop for Latin America and the Caribbean	144018		290 127	290 127	
Revista Ethos Gubernamental IV ETHOS IV	144019		52 948	33 228	19 720
The VIII Regional Meeting of the Observatories of Human Resources for Health	144020		264 324	222 809	41 515

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
Gender Ethnicity and Reproductive Health Among Indigenous Population in the Colombian-Ecuadorian Frontier	144021		14 322	2 621	11 701
Purchase of Equipment - Malaria Outbreak Severe Psychiatric Disorders in Indigenous Populations of Guatemala	144022		19 050	18 887	163
Capitalizing the PAHO Revolving Fund for Sustainable Vaccine Supply to the Americas	144023		22 303	1 046	21 257
	144024		378 000		378 000
<i>Subtotal</i>		547 027	2 308 274	1 932 982	922 319
Population Reference Bureau (PRB)					
Seminar "Priorities In Health" Santiago - April 2007	453001		13 475	13 475	
<i>Subtotal</i>			13 475	13 475	
Program for Appropriate Technology in Health (PATH)					
Assessing the Impact of a National Introduction of Rotavirus Vaccine in Reducing Severe Rotavirus Diarrhea Among Children in Nicaragua	375002		140 000	73 652	66 348
Assessing the Impact of a National Introduction of Rotavirus Vaccine in Reducing Severe Rotavirus Diarrhea Among Children in El Salvador	375003		75 000		75 000
Regional Advisor on Vaccines and Immunization	419002	118 891	131 199	250 090	
Hospital Based Surveillance Gastroenteritis - Honduras	419004	45 071	75 000	148 973	(28 902)
<i>Subtotal</i>		163 962	421 199	472 715	112 446
Rockefeller Foundation					
A Joint Learning Initiative	156017	751	(751)		
<i>Subtotal</i>		751	(751)		
Royal Commonwealth Society for the Blind					
Prevention of Blindness for 2003-2005	203007	29 405	(24 926)	4 479	
Prevention of Blindness for 2006-2008	203008		79 940	61 688	18 252
<i>Subtotal</i>		29 405	55 014	66 167	18 252

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>The Global Fund (GFATM)</i>					
Scaling up the Regional Response to HIV/AIDS through the PANCAP	018012	359 823	850 020	1 093 815	116 028
<i>Subtotal</i>		359 823	850 020	1 093 815	116 028
<i>Various Grantors (Undesignated Contributions)</i>					
PAHO Award for Immunization	215017	43 577	3 903		47 480
Support to the Bioethics Program	215025	125 440	50 000	60 768	114 672
Regional Task Force for Maternal Mortality Reduction	215041	2 706			2 706
Multiactivities Financed by Small Contributions to PAHO during 2004 - 2005	215042	21 309	(8 210)	10 308	2 791
Study on STI and HIV Among High Risk Population in Belize	215043	2 783	(3 745)	(962)	
XV International Conference on Rabies in the Americas 31 October-3 November 2004	215044	1 503	(161)	1 342	
Road Safety Project in Jamaica - World Health Day 2004	215045	165	(165)		
Public Information/Marketing and Media Partnership NBA/WASH Wizards	215047	7 351		7 351	
Multiactivities Financed by Small Contributions to PAHO during 2006 - 2007	215050		133 338	102 809	30 529
<i>Subtotal</i>		204 834	174 960	181 616	198 178
<i>World Diabetes Foundation</i>					
Integrated Chronic Disease Management Model	418002		120 000	54 208	65 792
Diabetes E-learning for Health Professionals: Increasing Capacity of the Americas	418004		105 500		105 500
E-access to Diabetes Education and Information (EADEI)	418005		33 000		33 000
<i>Subtotal</i>			258 500	54 208	204 292

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>World Society for the Protection of Animals (WSPA)</i>					
Responsible Pet Ownership - Pets & Friends Campaign	431001	11 831	2	11 833	
Subtotal		11 831	2	11 833	
Total - Private and Public Sector		3 744 084	10 707 833	10 296 944	4 154 973
V. Voluntary Contributions					
Voluntary Contributions Priority Programs - Member States -Cayman Islands, Guatemala, Saint Kitts & Nevis and Trinidad & Tobago	444001	591	11 943		12 534
Bequest to PAHO from the Lydia Behm Trust	454001		196 401		196 401
Total - Voluntary Contributions		591	208 344		208 935
Total		36 232 385	290 873 007	192 385 273	134 720 119

Balance at 31 December 2007 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by PAHO	135 573 213
Expenditure funded by PAHO in excess of receipts incurred on projects	(853 094)
Total	134 720 119

^{1/}Funds Received are shown net of refunds to Donors

^{2/}The Trust Fund balance as of 31 December 2007 does not include \$512,148 due from the Government of Argentina to PAHO for costs incurred by PAHO and charged to the Regular Budget on the Government's behalf in respect to INPPAZ



CARIBBEAN EPIDEMIOLOGY CENTER

Caribbean Epidemiology Center
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	Regular Budget and Working Capital Fund (Note 9)	Trust Funds (Schedule 8)	Other Funds (Statement V.1)	Subtotal CAREC
Income					
<i>Assessed quota contributions</i>	Schedule 7	4 756 053			4 756 053
<i>Voluntary contributions</i>					
CAREC program activities	Schedule 8		4 688 371		4 688 371
Non-CAREC program activities				946 140	946 140
<i>Other income</i>					
Revenue - producing activities				1 057 829	1 057 829
Funds received under interorganization arrangements					
Interest income		17 935		160 376	178 311
Currency exchange differential		9 008			9 008
Other/Miscellaneous		3 574			3 574
<i>Total Income</i>		4 786 570	4 688 371	2 164 345	11 639 286
Expenditure					
International health program		4 552 490	6 797 378	1 323 559	12 673 427
Other purposes				1 372 926	1 372 926
<i>Total Expenditure</i>		4 552 490	6 797 378	2 696 485	14 046 353
Excess (Shortfall) of Income Over Expenditure					
		234 080	(2 109 007)	(532 140)	(2 407 067)
Provision for delays in the collection of assessed quota contributions	Schedule 7	(1 159 484)			(1 159 484)
Payment of assessed quota contributions for prior years	Schedule 7	1 140 047			1 140 047
<i>Net Excess (Shortfall) of Income Over Expenditure</i>		214 643	(2 109 007)	(532 140)	(2 426 504)
Savings on or cancellation of prior periods' obligations		19 742			19 742
Other project adjustments					
Transfers to/from funds		(243 534)		243 534	
Total Changes in Fund Balances		(9 149)	(2 109 007)	(288 606)	(2 406 762)
Fund Balance, 1 January 2006		672 687	1 925 934	2 604 135	5 202 756
Fund Balance, 31 December 2007		663 538	(183 073)	2 315 529	2 795 994

The accompanying notes and schedules are an integral part of the financial statements.

Caribbean Epidemiology Center
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

Eliminations (Note 11)	PAHO	WHO	Total 2006-2007	Total 2004-2005	
					Income
			4 756 053	4 308 852	Assessed quota contributions
			4 688 371	6 344 584	Voluntary contributions
(945 390)			750	56 628	CAREC program activities
					Non-CAREC program activities
					Other income
(544 811)			513 018	1 227 115	Revenue - producing activities
					Funds received under
	3 320 705	251 065	3 571 770	2 525 948	interorganization arrangements
			178 311	115 519	Interest income
			9 008	89 924	Currency exchange differential
			3 574	3 544	Other/Miscellaneous
(1 490 201)	3 320 705	251 065	13 720 855	14 672 114	Total Income
					Expenditure
(117 275)	3 320 705	251 065	16 127 922	13 821 946	International health program
(1 372 926)					Other purposes
(1 490 201)	3 320 705	251 065	16 127 922	13 821 946	Total Expenditure
			(2 407 067)	850 168	Excess (Shortfall) of Income Over Expenditure
			(1 159 484)	(1 264 850)	Provision for delays in the collection of assessed quota contributions
			1 140 047	759 310	Payment of assessed quota contributions for prior years
			(2 426 504)	344 628	Net Excess (Shortfall) of Income Over Expenditure
			19 742	24 572	Savings on or cancellation of prior periods' obligations
				159 587	Other project adjustments
					Transfers to/from funds
			(2 406 762)	528 787	Total Changes in Fund Balances
			5 202 756	4 673 969	Fund Balance, 1 January 2006
			2 795 994	5 202 756	Fund Balance, 31 December 2007

Caribbean Epidemiology Center
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Building Fund (Note 5)	Capital Equipment Fund (Note 7)	Special Fund for CAREC Services (Note 6)	Terminal Entitlements Fund (Note 10)	Staff Provident Fund (Note 4)	Total 2006-2007	<i>Total 2004-2005</i>
Income							
<i>Assessed quota contributions</i>							
<i>Voluntary contributions</i>							
CAREC program activities							
Non-CAREC program activities		750		450 402	494 988	946 140	643 855
<i>Other income</i>							
Revenue - producing activities			1 057 829			1 057 829	1 723 840
Funds received under interorganization arrangements							
Interest income	15 696				144 680	160 376	112 903
Currency exchange differential							
Other/Miscellaneous							
Total Income	15 696	750	1 057 829	450 402	639 668	2 164 345	2 480 598
Expenditure							
International health program			1 323 559			1 323 559	1 631 450
Other purposes		74 554		430 952	867 420	1 372 926	493 140
Total Expenditure		74 554	1 323 559	430 952	867 420	2 696 485	2 124 590
Excess (Shortfall) of Income Over Expenditure							
	15 696	(73 804)	(265 730)	19 450	(227 752)	(532 140)	356 008
Provision for delays in the collection of assessed quota contributions							
Payment of assessed quota contributions of prior years							
Net Excess (Shortfall) of Income Over Expenditure	15 696	(73 804)	(265 730)	19 450	(227 752)	(532 140)	356 008
Savings on or cancellation of prior periods' obligations							
Other project adjustments							149 023
Transfers to/from funds				243 534		243 534	
Total Changes in Fund Balances	15 696	(73 804)	(265 730)	262 984	(227 752)	(288 606)	505 031
Fund Balance, 1 January 2006	175 820	81 596	417 274	71 287	1 858 158	2 604 135	2 099 104
Fund Balance, 31 December 2007	191 516	7 792	151 544	334 271	1 630 406	2 315 529	2 604 135

The accompanying notes and schedules are an integral part of the financial statements.

Caribbean Epidemiology Center
Statement of Assets, Liabilities, and Reserves and Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	2007	2005
Assets			
Cash and term deposits		2 169 699	2 110 706
Accounts receivable			
Assessed quota contributions due from Members	Schedule 7	4 345 888	4 326 451
Provisions for delays in collection of assessed quota contributions		(4 345 888)	(4 326 451)
Sundry debtors			11 967
Balance due from the Pan American Health Organization for interorganization funding activities		721 919	3 321 967
Total Assets		2 891 618	5 444 640
Liabilities, Reserves and Fund Balances			
<i>Liabilities</i>			
Assessed quota contributions received in advance	Note 8	30 184	186 389
Unliquidated obligations	Note 2f	65 440	55 495
<i>Total Liabilities</i>		95 624	241 884
<i>Reserves and Fund Balances</i>			
Staff Provident Fund	Note 4	1 630 406	1 858 158
Capital Equipment Fund	Note 7	7 792	81 596
Building Fund	Note 5	191 516	175 820
Trust Funds	Schedule 8	(183 073)	1 925 934
Special Fund for CAREC Services	Note 6	151 544	417 274
Terminal Entitlements Fund	Note 10	334 271	71 287
Working Capital Fund	Note 9	663 538	672 687
<i>Total Reserves and Fund Balances</i>		2 795 994	5 202 756
Total Liabilities, Reserves and Fund Balances		2 891 618	5 444 640

The accompanying notes and schedules are an integral part of the financial statements.

**Caribbean Epidemiology Center
Statement of Cash Flow
Financial Period 2006-2007**

(expressed in US dollars)

	2006-2007	2004-2005
Cash Flows from Operating Activities		
Net excess (shortfall) of income over expenditure (Statement V)	(2 426 504)	344 628
(Increase) decrease in sundry debtors	11 967	19 449
Increase (decrease) in contributions or payments received in advance	(156 205)	171 535
Increase (decrease) in unliquidated obligations	9 945	(16 364)
<i>Less</i> : Interest income	(178 311)	(115 519)
<i>Net Cash Flows from Operating Activities</i>	<u>(2 739 108)</u>	<u>403 729</u>
Cash Flows from Investing and Financing Activities		
(Increase) decrease in interorganization funding balance receivable	2 600 048	(935 815)
<i>Add</i> : Interest income	178 311	115 519
<i>Net Cash Flows from Investing and Financing Activities</i>	<u>2 778 359</u>	<u>(820 296)</u>
Cash Flows from Other Sources		
Savings on or cancellation of prior periods' obligations	19 742	24 572
Other project adjustments		159 587
<i>Net Cash Flows from Other Sources</i>	<u>19 742</u>	<u>184 159</u>
Net Increase (Decrease) in Cash and Term Deposits	<u>58 993</u>	<u>(232 408)</u>
Cash and Term Deposits at 1 January 2006	<u>2 110 706</u>	<u>2 343 114</u>
Cash and Term Deposits at 31 December 2007	<u><u>2 169 699</u></u>	<u><u>2 110 706</u></u>

Caribbean Epidemiology Center
Explanatory Notes to Financial Statements
Financial Period 2006-2007
(expressed in US dollars)

1. The Mission of the Caribbean Epidemiology Center

The mission of the Caribbean Epidemiology Center (CAREC) is to improve the health status of Caribbean people by advancing the capability of member countries in epidemiology, laboratory technology, and related public health disciplines through technical cooperation, service, training, research, and a well-trained, motivated staff.

2. Accounting Policies

(a) The Center adheres to PAHO's Financial Regulations and the accounting policies applied to CAREC transactions are stated in the notes to the PAHO financial statements. Some key policies, or those which require further definition in the context of the CAREC statements, are indicated below.

(b) Capital Assets

All assets are charged to expenditure in the biennium of purchase. These assets (mainly non-expendable equipment and vehicles) are therefore not shown in the Statement of Assets, Liabilities, and Reserves and Fund Balances (Statement VI). However, items of this nature are recorded in the project and office inventories of the Center.

(c) Income

CAREC's assessed quota contributions as well as PAHO Regular Budget funding (Statement V) are recorded on an accrual basis. All other income is recorded on a cash basis (i.e., when actually received)

(d) Expenditure

All expenditure against CAREC Regular Budget (Statements V) reflects goods and services that were delivered or contractually due to be delivered by 31 December 2007. Resolution CD47.R13 of the 47th PAHO Directing Council approved this change in expenditure recognition on 29 September 2006. This new expenditure recognition policy will provide a more direct alignment between the achievement of expected results and the expenditure reported. This basis of recording expenditure also applied to PAHO funds as included in the CAREC Statement of Income and Expenditure and Changes in Fund Balances (Statement V).

Trust Fund project costs (Schedule 8) are recorded on a cash basis (i.e., when monies are paid for goods and services).

(e) Fixed-term Deposits

Funds are invested by PAHO within the PAHO portfolio of investments. Interest is apportioned to the CAREC Staff Provident Fund, and the CAREC Building Fund.

(f) Unliquidated Obligations

Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the Financial Period. In accordance with Financial Regulation 4.5 (as amended by Resolution CD47.R13 of the 47th Directing Council), appropriations for unliquidated obligations remain available for the following Financial Period to cover the costs of the activities set forth in Financial Regulation 4.2.

Liabilities shown in the Statement of Assets, Liabilities, and Reserves and Fund Balances include unliquidated obligations charged against all CAREC funds excluding Trust Funds. Trust Funds shown in Statement VI are reflected on a cash basis.

(g) Eliminations on Consolidation

In order to reflect intra-organizational transactions, an Eliminations Column is included in Statement V. Further details are given in Note 11.

3. Non-expendable Inventory

The original cost of nonexpendable inventory items valued at \$500 or more held by CAREC as of 31 December 2007 totaled \$1,751,518. Although the inventory amount is not reported in the financial statements as an asset, inventory lists are prepared to maintain effective custody of the physical assets of the Center.

4. Staff Provident Fund

All full-time members appointed for one year or more participate in the Provident Fund. Each participating staff member contributes to the Fund an amount equal to 4% of his/her salary while the Center contributes 7%. Upon termination, the staff member receives a lump sum payment of the amounts accumulated in his/her account.

The position of the Staff Provident Fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Accounts of staff members as of 1 January	1 858 158	1 631 680
dd:		
Contributions of staff members and CAREC	494 988 ^{1/}	506 350
Interest on fixed-term deposits (Note 2e)	144 680	101 662
	<u>2 497 826</u>	<u>2 239 692</u>
Less:		
Withdrawals on separation	812 046	347 874
New loans to staff members	55 374	33 660
	<u>1 630 406</u>	<u>1 858 158</u>

^{1/} Contributions of staff members and CAREC of \$494,988 have been eliminated as per Note 11.

5. Building Fund

In 1991, in Resolution 4, the XVII CAREC Council approved the formal establishment of a Building Fund for the purposes of the physical renewal and redevelopment of the Center. To provide initial funding, a transfer from the Working Capital Fund of \$300,000 was approved by the Director of PAHO and the CAREC Council.

The position of the Building Fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	175 820	197 683
Add: Interest on fixed-term deposits (Note 2e)	15 696	11 241
Funds available	191 516	208 924
Less: Expenditure		<u>33 104</u>
	<u>191 516</u>	<u>175 820</u>

6. Special Fund for CAREC Services

This Fund was established by the Director of PAHO under the authority of Financial Regulation 9.3 (Financial Regulations approved by Resolution CSP26.R3 of the 26th Pan American Sanitary Conference). Income earned from the sale of certain services provided by CAREC (together with the expenditure incurred in developing these services) and from program support costs which amounts to an ending balance of \$151,544 is recorded in this Fund.

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	417 274	175 861
Income Earned	1 057 829 ^{1/}	1 723 840
Other Adjustments		149 023
Subtotal	<u>1 475 103</u>	<u>2 048 724</u>
Less: Expenditure	<u>1 323 559</u>	<u>1 631 450</u>
Balance as of 31 December	<u>151 544</u>	<u>417 274</u>

^{1/} Program Support Costs of \$544,811 has been eliminated as per Note 11.

7. Capital Equipment Fund

The Capital Equipment Fund was established for the primary purpose of addressing the need to urgently replace essential equipment so that CAREC can continue to provide quality service in its core public health function. Approval was granted for the capital equipment replacement allocation contribution by the 2002 Caucus of Ministers with Responsibility for Health.

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	81 596	93 880
Income Earned	750	56 628
Subtotal	<u>82 346</u>	<u>150 508</u>
Less: Expenditure	<u>74 554</u>	<u>68 912</u>
Balance as of 31 December	<u>7 792</u>	<u>81 596</u>

8. Assessed Quota Contributions Received in Advance

Assessed quota contributions received in advance of \$30,184 (Statement VI) includes, \$2,290 received from Grenada, \$5,758 received from Saint Vincent and the Grenadines and \$22,136 received from Trinidad and Tobago as partial payments of their 2008 assessed quota contributions.

9. Working Capital Fund

In 1991, the XVII CAREC Council recommended that a target of \$800,000 be maintained in the Working Capital Fund. In 1992, the quota receipts and expenditures for 1991 were reviewed and the Director of PAHO increased the buffer level of the Working Capital Fund to \$1,000,000.

The position of the Working Capital Fund as of 31 December 2007 is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	672 687	945 845
Net surplus (deficit) from operations (Statement V)	<u>(9 149)</u>	<u>(273 158)</u>
Balance as of 31 December	<u>663 538</u>	<u>672 687</u>

10. Terminal Entitlements Fund

Under the Staff Rules, terminating staff members are entitled to terminal payments, such as payments for annual leave separation indemnities. CAREC established the Termination Entitlements Fund in January 2004 and has followed the policy of setting aside funds to cover these costs. During 2006-2007, the rate of contribution to the provision was maintained a 10% of net base salaries.

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	71 287	
Income Earned	450 402 ^{1/}	80 887
Other Adjustments	243 534 ^{2/}	
Subtotal	<u>765 223</u>	<u>80 887</u>
Less: Expenditure	<u>430 952</u>	<u>9 590</u>
Balance as of 31 December	<u>334 271</u>	<u>71 287</u>

^{1/} Fund income of \$450,402 has been eliminated as per Note 11.

^{2/} Transfer from Working Capital Fund to cover severance payments.

11. Eliminations on Consolidations of the Various CAREC Funds

Every biennium CAREC has internal transactions, not involving the use of cash, within funds and between the different funds. These internal transactions are included in income and in expenditure in the relevant funds. Because these are only internal transactions, their inclusion in income and expenditure results in an over-statement (duplication) of both income and expenditure by the same amount. Income and expenditure should only reflect the transactions of CAREC with external entities.

The "Eliminations" column in the "Statement of Income and Expenditure and Changes in Fund Balances" allows for the elimination of these duplications.

The internal transactions involving income and expenditure are as follows:

Account	Reference	<u>2006-2007</u>	<u>2004-2005</u>
Program Support Costs earned on Trust Fund			
Projects	Note 6	<u>544 811</u>	<u>496 725</u>
Total		<u>544 811</u>	<u>496 725</u>
Staff Provident Fund	Note 4	<u>494 988</u>	<u>506 350</u>
Total		<u>494 988</u>	<u>506 350</u>
Terminal Entitlements Fund	Note 10	<u>450 402</u>	<u>80 877</u>
Total		<u>450 402</u>	<u>80 877</u>

**Caribbean Epidemiology Center
Statement of Assessed Quota Contributions Due from Members
Financial Period 2006-2007**

(expressed in US dollars)

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Anguilla	2007	7 308	7 308	
	2006	6 960	6 960	
	2005	6 629	6 629	
		<u>20 897</u>	<u>20 897</u>	
Antigua and Barbuda	2007	16 565	16 565	
	2006	15 776	15 776	
	2005	15 025	15 025	
	2004	14 275	14 275	
	2003	13 467	13 467	
	2002	12 708	12 708	
	2001	12 708	12 708	
		<u>100 524</u>	<u>100 524</u>	
Aruba	2007	32 643	32 643	
	2006	31 088	31 088	
	2005	29 608	29 608	
	2004	28 131	28 131	
		<u>121 470</u>	<u>121 470</u>	
Bahamas	2007	114 494	85 009	29 485
	2006	109 041	109 041	
		<u>223 535</u>	<u>194 050</u>	<u>29 485</u>
Barbados	2007	144 456	137 918	6 538
	2006	137 577	137 577	
	2005	131 026	131 026	
		<u>413 059</u>	<u>406 521</u>	<u>6 538</u>
Belize	2007	26 065	20 835	5 230
	2006	24 824	24 824	
		<u>50 889</u>	<u>45 659</u>	<u>5 230</u>
Bermuda	2007	36 540	10 290	26 250
	2006	34 800	34 800	
	2005	10 883	10 883	
		<u>82 223</u>	<u>55 973</u>	<u>26 250</u>

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
British Virgin Islands	2007	7 308		7 308
	2006	6 960		6 960
	2005	6 629	6 629	
	2004	6 298	6 298	
			<u>27 195</u>	<u>12 927</u>
Cayman Islands	2007	16 321	12 699	3 622
	2006	15 544	15 544	
	2005	14 804	14 804	
			<u>46 669</u>	<u>43 047</u>
Dominica	2007	16 565		16 565
	2006	15 776		15 776
	2005	15 025		15 025
	2004	14 275		14 275
	2003	13 467		13 467
	2002	12 708		12 708
	2001	7 707		7 707
			<u>95 523</u>	
Grenada	2007	16 565	16 565	
	2006	15 776	15 776	
	2005	15 025	15 025	
	2004	14 275	14 275	
			<u>61 641</u>	<u>61 641</u>
Guyana	2007	83 313	75 053	8 260
	2006	79 345	79 345	
		<u>162 658</u>	<u>154 398</u>	<u>8 260</u>
Jamaica	2007	319 363		319 363
	2006	304 156		304 156
	2005	289 672		289 672
	2004	275 218		275 218
	2003	259 627		259 627
	2002	245 003		245 003
	2001	245 003		245 003
	2000	226 855		226 855
	1999	226 855		226 855
	1998	220 248		220 248
	1997	220 248		220 248
	1996	220 248		220 248
	1995	277 432	266 507	10 925
	1994	275 451	275 451	
	1993	6 197	6 197	
			<u>3 611 576</u>	<u>548 155</u>

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Montserrat	2007	7 308	7 308	
	2006	6 960	6 960	
		14 268	14 268	
Netherlands Antilles	2007	81 363		81 363
	2006	77 489		77 489
	2005	73 799		73 799
	2004	70 117		70 117
	2003	66 144		66 144
	2002	20		20
		368 932		368 932
Saint Kitts and Nevis	2007	16 565	16 565	
	2006	15 776	15 776	
		32 341	32 341	
Saint Lucia	2007	16 565		16 565
	2006	15 776		15 776
	2005	15 025	3 021	12 004
	2004	14 275	14 275	
		61 641	17 296	44 345
Saint Vincent and the Grenadines	2007	16 565	16 565	
	2006	15 776	15 776	
		32 341	32 341	
Suriname	2007	112 057		112 057
	2006	106 721		106 721
	2005	101 639		101 639
	2004	96 568		96 568
	2003	91 097		91 097
	2002	85 966		85 966
	2001	85 966		85 966
	2000	79 598	79 598	
	1999	79 598	79 598	
	1998	77 280	77 280	
			916 490	236 476
Trinidad and Tobago	2007	1 340 791	1 340 791	
	2006	1 276 944	1 276 944	
		2 617 735	2 617 735	

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Turks and Caicos Islands	2007	7 308	7 308	
	2006	6 960	6 960	
	2005	6 629	6 629	
		<u>20 897</u>	<u>20 897</u>	
Total		<u>9 082 504</u>	<u>4 736 616</u>	<u>4 345 888</u>
<hr/> Amounts consist of:				
		4 756 053	3 596 569	1 159 484
		4 326 451	1 140 047	3 186 404
		<u>9 082 504</u>	<u>4 736 616</u>	<u>4 345 888</u>

**Caribbean Epidemiology Center
Statement of Trust Funds
Financial Period 2006-2007**

(expressed in US dollars)

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
I. Government Financing					
<i>Canada</i>					
HIV/AIDS Prevention and Control	026099	337 663	2 289 326	2 915 628	(288 639)
Global Salm-Surv Level III Course	435001	19 913	(4 777)	15 136	
<i>Subtotal</i>		357 576	2 284 549	2 930 764	(288 639)
<i>France</i>					
Public Health Support	247018	389	(591)	(202)	
Regional Support to Fight Against HIV/AIDS Infections in the Caribbean	247019	931 001	(14)	930 987	
<i>Subtotal</i>		931 390	(605)	930 785	
<i>Netherlands</i>					
Leprosy Elimination	077086	15 672	58 712	45 314	29 070
<i>Subtotal</i>		15 672	58 712	45 314	29 070
<i>United Kingdom</i>					
Prevention and Control of the HIV/AIDS Epidemic 2002-2005	140047	389 267	1 137 270	1 526 537	
<i>Subtotal</i>		389 267	1 137 270	1 526 537	
<i>United States of America</i>					
Prevention and Control of HIV/AIDS in the Caribbean 2001-2005	002092		(10 300)	(10 300)	
Enhancing TB/HIV Collaborative Programs in Selected Caribbean Countries	002117		100 000	82 646	17 354
Response to the HIV/AIDS Epidemic in the Caribbean Region - Year 4	028053	(3 581)	435 637	432 056	
Response to the HIV/AIDS Epidemic in the Caribbean Region - Year 5	028068		282 844	288 258	(5 414)
<i>Subtotal</i>		(3 581)	808 181	792 660	11 940
Total - Government Financing		1 690 324	4 288 107	6 226 060	(247 629)

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
II. International Organizations					
<i>Caribbean Development Bank</i>					
Caribbean Tourism, Health, Safety, and Resources Conservation Project	021005		(193)	(193)	
<i>Subtotal</i>			(193)	(193)	
<i>European Community</i>					
Strengthening Institutional Response - HIV	018010	541	(628)	(87)	
<i>Subtotal</i>		541	(628)	(87)	
<i>International Bank for Reconstruction and Development (World Bank)</i>					
Scaling Up the Regional Response to HIV/AIDS through the Pan Caribbean Partnership Against HIV/AIDS in the Caribbean	018011	97 632	386 085	468 561	15 156
<i>Subtotal</i>		97 632	386 085	468 561	15 156
<i>United Nations Population Fund</i>					
Cervical Cancer Prevention and Control	278003	10 000	15 000	22 778	2 222
<i>Subtotal</i>		10 000	15 000	22 778	2 222
Total - International Organizations		108 173	400 264	491 059	17 378
III. Private and Public Sector					
<i>Forgarty International</i>					
HIV/UM ATRP in the Caribbean and Brazil (Epidemiology Strengthening in the Caribbean)	392001	963		963	
<i>Subtotal</i>		963		963	
<i>Sagicor</i>					
Cervical Cancer Prevention and Control in the Caribbean 2004 - 2007	426002	9 244		9 244	
<i>Subtotal</i>		9 244		9 244	

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
<i>University of Maryland</i>					
Training in Public Health Capacity Building	405001	117 230		70 052	47 178
<i>Subtotal</i>		117 230		70 052	47 178
<i>Total - Private and Public Sector</i>		127 437		80 259	47 178
Total		1 925 934	4 688 371	6 797 378	(183 073)

Balance at 31 December 2007 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by CAREC	110 980
Expenditure funded by CAREC in excess of receipts incurred on projects	(294 053)
Total	(183 073)

^{1/}Funds Received are shown net of refunds to Donors



CARIBBEAN FOOD AND NUTRITION INSTITUTE

Caribbean Food and Nutrition Institute
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	Regular Budget and Working Capital Fund	Trust Funds (Schedule 10)	Special Funds (Note 4)	Subtotal CFNI
Income					
Assessed quota contributions	Schedule 9	730 067			730 067
Voluntary contributions					
CFNI program activities	Schedule 10		1 093 943		1 093 943
Other income					
Revenue-producing activities				86 170	86 170
Funds received under interorganization arrangements					
<i>Total Income</i>		730 067	1 093 943	86 170	1 910 180
Expenditure					
International health program		637 566	1 446 795	148 478	2 232 839
<i>Total Expenditure</i>		637 566	1 446 795	148 478	2 232 839
Excess (Shortfall) of Income over Expenditure					
		92 501	(352 852)	(62 308)	(322 659)
Provision for delays in the collection of assessed quota contributions	Schedule 9	(309 742)			(309 742)
Payment of assessed quota contributions for prior years	Schedule 9	76 571			76 571
<i>Net Excess (Shortfall) of Income over Expenditure</i>		(140 670)	(352 852)	(62 308)	(555 830)
Savings on or cancellation of prior periods' obligations					
Total Changes in Fund Balances		(140 670)	(352 852)	(62 308)	(555 830)
Fund Balances, 1 January 2006		(363 606)	484 516	103 601	224 511
Fund Balances, 31 December 2007		(504 276)	131 664	41 293	(331 319)

The accompanying notes and schedules are an integral part of the financial statements.

Caribbean Food and Nutrition Institute
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

PAHO	WHO	Total 2006-2007	Total 2004-2005	
		730 067	712 268	Income
		1 093 943	1 650 657	Assessed quota contributions
		86 170	124 776	Voluntary contributions
				CFNI program activities
				Other income
				Revenue-producing activities
				Funds received under
				interorganization arrangements
1 578 841	612 738	2 191 579	2 571 615	
1 578 841	612 738	4 101 759	5 059 316	Total Income
				Expenditure
1 578 841	612 738	4 424 418	4 724 221	International health program
1 578 841	612 738	4 424 418	4 724 221	Total Expenditure
		(322 659)	335 095	Excess (Shortfall) of Income over Expenditure
		(309 742)	(289 225)	Provision for delays in the collection of assessed quota contributions
		76 571	199 944	Payment of assessed quota contributions for prior years
		(555 830)	245 814	Net Excess (Shortfall) of Income over Expenditure
				Savings on or cancellation of prior periods' obligations
		(555 830)	245 814	Total Changes in Fund Balances
		224 511	(21 303)	Fund Balances, 1 January 2006
		(331 319)	224 511	Fund Balances, 31 December 2007

Caribbean Food and Nutrition Institute
Statement of Assets, Liabilities, and Reserves and Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	2007	2005
Assets			
Cash on hand and in banks		6 681	3 642
Accounts receivable			
Assessed quota contributions due from Members	Schedule 9	1 624 463	1 391 292
Provision for delays in collection of assessed quota contributions		(1 624 463)	(1 391 292)
Balance due from Pan American Health Organization for interoffice funding activities			223 960
Building	Note 6	714 572	714 572
Total Assets		721 253	942 174
Liabilities and Reserves and Fund Balances			
<i>Liabilities</i>			
Assessed quota contributions received in advance	Note 5		3 091
Prior biennium reserves / Current unliquidated obligations		434	
Balance due to Pan American Health Organization for interoffice funding activities		337 566	
<i>Total Liabilities</i>		338 000	3 091
<i>Reserves and Fund Balances</i>			
Trust Funds	Schedule 10	131 664	484 516
Special Fund for CFNI Services	Note 4	41 293	103 601
Working Capital Fund	Note 7	(504 276)	(363 606)
<i>Total Fund Balances</i>		(331 319)	224 511
Equity in building	Note 6	714 572	714 572
<i>Total Reserves and Fund Balances</i>		383 253	939 083
Total Liabilities and Reserves and Fund Balances		721 253	942 174

The accompanying notes and schedules are an integral part of the financial statements.

**Caribbean Food and Nutrition Institute
Statement of Cash Flow
Financial Period 2006-2007**

(expressed in US dollars)

	2006-2007	2004-2005
Cash Flows from Operating Activities		
Net excess (shortfall) of income over expenditure (Statement VIII)	(555 830)	245 814
Increase (decrease) in unliquidated obligations	434	
Increase (decrease) in contributions or payments received in advance	(3 091)	171
	<hr/>	<hr/>
<i>Net Cash Flows from Operating Activities</i>	(558 487)	245 985
	<hr/>	<hr/>
Cash Flows from Investing and Financing Activities		
Increase (decrease) in interorganization funding balance payable	561 526	(245 691)
	<hr/>	<hr/>
<i>Net Cash from Investing and Financing Activities</i>	561 526	(245 691)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Term Deposits	3 039	294
Cash Cash and Term Deposits as of 1 January 2006	3 642	3 348
	<hr/>	<hr/>
Cash Cash and Term Deposits as of 31 December 2007	6 681	3 642
	<hr/> <hr/>	<hr/> <hr/>

Caribbean Food and Nutrition Institute
Explanatory Notes to Financial Statements
Financial Period 2006-2007
(expressed in US dollars)

1. The Mission of the Caribbean Food and Nutrition Institute

The mission of the Caribbean Food and Nutrition Institute (CFNI) is to work with Caribbean Governments to enhance their ability to describe, manage, or prevent the key nutritional problems and to increase their capacity to provide effective nutritional services.

2. Accounting Policies

(a) The Institute adheres to PAHO's Financial Regulations, and the accounting policies applied to CFNI transactions are stated in the notes to the PAHO financial statements. Some key policies or those which require further definition in the context of the CFNI statements are also disclosed below.

(b) Capital Assets

All assets are charged to expenditure in the biennium of purchase. These assets (mainly non-expendable equipment and vehicles) are not therefore shown in the Statement of Assets, Liabilities, and Reserves and Fund Balances (Statement IX). However, items of this nature are recorded in the project and office inventories of the Institute.

The value of the building is shown as the cost at the time of construction during 1986-1987, with an equal amount shown as "Equity in Building."

(c) Income

CFNI's assessed quota contributions, as well as PAHO and WHO Regular Budget funding (Statement VIII), are recorded on an accrual basis. All other income is recorded on a cash basis (i.e., when actually received).

(d) Expenditure

All expenditure against the CFNI Regular Budget and Special funds (Statement VIII) reflects goods and services that were delivered or contractually due to be delivered by 31 December 2007. Resolution CD47.R13 of the 47th Directing Council approved this change in expenditure recognition on 29 September 2006. This new expenditure recognition policy will provide a more direct alignment between the achievement of expected results and the expenditure reported. This basis of recording expenditure is also applied to the PAHO and WHO Regular funds disclosed in the CFNI Statement of Income and Expenditure and Changes in Fund Balances (Statement VIII).

Trust Fund project costs (Schedule 10) are recorded on a cash basis (i.e., when monies are paid for goods and services).

3. Nonexpendable Inventory

The original cost of nonexpendable inventory items valued at \$500 or more held by CFNI as of 31 December 2007 totaled \$485,973. Although the inventory amount is not reported in the financial statements as an asset, inventory lists are prepared to maintain effective custody of the physical assets of the Institute.

4. Special Fund for CFNI Services

This fund was established by the Director of PAHO under the authority vested in him by Financial Regulation 9.3 (approved by Resolution CSP26.R3 of the 26th Pan American Sanitary Conference). Income earned from the sale of certain services provided by CFNI (together with the expenditure incurred in developing these services) is recorded in this Special Fund.

5. Assessed Quota Contributions Received in Advance

No assessed quota contributions for 2008 were received in 2006-2007.

6. Land and Building

The building was constructed in 1987 at a cost of \$714,572 on lands provided by the University of the West Indies. The University holds a lease over the lands from the Government of Jamaica for a period of 999 years commencing 11 January 1967 and has permitted the Organization to erect a building thereon and to grant the Organization an under-Lease of said lands for the remainder of the period of the Head Lease.

7. Working Capital Fund

The accumulated deficit of \$504,276 in the Working Capital Fund has been met in part by advances from PAHO funds. The position of the accumulated deficit is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	(363 606)	(405 265)
Net results from operations transferred from Statement VIII	(140 670)	41 659
	<u>(504 276)</u>	<u>(363 606)</u>

Caribbean Food and Nutrition Institute
Statement of Assessed Quota Contributions Due from Members
Financial Period 2006-2007

(expressed in US dollars)

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Anguilla	2007	1 144	1 144	
	2006	1 090	1 090	
	2005	1 090	1 090	
		<u>3 324</u>	<u>3 324</u>	
Antigua and Barbuda	2007	3 420	3 420	
	2006	3 258	3 258	
	2005	3 258	3 258	
	2004	3 258	3 258	
	2003	3 258	3 258	
	2002	2 184	2 184	
		<u>18 636</u>	<u>18 636</u>	
Bahamas	2007	17 577	418	17 159
	2006	16 740	16 740	
		<u>34 317</u>	<u>17 158</u>	<u>17 159</u>
Barbados	2007	35 952	35 952	
	2006	34 240	34 240	
		<u>70 192</u>	<u>70 192</u>	
Belize	2007	3 420	3 258	162
	2006	3 258	3 258	
		<u>6 678</u>	<u>6 516</u>	<u>162</u>
British Virgin Islands	2007	708	708	
	2006	674	674	
		<u>1 382</u>	<u>1 382</u>	
Cayman Islands	2007	708	674	34
	2006	674	674	
	2005	674	674	
	2004	337	337	
		<u>2 393</u>	<u>2 359</u>	<u>34</u>
Dominica	2007	3 420		3 420
	2006	3 258		3 258
	2005	3 258	3 256	2
	2004	3 258	3 258	
	2003	3 258	3 258	
		<u>16 452</u>	<u>9 772</u>	<u>6 680</u>

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Grenada	2007	3 420	3 420	
	2006	3 258	3 258	
	2005	358	358	
		<u>7 036</u>	<u>7 036</u>	
Guyana	2007	47 423	45 489	1 934
	2006	45 165	45 165	
	2005	331	331	
		<u>92 919</u>	<u>90 985</u>	<u>1 934</u>
Jamaica	2007	141 527		141 527
	2006	134 788		134 788
	2005	134 788		134 788
	2004	134 788		134 788
	2003	134 787		134 787
	2002	125 970		125 970
	2001	125 970		125 970
	2000	125 970		125 970
	1999	125 970		125 970
	1998	119 970		119 970
	1997	119 970		119 970
	1996	119 970		119 970
	1995	94 790	48 224	46 566
		<u>1 639 258</u>	<u>48 224</u>	<u>1 591 034</u>
Montserrat	2007	1 144	1 090	54
	2006	1 090	1 090	
		<u>2 234</u>	<u>2 180</u>	<u>54</u>
Saint Kitts and Nevis	2007	3 420	3 420	
	2006	3 258	3 258	
		<u>6 678</u>	<u>6 678</u>	
Saint Lucia	2007	3 420	118	3 302
	2006	3 258	3 258	
	2005	3 258	3 258	
	2004	2	2	
	<u>9 938</u>	<u>6 636</u>	<u>3 302</u>	
Saint Vincent and the Grenadines	2007	3 420		3 420
	2006	3 258	2 574	684
		<u>6 678</u>	<u>2 574</u>	<u>4 104</u>
Trinidad and Tobago	2007	103 215	103 215	
	2006	98 300	98 300	
		<u>201 515</u>	<u>201 515</u>	

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Turks and Caicos Islands	2007	595	595	
	2006	567	567	
	2005	567	567	
		1 729	1 729	
Total		2 121 359	496 896	1 624 463
Amounts consist of:				
Contributions for 2006-2007		730 067	420 325	309 742
Contributions for prior years		1 391 292	76 571	1 314 721
		2 121 359	496 896	1 624 463

Caribbean Food and Nutrition Institute
Statement of Trust Funds
Financial Period 2006-2007

(expressed in US dollars)

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
I. Government Financing					
(External Projects)					
<i>Canada</i>					
Nutrition and HIV/AIDS in the Caribbean	026105	93 513	225 909	318 887	535
Gender Inequities in Health	026118	20	8 595	8 615	
<i>Subtotal</i>		93 533	234 504	327 502	535
<i>United States of America</i>					
Technical Meeting on Food and Nutrition	190002	27 166	(3)	27 163	
Poverty Alleviation	190003	1 499	(67)	1 432	
<i>Subtotal</i>		28 665	(70)	28 595	
Total - Government Financing (External Projects)		122 198	234 434	356 097	535
II. Government Financing					
(Internal Projects)					
<i>Guyana</i>					
Nutrition Training Components, Basic Nutrition Program	330008	189 868	539 225	614 226	114 867
<i>Jamaica</i>					
Household Surveys in Support of Food Security Assessments	075014		130 270	122 542	7 728
Total - Government Financing (Internal Projects)		189 868	669 495	736 768	122 595
Total - Government Financing		312 066	903 929	1 092 865	123 130

Source of Funds	PAHO Project ID	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Balance 31 December 2007
III. International Organizations					
<i>Food and Agriculture Organization</i>					
Development of Food-Based Dietary Guidelines to Promote Healthy Diets and Lifestyles	051014		5 690	5 690	
Assessment of Food Security and Vulnerability Analysis	051015		93 765	86 523	7 242
<i>Total - International Organizations</i>			99 455	92 213	7 242
IV. Private and Public Sector					
<i>Sagicor Financial Corporation</i>					
Improving Health and Nutrition in the Caribbean through Competition	426001	19 042	18 946	37 917	71
<i>Centre for Chronic Disease Control</i>					
Combating Cardiovascular Diseases through Nutrition in the Caribbean	446001		9 916	9 916	
<i>World Diabetes Foundation</i>					
Protocol for Nutritional Management of Diabetes	418001	153 408	24 997	178 405	
Preventing Diabetes & Other Chronic Diseases through a School-Based Behavioural Intervention in Four Caribbean Countries	418003		36 700	35 479	1 221
<i>Subtotal</i>		153 408	61 697	213 884	1 221
<i>Total - Private and Public Sector</i>		172 450	90 559	261 717	1 292
Total		484 516	1 093 943	1 446 795	131 664
Balance at 31 December 2007 is represented by:					
Accumulated receipts in excess of expenditure held in trust by CFNI					131 664
Project expenditure incurred and funded by CFNI in excess of receipts					
Total					131 664

^{1/} Funds received are shown net of refunds to Donors.



National Audit Office

The National Audit Office (NAO), headed by the Comptroller and Auditor General of the United Kingdom, provides an external audit service to the Pan American Health Organization. (PAHO). The External Auditor has been appointed by the Directing Council in accordance with the Financial Regulations. In addition to certifying the accounts of the PAHO, he has authority under the mandate to report to the Directing Council on the economy, efficiency and effectiveness with which the PAHO has used its resources.

The aim of the audit is to provide independent assurance to the Directing Council; to add value to PAHO's financial management and governance; and to support the objectives of the PAHO's work.

For further information please contact:

Graham Miller
Director
National Audit Office
157-197 Buckingham Palace Road,
Victoria, London, SW1W 9SP

+44 (0)20 7798 7136

Email: graham.miller@nao.gsi.gov.uk or
manjit.lall@nao.gsi.gov.uk

2006-2007

External Auditor's Report

Audit of the Pan American Health Organization (PAHO) Financial Statements

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EXECUTIVE SUMMARY

- *Overall results of the audit – an unqualified audit opinion*
- *On PAHO:*
 - *Financial results of PAHO and the collection rate for contributions*
 - *Progress and improvements towards implementing IPSAS*
 - *Audit recommendations on agreements with implementing partners*
 - *Risks from staff vacancies*
 - *Recommendations to improve control in the field*
- *On sub-regional Centers:*
 - *Financial results*
 - *Guidance on separation of the centers from PAHO*
- *Follow up to previous audit recommendations focussing on corporate governance*

OVERALL RESULTS OF THE AUDIT

1. We have audited the financial statements of the Pan American Health Organization (PAHO) in accordance with the Financial Regulations and in conformity with International Standards on Auditing. The audit examination revealed no weaknesses or errors which we considered to be material to the accuracy, completeness and validity of the financial statements. In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended, in accordance with United Nations System Accounting Standards and the Pan American Health Organization's stated accounting policies.

2. The main observations and recommendations from our audit are summarised below, with a more detailed commentary in the section on Detailed Findings. Action taken by management in response to our previous year recommendations, for 2004-2005, is set out at **Annex A**; and the scope and approach of the audit, which were communicated to management in a detailed audit strategy, is summarised at **Annex B**.

PAN AMERICAN HEALTH ORGANIZATION

On the overall financial results of PAHO

3. Total PAHO expenditure across all funds increased by 24.3 percent from \$786.3 million in 2004-2005 to \$977.7 million in 2006-2007. The increase of some \$191.4 million is mostly accounted for by greater expenditure of some \$184.3 million within Trust Funds, Procurement Funds and World Health Organization Other Funds. Total fund balances increased by \$209.2 million during the biennium reflecting the significant increase in total income and a lesser increase in expenditure. Net cash and term deposits increased significantly by \$177.5 million reflecting this higher income yield.
4. The Financial Statements report that for 2006-2007 the Organization obligated \$257.3 million or 97 percent of the Effective Working Budget, excluding the WHO Regular Budget element of \$75.1 million. After adjustments, the Organization recorded a net excess of income over expenditure on the Regular Budget amounting to \$43.9 million compared with \$6 million for 2004-2005 reflecting the significant increase in income.
5. The collection rate for quota contributions from member states for the current period increased to 85 percent and was significantly higher than the previous biennium; there was also a welcome increase from 80 percent to 85 percent in the collection rate for quota arrears. Of the \$35.4 million outstanding at 31 December 2007 on quota assessments for the current and prior periods, \$7.3 million (21 per cent) had been received by 31 March 2008.
6. The Working Capital Fund balance brought forward was \$14.2 million at 1 January 2006. PAHO achieved a significant surplus of \$43.9 million during this biennium and in line with the Directing Council resolution can only hold a maximum of \$20 million in the Working Capital Fund at the end of this period. This meant that PAHO transferred \$5.8 million of the regular budget surplus into the Working Capital Fund to stay within the maximum permitted limit,

transferring the remainder to the PAHO holding account. We have ensured that the financial statements properly report the correct balance of the Working Capital Fund within its prescribed limit of \$20 million and that the balance of the surplus in 2006-2007 is shown as being held in the PAHO Holding Account.

On the progress and improvements towards implementing IPSAS

7. International Public Sector Accounting Standards (IPSAS) are credible, high quality, independently produced accounting standards which are comprehensive and supported by Governments, professional accounting bodies and international organisations. They offer more regular, complete and transparent reporting as well as more consistency between financial periods and different organisations. We have identified the key areas to be addressed by PAHO in respect of full accruals accounting for income and expenditure, assets and liabilities and for employee benefits. Further, we have commented on the options for upgrading PAHO's information technology platform to facilitate full implementation of IPSAS, noting the risks involved in further customising the existing system. We recommend that PAHO compare the options of buying a new system with that of customising their existing system, seeking best value in doing so.

8. In October 2007, the member states of PAHO approved proposals to implement International Public Sector Accounting Standards from 1 January 2010. PAHO has decided to make progress on the adoption of IPSAS using a phased approach where they began to implement IPSAS requirements gradually, with a view to introducing further changes in the next biennium. Following a change to the financial regulations approved by the 47th Directing Council, PAHO now only recognise disbursed expenditure and unliquidated obligations (outstanding liabilities) in respect of goods and services delivered or contractually due to be delivered in this biennium. This matches the expenditure recorded in this biennium rather than across two biennia. We have reviewed the implementation of this policy ensuring the validity of data in PAHO's accounting systems and adequate disclosure in the financial statements. This represents a positive move to adopting IPSAS while staying fully compliant with the United Nations System Accounting Standards (UNSAS) for this biennium.

On the use of letters of agreement with implementing partners

9. PAHO has used letters of agreement (LOAs) extensively during this biennium. Such letters represent agreements between PAHO and a third party to provide technical co-operation and transfer funds to implement health policies. PAHO transferred \$54.2 million during this biennium, most of which related to activity undertaken by PAHO's Brazil country office, which disbursed \$38.1 million through LOAs. While internal controls to ensure the security and appropriate use of these funds have operated effectively to the point at which funds leave PAHO, there are weaknesses in the oversight of funds after they have been transferred to third parties. We found a significant number of cases in our sample where technical reports confirming how the funds had been used by the implementing partner, had not been received by PAHO. We recommend that PAHO act to ensure that health ministries engaging third parties ensure they are bona fide and provide PAHO with appropriate assurances.

On staff vacancies in PAHO

10. We have identified that at the end of this biennium PAHO had 184 vacant posts, including thirteen in Financial Resource Management (FRM) and 29 across PAHO country offices. We note that PAHO has undertaken an exercise to establish how many of these posts have been recently filled and posts that are no longer relevant have been abolished. While we have highlighted the significant rise in trust fund and procurement fund activity which has placed increasing demands on finance and administrative staff in headquarters and country offices, PAHO need to evaluate the overall risk to their business of these posts remaining vacant and develop a plan to mitigate these risks as a routine part of their business processes. A human resources plan has been recently completed and the vacant posts have been approved for advertisement.

On financial control in the field

11. During 2006-2007, we carried out audit visits to PAHO Headquarters and eight country offices (Panama, Haiti, Guyana, Dominican Republic, Brazil, El Paso, Mexico and Trinidad and Tobago), as well as to the three sub-regional centers (INCAP, CAREC and CFNI) and the regional center PANAFTOSA, to examine internal controls, the oversight provided by PAHO headquarters, and perform tests of detail on transactions and key accounting reconciliations. Generally we found a high standard of financial control in operation. However, areas where improvements could be made were notified to the Organization and

country offices by way of reports to management containing observations and recommendations in respect of each visit. We have identified common areas where there was some weakening in internal controls in relation to appropriate segregation of duties, timely performance of bank reconciliations, procurement procedures and fixed asset inventories. PAHO has undertaken improvements in monitoring internal controls at country offices by implementing a month-end controls checklist which is returned to headquarters. We have recommended that Internal Oversight undertake a risk based review of country offices on an ongoing basis to assess the effectiveness of the controls checklist system; and use lessons learned to educate country office staff as necessary.

SUB-REGIONAL CENTERS

On the financial results of the Centers (CAREC and CFNI)

12. The overall financial position of the Caribbean Epidemiology Center, CAREC, worsened slightly in 2006-2007. The balance on CAREC's Working Capital Fund decreased from \$672,687 to \$663,538 as a result of incurring a net deficit of some \$9,149. However, this deficit was considerably lower than in 2004-2005 (\$273,158) largely as a result of a lower provision for delays in the collection of assessed contributions and also an increased collection of contribution arrears.
13. The overall financial position of the Caribbean Food and Nutrition Institute, CFNI, also worsened in 2006-2007. The deficit on the Center's Working Capital Fund increased further to \$504,276. This was as a result of the increased provision for the delay in collecting contributions and also a significant decrease in the collection of arrears of contributions.
14. Expenditure administered by PAHO for the three sub-regional Centers, INCAP, CAREC and CFNI, increased from \$20.3 million to \$22.9 million in 2006-2007 in line with its continued commitment to these centers over the biennium.
15. This report outlines the risks arising as a result of the decision for the sub-regional centers to separate from PAHO, taking account of their financial performance during this biennium.
16. We have issued a separate audit opinion and report in relation to the Institute of Nutrition of Central America and Panama, INCAP.

On the planned separation of PAHO and the sub-regional Centers

17. In July 2007, following an evaluation of three options for regional health care, health ministers in the Caribbean approved the option of a single health care institute, but asked PAHO to conduct a cost benefit analysis of the best structure within such an institution. This analysis showed that a single governance and administrative structure would be the most cost effective option and members have voted to combine five Caribbean Regional Health Institutions - including CAREC and CFNI - in a single new Caribbean Public Health Agency (CARPHA). The plan for CAREC and CFNI to separate from PAHO during the next biennium gives rise to a number of significant risks for all parties involved. We have identified risks in relation to the financial viability of the centres; their legal status; their management and resource capacity to continue providing an existing level of service and a sustainable internal control environment. We recommend that PAHO and the sub-regional Centers develop a coherent strategy to manage the transition, taking account of key risks.

FOLLOW-UP TO PREVIOUS AUDIT RECOMMENDATIONS

18. In our last report on the 2004-2005 biennium, we noted the continued weakness in the level of internal oversight available within the Organization. While PAHO has tried to address these concerns and recruit an appropriate team of qualified staff, they have been unable to attract suitable candidates for the Head of Internal Oversight post. The Internal Oversight Office has used temporary audit staff to undertake audits during this biennium. However, we reiterate the need to strengthen internal oversight for such a diverse organisation with a large geographical spread and we have recommended that PAHO should consider outsourcing this service to buy in a suitable level of service provision.
19. In the last biennium we also noted the establishment of the Integrity and Conflict Management System (ICMS) to further strengthen governance arrangements and provide a co-ordinated service to deal with cases of conflict within the organization. We welcome the progress made in embedding the system during this biennium. However, we have noted that as a part of these new procedures, the previous arrangements for recording, investigating and reporting fraud have been diluted and there is no central focal point to undertake this critical aspect of good governance. We have recommended that the ICMS team establish a sub-group to specifically record, investigate and report fraud. In addition, this group could then consolidate lessons learned from recorded fraud cases and implement appropriate improvements as necessary.

-
20. We made three recommendations in our report on the 2004-2005 biennium relating to improved arrangements for systematic risk management, the adoption of International Public Sector Accounting Standards and establishing an Audit Committee with a membership of independent external experts.
 21. PAHO's Directing Council has formally approved the adoption of IPSAS from 2010 and PAHO is using a phased approach to implementing full accruals accounting. As a part of the first phase, PAHO has improved the expenditure recognition policy in this biennium to match expenditure recorded to goods and services received in respect of all funds except trust funds. We welcome the progress made and we have reported separately on the new expenditure recognition policy in this report.
 22. On risk management, we have worked closely with Financial Reporting and Management (FRM) professional staff and PWRs, to share our expertise on risk management and provide guidance on risk assessment and the development of risk registers. PAHO has also engaged consultants to begin to undertake a comprehensive risk assessment. While the Organization is making progress in this regard, risk management has not yet been embedded into its business processes and we recommend that the Organization set a target date to fully adopt a systematic arrangement of enterprise risk management.
 23. PAHO has established a Sub-Committee on Programme, Budget and Administration (SPBA), made up of seven members, four of which are concurrently represented on the Executive Committee. While the terms of reference are extensive and include the review of financial statements, external and internal audit plans and reports, this committee does not require the attendance of the external auditor and does not fulfil the good governance role of an audit committee chaired by and made up of a majority of independent members. We continue to believe that the purpose served by an audit committee with a majority of independent external members would bring significant benefits to PAHO and we continue to encourage the Organization to establish such a committee.

DETAILED FINDINGS

Pan American Health Organization (PAHO)

Overall Financial Position of the Organization

- *Showing significant increases in income and expenditure, particularly in relation to trust funds and procurement funds used for acquiring health related products*
- *Noting a significant increase in the rate of collection of current year assessed contributions, and also further improvements in the collection of contribution arrears*
- *Confirming that the substantial increase in the regular budget surplus is properly reported in the financial statements given the cap on the working capital fund of \$20 million dollars*

Income and expenditure

24. PAHO's total income for 2006-2007 increased from \$798.8 million in the previous biennium to \$1,157.7 million in this biennium. This is an increase of \$358.9 million or 45 percent compared to the previous biennium and represents continued growth of income within Trust Funds and Procurement Funds, while there has been a more modest increase in assessed contributions. Total PAHO expenditure across all funds increased by 24.3 percent from \$786.3 million in 2004-2005 to \$977.7 million in 2006-2007. The increase of some \$191.4 million is mostly accounted for by greater expenditure within Trust Funds, Procurement Funds and World Health Organization Other Funds. Table 1 highlights the most significant areas where income and expenditure has changed between biennia.

Table 1: Showing Significant Increases in Income and Expenditure

Activity	Increase in Income from 2004-2005 to 2006-2007 (US\$ million)	Increase in Expenditure from 2004-2005 to 2006-2007 (US\$ million)
Regular Budget	13.1	6.9
Trust Funds	153.8	58.1
Procurement Funds – Expanded Programme on Immunisations	146.4	59.7
Procurement Funds – Advances from Governments and Institutions for Procurement	5	24.3
Non- Project Funds – Strategic Public Health Supplies	23.1	19.4
World Health Organization – Other Funds	20.4	20.4
Sub-Total	361.8	188.8
Total Increase in Income / Expenditure	358.9	191.4
% of increase accounted for by significant areas of activity	101	98.6

Source: PAHO Financial Statements 2006-2007

25. During the biennium total fund balances increased by \$209.2 million, much of which is held as cash and term deposits and these increased by some \$177.5 million reported in Statement III.

Budgetary transfers and program delivery

26. Statement IV to the Financial Statements shows that the Organization obligated \$257.3 million (97 percent) of the available appropriations from the 2006-2007 Effective Working Budget of \$265.6 million, which included the WHO regular budget contribution of some \$75.1 million.

Results of the PAHO regular budget

27. As shown in Statement I, in 2006-2007 the Organization received Regular Budget income of \$196.7 million and incurred expenditure of \$182.2 million. After providing for delays in the collection of assessed contributions, and adjusting for contributions received in relation to prior periods and savings on prior periods' obligations, the excess of income over expenditure was \$43.9 million.
28. For 2006-2007 the excess of income over regular budget expenditure amounted to \$43.9 million compared with \$5.7 million in 2004-2005, and this increase is due in part to an improvement in the collection of quota arrears (Table 2 refers). Following a transfer of \$5.1 million to Special Funds and Procurement Funds, a balance of \$38.8 million was available for transfer to the working capital fund. However, the working capital fund is capped at a maximum of \$20 million. We have ensured that the financial statements properly report the correct balance of the Working Capital Fund within its prescribed limit of \$20 million and that the balance of the surplus in 2006-2007 (\$33.1 million) is shown as being held in the PAHO Holding Account.

Quota contributions

29. Table 2 shows that for 2006-2007, PAHO achieved a collection rate for quota contributions due that at 85 percent was significantly higher than the previous biennium, and much higher than the average for the last 10 years. PAHO has responded positively to our concerns, expressed in our reports on previous biennia, that the collection rate is much lower than for comparable international organisations. The action that they have taken has resulted in a significant improvement in the collection rate for both current biennia contributions and arrears for previous years, and we encourage the secretariat to continue their efforts to improve this further.

Table 2: The Collection Rate for Current PAHO Quota Contributions (excluding arrears)

Biennium	Net Assessments	Amount Collected	Outstanding Contributions	Collection Rate
	\$	\$	\$	%
2006-2007	183,550,000	155,058,405	28,491,595	85
2004-2005	184,306,000	134,134,974	50,171,026	73
2002-2003	180,960,000	139,546,733	41,413,267	77

Biennium	Net Assessments	Amount Collected	Outstanding Contributions	Collection Rate
	\$	\$	\$	%
2000-2001	170,796,000	132,108,444	38,687,556	77
1998-1999	163,618,000	124,459,109	39,158,891	76
1996-1997	162,918,000	113,061,891	49,856,109	69
Average collection rate				74
<i>Source: Audited Financial Statements 1996-1997 to 2006-2007</i>				

30. The Organization applies receipts from Member States to the oldest outstanding contribution. Table 3 shows amounts received of \$54.8 million in relation to contributions outstanding at 31 December 2005, representing a collection rate of 88 percent. This is significantly higher than in 2004-2005 and also higher than the average for the last ten years. PAHO has acted positively to address the risk of aged uncollected contributions and significantly reduced the proportion of older contributions still outstanding at the end of this biennium. We welcome the progress that has been made and continue to encourage the Organization to consolidate this progress further.

Table 3: Collection Rate for Arrears of PAHO Quota Contributions

Biennium	Arrears	Payments received	Balance due at 31 December	Collection Rate
	\$	\$	\$	%
2006-2007	61,740,124	54,809,510	6,930,614	88
2004-2005	58,197,534	46,628,436	11,569,098	80
2002-2003	49,216,339	32,432,072	16,784,267	66
2000-2001	46,596,506	36,067,723	10,528,783	77
1998-1999	52,128,026	44,690,411	7,437,615	86
1996-1997	49,204,772	46,932,855	2,271,917	95
Average collection rate				81
<i>Source: Audited Financial Statements 1996-1997 to 2006-2007</i>				

Eliminations for inter-group transactions on all funds

31. In the 2004-2005 Financial Statements, PAHO introduced the additional disclosure of eliminations, where transactions between funds were eliminated to avoid double counting of income and expenditure. We conducted further work during 2006-2007 and identified some \$34.8 million of eliminations relating to 2006-2007. These concerned inter-fund transactions and eliminations from INCAP and CAREC.

Cases of fraud and presumed fraud, other losses and ex-gratia payments

32. The Organization informed us that there were 37 cases of fraud detected during the biennium. Of the total value misappropriated amounting to \$79,087, PAHO recovered \$25,562 prior to 31 December 2007. The balance of \$53,525 has not been recovered and this mainly relates to assets which have been stolen from the Organization.
33. The Organization notified the write-off of uncollectible receivables amounting to \$6,557; and a total of administrative waivers amounting to approximately \$300,000 are under investigation. Details are provided in Note 24 to the Financial Statements.
34. The Organization had reported that ex-gratia payments of \$19,664 were made during 2006-2007.

Progress and Improvement towards Implementing International Public Sector Accounting Standards (IPSAS)

- *Outlining the key changes required for financial reporting under IPSAS and the need to ensure appropriate IT functionality*
- *Noting the successful implementation of the revised expenditure recognition policy in respect of outstanding liabilities in respect of the regular budget and other funds, except trust funds*
- *Recognising the progress made to adopt IPSAS through a programme of gradual change in preparation for full adoption from 2010*

Issues to be addressed by PAHO for IPSAS implementation

35. IPSAS are credible, high quality, independently produced accounting standards which are comprehensive and supported by governments, professional accounting bodies and international organisations. They represent international good practice for the public sector and not-for-profit organisations, and utilise the full accruals basis of accounting and financial reporting. They are issued by the International Public Sector Accounting Standards Board (IPSASB), a standing committee of the International Federation of Accountants (IFAC).
36. The benefits of adoption of IPSAS include the following:
- Improved stewardship and transparency with respect to all assets and liabilities;
 - More regular (annual), comprehensive and consistent information about costs and income, and
 - Improved consistency and comparability of financial statements over time, and over different organisations.
37. For 2006-2007, PAHO has successfully adopted an improved expenditure recognition policy for the regular budget and all other funds except trust funds and we commend the progress made. We report on this phase of moving towards IPSAS adoption further below. In making further progress for the adoption of IPSAS, PAHO will need to consider the impact on other areas of reporting. An overview of the impact on accounting and financial reporting for PAHO is shown in Table 4.

UNSNAS	IPSAS	Issues to Address for PAHO
Reported expenditure represents disbursements and unliquidated obligations (ULO's)	Recognition of expenditure on the basis of goods and services delivered. (The delivery principle).	PAHO has implemented a revised expenditure recognition policy for all funds except trust funds. In future biennia all funds would be reported on an accruals basis where expenditure is recognised when goods and services are delivered.
Reporting requirements take a modified accruals approach that is similar to cash accounting	Requirements are on a full accruals basis	In addition to reporting all expenditure on an accruals basis, PAHO would report all income on an accruals basis.
Costs of fixed assets are reported as expenditure, in the statement of Income and Expenditure, when the assets are purchased	Cost of fixed assets are capitalised and are included on the balance sheet when first acquired. The original cost is then spread over the useful life of that asset as a depreciation expense	There will be a decrease on reported expenditure and an increase in assets reported. A capital reserve will need to be established upon initial recognition of existing fixed assets. Depreciation charges will need to be calculated and a capitalisation (threshold for capitalising assets) and depreciation policy will need to be established.
Accrued employee benefits in respect of repatriation grants and annual leave are to be reported in a note to the accounts	Full recognition of liabilities for employee benefits and these are reported as an expense	An increase in reported expenditure and a corresponding increase in liabilities for the amounts accrued in respect of employee benefits. Staff costs will have to be separately disclosed.
Preparation of budgets on a cash basis.	Preparation of budgets on an accruals basis	Changes of content and format of budget for the adoption of an accruals basis of accounting, or reconciliation between the two bases.

38. Compliance with IPSAS accounting and reporting requirements will involve an analysis of the existing financial systems to assess whether the systems have the functionality for full IPSAS compliance. In doing so, PAHO will need to consider whether information on capital assets, depreciation and employee benefits in addition to income and expenditure recognition can be correctly captured through modification of the existing IT platform. There are two options to achieving IT functionality to meet the needs of IPSAS compliance:

- Upgrade of the existing IT system by adding appropriate modules to the existing platform;
or
- Purchase of a new IT system with full functionality to meeting the needs of accounting, budgeting and financial reporting under IPSAS.

39. Adapting the existing system, which is becoming outdated, brings with it the risk of it becoming expensive to maintain and develop to accommodate future requirements. If PAHO choose to follow the second option and acquire a new system, we recommend that there should be little customisation to minimise maintenance and development costs.

Recommendation 1: We recommend that PAHO develop a project plan for full IPSAS adoption and assess whether the existing accounting systems will provide the functionality and capability for full accruals accounting under IPSAS. In doing so they should conduct a cost benefit analysis of upgrading the existing IT platform or purchasing a new IT system. Such an analysis should take account of the risks involved with either option.

Improvements made in expenditure recognition

Background

40. In October 2007, the member states of PAHO approved proposals to implement IPSAS from 1 January 2010. PAHO has decided to make progress on the adoption of IPSAS using a phased approach where they began to implement IPSAS requirements gradually with a view to introducing further changes in the next biennium. The proposed changes in the accounting policy are clearly disclosed in the notes to the financial statements and represent a positive move towards adopting IPSAS, while staying fully compliant with the United Nations System Accounting Standards (UNSAS) for this biennium.
41. During this biennium, PAHO's Directing Council passed a resolution (CD47.R13) that changed the way in which expenditure is recognised, as part of the implementation of PAHO's results-based management initiative. This Resolution changed the wording of Financial Regulation 4.2 from: "*Obligations...shall cover the cost of goods or services which were contracted during the period and which are to be supplied or rendered during that period or within the year following the end of the period*" to "*Obligations...shall cover the cost of goods or services which were contracted during the period and which are contractually due to be delivered during that period.*"

42. The move towards accruals accounting will lead to more transparent and meaningful financial reporting and allow PAHO to better budget for biennial expenditure. This is exactly in line with the overarching objectives of IPSAS, to improve financial reporting and achieve greater consistency in reporting for international organizations.

How the new expenditure recognition policy worked in practice

43. In accordance with the Directing Council resolution, PAHO has introduced two changes in the expenditure recognition policy, as follows:
- PAHO revised the basis on which unliquidated obligations (ULOs) were recognised; and
 - PAHO accounted for ULOs in the financial statements on more funds than in previous biennia.
44. In 2004-2005 PAHO only recognised ULOs in relation to regular budget expenditure and certain WHO funds (in accordance with WHO's own policy). For 2006-2007, accounting for ULOs was extended to all other PAHO non-regular budget funds, with the exception of trust funds which continued to be reported on a cash basis, as in the previous biennia and as disclosed in the accounting policies Note to the financial statements. The finance team at PAHO went through the same year-end process with trust funds as with all other funds, but decided not to account for and disclose them in the financial statements for two reasons:
- The timeframe for the implementation of the new expenditure recognition policy was short and particularly complicated for trust funds. This was because there were a large amount of unliquidated obligations by both number and value that related to trust funds at the year end, and PAHO's use of letters of agreement to distribute the funds may have led to large amounts of prepayments being recognised (where monies have been disbursed by PAHO but the goods or services to which they related were not contractually due to be received before the year end).
 - Financial reports sent to trust fund donors throughout 2006-2007 had been on a cash basis and PAHO did not wish to cause confusion by reporting on a different basis in the financial statements.
45. To enable automated recording of the revised expenditure recognition policy PAHO developed a database module for the AmpesOmis system that captured unliquidated obligations from AmpesOmis and allowed allotment holders as owners of the obligations to

split the ULOs between those amounts relating to goods and services contractually due to be delivered by 31 December 2007 and those contractually due to be delivered afterwards.

46. This database then interfaced with PAHO's main financial systems; and the ULO amounts recorded in 2006-2007 reflect only the amounts pertaining to goods and services delivered or contractually due to be delivered in 2006-2007. The overall result was that the ULOs reported on PAHO's balance sheet decreased from \$6,588,500 in 2004-2005 to \$5,442,431 in 2006-2007, even though PAHO moved from recording regular budget ULOs to ULOs for regular budget and all other funds except trust funds.
47. This decrease represents a tightening of PAHO's control and oversight over obligated monies as they are now matching expenditure to the contractual right to receive goods or services during the biennium.

Audit of the revised expenditure recognition practice

48. We examined the new module during the testing phase to ensure that there was appropriate control over the validity of the figures reported in the accounts. We have also ensured that the treatment of ULOs has remained UNSAS-compliant, as these are the standards against which PAHO currently report.
49. We commend the time and effort invested by PAHO to ensure that the module developed to handle the transition to the new expenditure recognition policies was robust and properly interfaced with the primary accounting system and in educating PAHO allotment holders about the change in accounting treatment.
50. We audited both the ULO figures disclosed in the financial statements and the amounts that were taken out which related to 2008-09 to ensure that completeness of the value of ULOs reported for this biennium.

Proposals for future years

51. We understand that there will be further gradual moves towards IPSAS compliance in the following biennium (2008-2009), with trust fund expenditure being recognised in accordance with the new expenditure recognition policies. Income is expected to be recognised on an accruals basis in the following biennium (2010-2011). This phased approach retains compliance with existing accounting standards and helps to establish an effective strategy for a smoother transition to IPSAS.

Recommendation 2: We commend PAHO for adopting an incremental transition to IPSAS compliance and accruals accounting while remaining UNSAS-compliant. We recommend that PAHO perform similar amounts of testing on other systems designed to record information on a full accruals basis, to ensure that data is validated before being posted to the financial accounts system.

Use of Letters of Agreement with Implementing Partners

- *Analysing the use of letters of agreement to transfer funds to third parties to implement health projects, which shows that the use of such instruments is concentrated in six country offices*
- *Noting the effectiveness of internal controls to the point at which funds leave PAHO*
- *Identifying improvements to enable PAHO to engage with bona fide third parties*

52. Letters of Agreement (LOA) represent agreements between PAHO and an implementing partner to provide technical co-operation and transfer funds to implement health policies. We understand that to develop and implement health policies in the Americas requires co-operation and understanding between health ministries, the state government, municipal authorities and universities or other non-governmental organizations (NGOs); and typically these entities do not work well together, thereby hampering progress in developing and implementing health policies.

53. PAHO is recognised by all of these entities as a prestigious organisation with technical knowledge. On that basis, health ministries have encouraged PAHO to work with them to help implement their policies by providing administration and technical expertise, as well as by transferring funding to third parties while at the same time providing oversight of these funds. With PAHO's involvement other entities such as the state government, municipal authorities and universities are more willing to be involved in these projects. Furthermore, the projects benefit because they are shielded from political instability, which may otherwise affect them if they were directly funded.

54. During the biennium, PAHO transferred \$54.2 million to third parties through letters of agreement. Table 5 shows the countries which most commonly use LOAs. It is clear that 87 percent of expenditure undertaken through this method lies within just six countries.

Table 5: Showing countries most commonly using Letters of Agreement

Country	Disbursed Expenditure in 2006-2007	Number of Letters of Agreement Used	% by Value of Total Disbursements for LOAs
Brazil	38,549,282	387	71
Guatemala	4,205,451	689	8
El Paso	1,863,379	54	3
Nicaragua	1,770,077	449	3
Cuba	758,029	61	1
Peru	725,239	62	1
Total for 6 Countries	47,871,460	1,702	87
Total for All LOAs	54,239,357	2,446	100

Source: PAHO's Accounting System (FAMIS)

55. We carried out an examination of \$4.5 million (8 percent) transferred to implementing partners through the use of LOAs, of which \$4.3 million related to Brazil. We focussed our testing on higher value LOAs within the Brazil office, while also examining a random sample of lower value items across other offices. Our overall conclusion was that the controls over the use of LOAs were operating effectively to the point at which funds are transferred by PAHO to the third party. We found that:

- country offices held signed LOAs in each case;
- signed approval from the local or HQ contract committee approving the use of the LOA was held;

- signed approval to enter into the LOA from the relevant Ministry of Health secretariat was held on file;
 - a copy of the project proposal from the third party entity was retained; and
 - a copy of the request to the health ministry for the approval of the third party was also held.
56. We noted that improvements had been made in the terms and conditions assigned to LOAs. For example, where the LOA amount exceeded US\$100,000, payments by instalments had been introduced which required that the entity provide technical and financial reports on the execution of the first instalment before they can receive the second instalment. We welcome the work done by the PWR office to assess the integrity and reliability of a proposed partner institution or entity, since it is vital that partner entities are well-equipped and well managed to ensure that they can deliver the project objectives.
57. We also welcome the improved functionality of the upgraded financial and budgetary management system (OMIS v.2.5), which now separates LOAs from CSA contracts, providing better management information and improving internal control over LOAs.
58. However, for a sample of the LOAs that we examined, we found that in four out of six cases where payments had been made by instalments, the interim technical reports required by the PAHO technical unit from the recipient of the LOA funds were overdue. Although no subsequent payments were made against these LOAs, this is critical information which confirms that the technical aspects of the project have been achieved and that funds have been used for the purposes intended. Oversight of the funds in relation to LOAs is weakened once the money has been transferred to the third party; and we recommend that a number of further actions are taken to improve the control and oversight of these funds after they have left PAHO.
59. Similarly, in six of the twelve LOAs sampled, it we noted that the original LOA had been extended. In four of these cases, the extension had been made after expiration of the original LOA. Therefore, while the final technical reports would have originally been overdue, extension of the LOA meant that this was no longer the case at the time of audit. We recommend that where LOAs are extended, PAHO should ensure that sufficient oversight is maintained of how funds are disbursed.

60. In overall terms the increased level of donor funding for extra-budgetary activities and the associated increase in the use of LOAs is resource intensive and may hinder PAHO's ability to execute its regular budget objectives if these activities continue to grow in number and value.

Recommendation 3: We recommend that PAHO ensure that all government candidates for engagement on projects through letters of agreement are screened by the relevant health ministries to ensure that they are bona fide bodies. Criteria for screening may include obtaining confirmation of legal status and audited financial statements.

Recommendation 4: We recommend that PAHO undertake a risk assessment to evaluate its appetite for accepting further extra-budgetary funds in future biennia.

Recommendation 5: We further recommend that PAHO seek a letter of comfort from each health ministry confirming that the third party to be engaged by letter of agreement is on the ministry's approved list. PAHO need to ensure that LOAs are not entered into without this confirmation from the ministry.

Staff Vacancies

- ***Noting a significant number of staff vacancies across the Organization; the main areas where vacancies exist; and the risks presented in the light of rising activity in trust funds and procurement funds***
- ***Drawing attention to the need to assess the risks posed to PAHO's business by continued staff vacancies***

61. Our review of the information drawn from the human resources PAS system showed that at 31 December 2007 PAHO was carrying 184 vacant posts. We note from the detailed listing of vacant posts that vacancies exist in some significant business areas, as follows:

- PWR Offices across the region - 39 vacancies
- Family and Community Health - 21 vacancies
- Health Surveillance and Disease Management – 16 vacancies
- Financial Resource Management (FRM) – 13 vacancies
- Directorate – 10 vacancies

- Human Resources – 10 vacancies
62. Many of the vacancies related to administrative and finance positions at headquarters and in the PWR offices and Centers. PAHO has undertaken an extensive human resources planning exercise at the beginning of 2008 to establish the action required to manage the vacancies either through recruitment or, where deemed appropriate, to abolish posts, in order to tackle the problem of posts remaining vacant in the long term.
63. We welcome the action being taken to tackle the high level of vacancies. However, so many vacant and key posts present a risk to the effective functioning of the divisions affected, particularly as the level of activity in trust funds and procurement funds has increased significantly, which has contributed to PAHO processing income exceeding \$1 billion in this biennium. For example, FRM are now processing \$154 million and \$146 million additional income on trust funds and procurement funds respectively. The resource burden on FRM falls in several respects:
- increased treasury management activity to invest the increased level of cash funds held;
 - increased oversight of funds going out;
 - increased accounting for and processing of funds; and
 - increased donor reporting on the use of funds.
64. The Organization needs to identify the risks posed by the continued vacancies for each area affected. We suggest this needs to be a systematic and ongoing analysis of risks, with an agreed action plan to mitigate the potential effects of those risks.

Recommendation 6: We recommend that as part of the Organization's normal business processes PAHO undertake a risk assessment of post vacancies; and develop an appropriate and ongoing action plan to manage and mitigate the risks posed.

Financial Control in the Field

- *Identifying weaknesses in internal controls commonly occurring in PAHO country offices*
- *Noting the particular risks involved with inappropriate segregation of duties and user rights granted to users of the AmpesOmis accounting system*

65. We adopt a risk based approach to inform which PAHO country offices we visit. Our risk assessment takes account of the level of expenditure undertaken by each office; known control weaknesses from our discussions with Headquarters staff; the length of time since our previous visit; and the level of PAHO's own internal oversight of the various offices. Based on this risk assessment, during 2006-2007 we carried out audit visits to eight country offices (Panama, Haiti, Guyana, Dominican Republic, Brazil, El Paso, Mexico and Trinidad & Tobago), as well as to the three sub-regional Centers (INCAP, CAREC and CFNI) and the regional center in Brazil (PANAFTOSA), in order to review local controls and the oversight provided by Headquarters. In addition we carried out tests of detail on transactions processed by each of these satellite offices. We also conduct a high level review of the control exercised by the PAHO/World Health Organization Representatives (PWRs) who exercise management oversight of the satellite offices.

66. During the course of our audit visits, we identified a series of common internal control weaknesses and assessed the impact of those on financial reporting more generally in PAHO. Where control weaknesses exist, we conduct more tests of detail on transactions to establish an acceptable level of audit evidence to support our audit opinion. As a result, we can confirm that there were no significant errors or misstatements arising from the control weaknesses identified which would have affected the audit opinion for 2006-2007. We reported our findings to management immediately after each visit on an office-by-office basis. During this biennium we also obtained responses from PAHO Headquarters on the various issues raised. On three of the most significant issues arising - in relation to the use of letters of agreement, risks involved with the separation of the sub-regional centers from PAHO and on user rights in the AmpesOmis accounting system - we have provided more detailed commentary in this present report. Table 6 records other common findings across country offices which have been reported to both local and Headquarters management.

Table 6: Showing Common Audit Findings from Country office Visits

Issue	Number of reports issue raised in	Common themes	Issues for PAHO
Bank & petty cash controls	8	Failure to perform bank (2 cases) and petty cash reconciliations on a timely basis. Absence of spot checks on petty cash.	Timely reconciliations improve ongoing control and reduce the risk of errors and fraud remaining undetected.
Fixed asset inventory & PROMESS	8	Instances of asset disposals without appropriate approval and several cases of discrepancies between assets held and inventory records.	Risk of loss of assets remaining undetected if records do not match the existence of assets.
Local payroll controls	8	Instances of inappropriate segregation of duties for making payroll payments.	This issue is closely linked to the financial and budgetary management system user rights and is discussed separately in this report.
Procurement controls	7	Rules requiring a prerequisite number of bids required for procurement above prescribed values not consistently applied. More specific problems in one office that indicated the bidding process may be influenced inappropriately.	Strict rules on obtaining a prerequisite number of bids for procurement above a certain value help to ensure that PAHO is obtaining best value for money and these rules should be applied without exception.
Project management	3	Lack of technical officer approval of some disbursements made against project allotments.	Control weakness which may result in error or fraud.
Travel advances	6	Instances of travel advances not being properly monitored and cleared against final claims.	Control weakness which may result in travel advances not being promptly cleared. Additional risks of advances being used inappropriately.
Accounting system (AMPES / OMIS) user roles	5	See paragraphs 71 to 75	See paragraphs 71 to 75
Separation of sub-regional Centers from PAHO	3	See paragraphs 66 to 67	See paragraphs 66 to 67
Letters of Agreement	4	See paragraphs 48 to 54	See paragraphs 48 to 54

67. During 2006-2007, PAHO headquarters have implemented a process whereby country offices are required to complete a monthly checklist confirming that a prescribed list of internal control procedures have been completed. We commend this initiative which has helped to improve overall internal control in country offices this biennium. Many of our findings relate to the period before the monthly controls checklist was put in place. If country offices use the checklist as intended, such control failures should be detected and avoided. Internal Oversight can provide valuable assistance to country offices and headquarters by regularly reviewing that the checklist system is working effectively.

Recommendation 7: We recommend that Internal Oversight undertake a risk based-review of country offices on an ongoing basis to assess the effectiveness of the controls checklist system. Further, PAHO should use the findings from IOS reports to determine whether further training and education is required for country office staff.

Country office accounting system (AmpesOmis) user rights

68. During our audit visits to PAHO PWR Offices and Centers in the 2006-2007 biennium, we routinely audited user access rights to the PAHO country office financial and budgetary management system, AmpesOmis, granted to each member of staff working in the country office. We obtained a report showing the user rights for each member of staff in each element of the AmpesOmis system. We then checked to see if the allocation of roles allowed sufficient segregation of duties to ensure that internal controls were effective and could not be overridden. We also compared the allocation of roles against PAHO's guidance for AmpesOmis which contained a list of 'not recommended' user role combinations.

69. In 5 offices of the 11 visited we found that there were instances where the user rights held were inappropriate, as follows:

- Users with 'not recommended' user role combinations.
- Users who had left the employment of PAHO but whose user log-ons were still active.
- Users who had been granted temporary administrator rights in the absence of the system administrator and had retained them.

70. A common example of 'not recommended' user rights is the administrator of a country office having 'Manager' roles on several different AmpesOmis areas, including obligations (the ability to create and authorise obligations) and treasury (the ability to create and authorise payments). In all cases, the administrator was also one of the authorised cheque signatories.
71. While this failure in segregation of duties does not fully circumvent the controls in operation (two individuals must sign the cheque for each payment), this situation could lead to reduced oversight over transactions processed by the offices concerned and thus lead to a greater risk of error or fraud. However, our tests of detail on transactions did not detect evidence of this weakness having resulted in errors or fraud. The matter was raised in the relevant reports to management after the end of each audit visit and the secretariat have been working to produce standard user role templates for both small and medium/large offices to guide the segregation of duties in offices with few employees.
72. The new draft user rights allocation templates address the issues raised during our country office visits, moving away from the blanket allocation of 'manager's' user rights. We welcome the immediate action taken by PAHO to address these weaknesses and we will assess the progress made to implement new user rights templates during our future audits.

The Sub-regional Centers

Financial Results of the Centers

- *Improvement in the collection rate for assessed contributions and arrears at CAREC*
- *Overall worsening in the financial position of both CAREC and CFNI, resulting in further reductions in their respective Working Capital Fund balances.*

Caribbean Epidemiology Center (CAREC)

Quota Contributions

73. Table 7 shows that CAREC's collection rate of current assessments (quota contributions) rose to 76 percent in 2006-2007, improving further on the collection rate in the previous biennium.

Table 7: Collection Rate for Current CAREC Quota Contributions (excluding Arrears)

Biennium	Net Assessments	Amount Collected	Outstanding Collection	Collection Rate
	\$	\$	\$	%
2006-2007	4,756,053	3,596,569	1,159,484	76
2004-2005	4,308,852	3,044,002	1,264,850	71
2002-2003	3,849,202	2,289,685	1,559,517	59
2000-2001	3,599,228	1,208,442	2,390,786	34
1998-1999	3,410,400	800,474	2,609,926	23
1996-1997	3,360,000	738,515	2,621,485	22
Average collection rate				48
<i>Source: Audited Financial Statements 1996-1997 to 2006-2007</i>				

74. CAREC also collected \$1.1 million of total prior period assessments amounting to \$4.3 million in 2006-2007: 26 percent of amounts in arrears, compared to 20 percent collected in 2004-2005. Total contributions outstanding increased from \$4,326,451 at the end of 2005 to \$4,345,888 at 31 December 2007. Three countries (Jamaica, Netherlands Antilies and Suriname) account for \$4.1 million (95 percent) of all arrears outstanding at the end of this biennium.
75. The preponderance of arrears among these three countries, of which some \$3.1 million owed is more than two years old, may affect the Center's ability to undertake its planned transition to move away from PAHO to CARPHA and potentially places at risk its continued financial viability. This is discussed further below.

Overall Financial Position

76. The key features of CAREC's financial performance for 2006-2007 are as follows:
- Regular budget income continued to increase, rising from \$4.4 million to \$4.8 million;
 - Regular budget expenditure also increased from \$4.2 million to \$4.6 million;
 - CAREC realised a deficit on its regular budget of \$9,149, reducing the balance on the Working Capital Fund, which remained within its limit of \$1 million;
 - Trust Fund income fell significantly from \$6.3 million in 2004-2005 to \$4.7 million in this biennium, largely as a result of changes in donor priorities in the region; and
 - PAHO continued to increase its funding, which rose to \$3.3 million during 2006-2007.

Caribbean Food and Nutrition Institute (CFNI)

Quota Contributions

77. Table 8 shows that during 2006-2007 the amount collected on current assessments was lower than in 2004-2005 and the collection rate for 2006-2007 at 58 percent remained significantly lower than the comparable rate for PAHO (88 percent) and CAREC (75 percent).

Table 8: Collection rate for current CFNI quota contributions (excluding arrears)

Biennium	Net assessments	Amount collected	Outstanding collection	Collection Rate
	\$	\$	\$	%
2006-2007	730,067	420,325	309,742	58
2004-2005	712,268	423,043	289,225	59
2002-2003	688,969	367,937	321,032	53
2000-2001	665,670	233,296	432,374	35
1998-1999	649,825	207,171	442,654	32
1996-1997	633,980	263,777	370,203	42
Average collection rate				44
<i>Source: Audited Financial Statements 1996-1997 to 2006-2007</i>				

78. CFNI collected only \$76,571 of assessed contribution arrears, leaving a substantial balance of uncollected arrears at \$1.3 million, most of which was owed by one country, Jamaica. The preponderance of arrears may have an adverse effect on the Center's ability to undertake its planned transition to move away from PAHO to Caricom and potentially place at risk its continued financial viability. This is discussed further below.

Overall Financial Position

79. Key features of CFNI's financial performance during 2006-2007 were as follows:

- Regular budget income continued to increase steadily, rising from \$712,268 to \$730,067;
- Regular budget expenditure also increased from \$581,328 million to \$637,566 million;
- CFNI recorded a deficit of \$140,670 on its regular budget, increasing the deficit on the Working Capital Fund to \$504,276;
- Trust Fund income fell significantly from \$1.7 million in 2004-2005 to \$1.1 million in this biennium, largely as a result of changes in donor priorities in the region; and
- PAHO continued to increase its funding, which rose to \$1.6 million during 2006-2007.

Planned separation of CAREC and CFNI from PAHO

- *Noting the planned separation of the sub-regional centers from PAHO.*
- *Identifying risks arising from the planned separation and the need to develop a strategy to manage those risks.*

Background

80. During 2006-2007, the Caribbean Community (CARICOM) secretariat and health ministers in the region asked PAHO to identify options for reforming the structure of health care institutions in the region. PAHO identified three options as follows:
- A single governance structure with five separate agencies;
 - A single governance and administrative structure with five separate agencies; and
 - One institution with either five agencies or a single large institution.
81. In July 2007, health ministers in the region approved the option of a single institution but asked PAHO to conduct a cost benefit analysis of the best structure within that context. PAHO's analysis confirmed a single institution as the most cost effective option and members have voted to combine five Caribbean Regional Health Institutions - including CAREC and CFNI - in a single new Caribbean Public Health Agency, CARPHA. It is anticipated that CARPHA will have a single overall governance structure and will demand a single quota contribution from each country. This contribution will then be distributed between the five component entities. As part of this transition, CAREC and CFNI will separate their administrative and governance structures from PAHO during the 2008-2009 biennium.

Issues arising and areas we recommend should be addressed

82. During 2006-2007 PAHO and WHO provided \$2.2m (53 percent) of CFNI's total income and 3.6m (26 percent) of CAREC's total income. In addition, the Centers' Directors are appointed by the Director of PAHO; PAHO is represented on the Centers' Directing Council; and the Centers follow the rules and regulations set down by PAHO. The plan for CAREC and CFNI

to separate from PAHO during 2008-2009 gives rise to a number of significant risks for all parties involved. Risks which are particularly significant from an audit perspective have been highlighted in Table 9.

Table 9: Showing the risks and issues arising from the planned separation of CAREC and CFNI from PAHO

Risk	Issues we consider need to be addressed by PAHO
<p>Accounting System</p> <p>CAREC and CFNI both currently use AMPES-OMIS as their accounting system. Licenses for an alternative accounting system need to be procured and staff training and data transfer will be required.</p>	<p>If an appropriate accounting system is not procured and introduced within the centers promptly, the ability of Centers to operate with adequate arrangements to maintain financial records will be impaired.</p> <p>Inadequate staff training or incomplete data transfer may lead to misstatements in the future financial statements of CAREC and CFNI.</p>
<p>Financial solvency</p> <p>During 2006-7, PAHO/WHO provided \$2.2m (53%) of CFNI's total income and \$3.6m (26%) of CAREC total income.</p> <p>The financial position of CFNI is particularly concerning: the net deficit on the working capital fund stood at \$504,276 as at 31 December 2007; and CFNI collected only 57 percent of their quota contributions for 2006-07 further reducing their liquidity (CAREC collected 76%).</p>	<p>The ability of the Centers to meet their cash requirements may be in question without continued PAHO financial support. Furthermore both CAREC and CFNI have significant balances of uncollected quota contributions which are more than two years old, further increasing the risk of insolvency.</p>
<p>Investment Management and Banking</p> <p>PAHO currently hold funds on behalf of both CAREC and CFNI and invests these funds to generate optimum interest.</p> <p>PAHO is not a financial institution and the continuation of this service beyond the transition would not be appropriate.</p> <p>Bank accounts in PAHO's name will need to be closed and re-opened for the new institution.</p>	<p>If alternative arrangements are not put in place this income stream may be reduced and the security of these cash holdings weakened, as CAREC and CFNI lose PAHO's expertise.</p>

Risk	Issues we consider need to be addressed by PAHO
<p>Professional Staff Employment</p> <p>Both CAREC and CFNI employ PAHO staff members based on PAHO's terms and conditions and rates of pay.</p>	<p>As these individuals hold important posts within CAREC and CFNI there is a risk that the Centers may not be able to retain them on revised terms of employment which would affect the management capacity and capabilities of the Centers.</p> <p>If these staff members were to be transferred to new, non-PAHO contracts, significant costs may be incurred in the form of redundancy payments¹</p>
<p>Operating Policies</p> <p>PAHO's internal control structure, pay scales and operating policies are followed in CAREC and CFNI.</p>	<p>The introduction of new working practices could lead to a weakening of the control environment, particularly during the period of transition and staff training.</p>
<p>Legal Services</p> <p>PAHO provides legal services to CAREC and CFNI – notably the review of all Trust Fund agreements and Letters of Agreement involving third parties.</p>	<p>Without alternative arrangements for legal services support, there is a risk that the Centers will be exposed to risk from the absence of sufficiently robust contracts and agreements with third parties.</p>
<p>Training provided by PAHO</p> <p>Staff training, including ethics training and technical training, is provided by PAHO for free. In the future charges may be made for these services.</p>	<p>Without alternative arrangements for staff training and development, CAREC and CFNI staff may become less effective.</p>
<p>Tax</p> <p>CAREC and CFNI expenditure is not subject to tax due to the status of these entities as PAHO bodies: this privilege extends to staff salaries.</p>	<p>If CARPHA does not obtain the same legal status the cost of incurring tax on staff costs and expenditure may further reduce the centers financial viability.</p>
<p>CAREC and CFNI support to PAHO PWR Offices</p> <p>CAREC provide various services to the Trinidad and Tobago PWR: IT support is provided, the Director and Administrator are cheque signatories, temporary staff are procured and ad hoc driving services are provided. CAREC also offer</p>	<p>Without formal plans to either replace or retain the support services currently provided by CAREC and CFNI, the administrative and support functions of the PWR offices and Caribbean HIV/AIDS Center will be interrupted.</p>

¹ The transfer of the HIV work from CAREC to a new 'PAHO Caribbean HIV/AIDS Office' and the resultant move of staff from CAREC to PAHO contracts lead to redundancy payments of circa US\$160k. Assuming similar levels of payments would be required large costs will be incurred.

Risk	Issues we consider need to be addressed by PAHO
<p>administrative services to the PAHO Caribbean HIV/AIDS center.</p> <p>Similarly, CFNI provide services to the Jamaica PWR: temporary staff are procured and ad hoc driving services are provided.</p> <p>The relationship between the Centers and PWR offices will be different following the transition because they will not be part of the same organisation.</p>	
<p>PWR support to CAREC and CFNI</p> <p>CAREC and CFNI projects often benefit from support and coordination services of the Caribbean PWRs.</p> <p>The relationship between CAREC, CFNI and PWR offices will be different following the transition because they will not be part of the same organisation.</p>	<p>Without the cooperation of the PWR offices, the ability of CAREC and CFNI to deliver against Trust Fund agreements may be impaired.</p> <p>In order to secure future cooperation, letters of agreement between the PWRs and CARPHA may be required.</p>

Recommendation 8: We recommend that PAHO, CAREC and CFNI work together to ensure that an action plan is developed for the transition arrangements, which responds appropriately to the key risks identified above.

Follow up to Previous Audit Recommendations

- *Highlighting the continued difficulties faced by PAHO in recruiting internal auditors.*
- *Noting the establishment of the Sub-Committee on Programme Budget and Administration (SPBA) and the need to reform arrangements to achieve a more conventional audit committee structure.*
- *Reviewing the progress made in implementing the Integrity Conflict Management System (ICMS) and the need to develop a central focal point to investigate, record and report frauds.*

83. In our report for 2004-2005 we made three recommendations on the adoption of IPSAS, establishing an audit committee and introducing systematic risk management arrangements. Annex A reports the progress made by management against these recommendations. Further, in our audit reports for the last two biennia, and in the special and follow-up reports produced in 2004 and 2005, we identified a number of areas where improvements could be made and bring PAHO practices in line with good practice elsewhere. The areas considered in those reports were:

- Ethical standards and code of conduct;
- Recruitment of employees and consultants;
- Complaints procedures, investigation and reporting;
- The management of external relationships;
- IT security;
- Internal audit; and
- The independence of the Ombudsman.

84. In our last report, we noted progress made by PAHO in implementing these recommendations, in particular by:

- Implementing a new Code of Ethical Principles and Conduct from 1 January 2006;
- Appointing a dedicated Ethics Officer;
- Requiring all staff to make a declaration of interests;
- Appointing an independent Ombudsperson with effect from 30 March 2006; and

- Developing the Integrity and Conflict Management System (ICMS), which has been fully operational since October 2007.

85. While we welcome the positive and significant progress made in improving the governance structure of the Organization, there are some areas where sufficient progress has not yet been made, particularly in relation to improving and strengthening internal oversight and establishing an independent audit committee.

Internal Oversight

86. During the course of this biennium PAHO has maintained an Office of Internal Oversight (IOS) with only one full time member of staff in place supported by temporary audit staff as necessary. In December 2007 a further post for a P4 evaluator was filled. The Organization has actively worked to recruit the Head of Internal Oversight without any success. We understand that PAHO have been unable to attract suitably qualified and experienced candidates to meet the criteria for the posts advertised and in particular have found it difficult for prospective candidates to commit to the diverse nature of the post, based in Washington but with extensive travel in and around the Americas. Given the size of the Organization and the complexity of its operations, PAHO need to have a properly resourced internal oversight function in place to provide appropriate support to management.

87. As the Organization is experiencing difficulties in recruiting appropriately qualified staff, it needs to consider an alternative plan of action to overcome these difficulties. PAHO may wish to consider fully outsourcing this service and buying in an appropriate level of professional service provision from an external provider.

Recommendation 9: We recommend that PAHO consider the use of an external provider for internal oversight services. In doing so the Organization needs to assess the level of service required and draw up appropriate terms of reference to ensure that the service received meets the diverse needs of the Organization, to cover Headquarters, the country offices and the Centers.

Progress on Establishing an Audit Committee

88. PAHO has established a Sub Committee on Programme, Budget and Administration which consists of seven members, four of whom have concurrent membership on the Executive Committee with three members designated by the Director of the Pan American Sanitary Bureau annually. This Committee has extensive terms of reference which, amongst other things, includes 'to review and, as appropriate to make recommendations on....the audit plans and reports of External and Internal Auditors and the United Nations Joint Inspection Unit'. Despite this remit, we have not been invited to the meetings of the SPBA to present or discuss our plans and reports.
89. The SPBA has a wide ranging remit and, while these arrangements cover some aspects of the work of a conventional audit committee, it cannot perform effectively as an audit committee if internal and external auditors are not represented at meetings. Furthermore, with member states' representatives on the SPBA, there is a lack of independent external representation, which is needed to bring valuable expertise to the Organization; and provide independent challenge to management and organisational processes without members having any vested interest in the Organization.
90. We welcome the progress made by PAHO to establish a committee which reviews, amongst other things, the financial statements, budgets, plans and reports of internal and external auditors. Nevertheless, a committee which deals with programme, budget and administrative matters cannot operate effectively as an audit committee should. We consider further improvements can be made to the membership and structure of the Committee to bring it more in line with the model of an effective audit committee.

Recommendation 10: We recommend that PAHO review the structure and operation of the SPBA to determine whether the role of an audit committee for the Organization is being met. We would be happy to provide further advice to management to this end.

Integrity and Conflict Management System (ICMS)

Background to the ICMS

91. The ICMS was set-up with the goal of bringing together all PAHO resources that covered ethical issues, workplace concerns and the prevention and resolution of conflict under one umbrella body. These resources include:

- The Ombudsperson
- The Ethics Office
- Human resources management
- The Legal Office
- Internal Oversight Services
- The Information Security Office
- ICMS Country Focal Points
- The Grievance Panel
- The Board of Appeal
- The ILO Administrative Tribunal

92. These resources all pre-dated the ICMS but before the ICMS there had been little understanding of the way these resources inter-related – often leading to staff being unaware which resources to use. The ICMS now has its own pages on the PAHO intranet, with helpful advice on which of its resources staff should call on, depending on their particular situation. The Ethics Office has set up their own helpline – so staff now have better access to ICMS resources.

Operation of the ICMS

93. Each office that falls under the ICMS umbrella has their own reporting line to executive management, apart from the Ethics Officer, who reports directly to the member states but for administrative purposes also reports to the Deputy Director. The ICMS has a Coordinating Committee, with terms of reference, which meets every 3-4 weeks to review outstanding cases, share information and plan for the future. This Committee consists of the Ethics Officer and the respective heads of the Legal and HRM departments, with other members of the ICMS being included when a matter falls under the remit of their offices.

94. We see the approach adopted for handling cases as a practical solution. Given the confidentiality and sensitivity of the topics discussed at these meetings, it would be inappropriate for all officers falling under the ICMS to be represented at each Coordinating Committee meeting where they had little or no direct connection with the case under review. However, at the moment there is no periodic scheduled meeting for the ICMS to meet as a whole to discuss ICMS-wide issues collectively.

Current arrangements for fraud reporting and investigation

95. In addition to line management, PAHO has many different bodies which may uncover fraud against the Organization, or which may have fraud reported to them as follows:

- Treasury and FRM may find and investigate credit card frauds and many types of external fraud committed against PAHO. They also maintain a fraud register and report on all frauds occurring in the biennium when they prepare the fraud note to PAHO's financial statements;
- GSO may identify loss of PAHO assets;
- The Ethics Officer may uncover frauds whilst investigating ethical conduct cases;
- IOS may uncover fraud during the course of audit.

96. Currently there is no central forum for all of these bodies to report fraud, organise the investigation of fraud and discuss the prevention of fraud in the Organization.

97. The head of Treasury is responsible for preparing the official disclosure of frauds in the financial statements. Our audit of the underlying information supporting the fraud note in the PAHO financial statements showed that the lack of a central forum can lead to an incomplete disclosure of PAHO's reporting of fraud. Further, this deficiency restricts the effective investigation and prevention of fraud, since significant information on the underlying causes is not shared across the organisation. We found evidence of these weaknesses during our audit as follows:

- During our country office audit visits we noted two frauds that had not been reported to Headquarters and thus had not been initially reported in the draft financial statements;
- A further fraud was uncovered during FRM's investigation of the above cases;

- There was no systematic process for investigating frauds that were reported. This led to some frauds not being investigated.
98. PAHO has the resources to investigate these frauds (using IOS, FRM, Information Security Officer and the Ethics Officer) but these resources are not currently working in unison.
99. While we welcome the establishment of the ICMS, which now provides a co-ordinated approach to managing cases where conflict arises between employees and management, there is a need to strengthen the approach to reporting, investigating and learning the lessons from internal and external fraud.

Recommendation 11: We recommend that the Coordinating Committee of the ICMS schedules periodic meetings of all of its members to discuss common issues arising and the future strategy of the ICMS, so as to ensure that it benefits from the lessons learned from dealing with ongoing cases.

Recommendation 12: We further recommend that the Coordinating Committee of the ICMS forms a sub-group responsible for reporting, investigating and discussing the prevention of fraud against PAHO with appropriate terms of reference. This sub-group should meet regularly and consist of all PAHO units which encounter fraud during the course of their work (i.e. FRM, the Ethics Officer, IOS and GSO). This sub-group should maintain a central fraud register and assign the investigation of frauds to the appropriate member of this group.

Recommendation 13: We also recommend that the fraud sub-group should provide support and education to PAHO's country offices on the detection, prevention and reporting of fraud, to improve the effectiveness of internal arrangements in this area.

Acknowledgement

100. We wish to record our appreciation for the willing co-operation and assistance extended by the Director and the officers of the Organization throughout the course of this audit.



T J BURR

Comptroller and Auditor General, United Kingdom

External Auditor

FOLLOW UP TO AUDIT RECOMMENDATIONS FOR 2006

Audit Recommendation	Management Response	External Auditor's Comments
<p>Recommendation 1</p> <p>I recommend that PAHO consider the creation of an Audit Committee, preferably to be chaired by an independent non-executive member and with a majority of external members.</p>	<p>The Subcommittee on Program, Budget and Administration (SPBA), a new ancillary body to the Executive Committee, was constituted in 2007 and is chaired by an elected Member State. The SPBA, which meets annually in March, was envisioned to fulfil the role of an Audit Committee for the Organization. The Secretariat will support the oversight role which the Member States determine to be appropriate within the mandate of the SPBA.</p>	<p>While we welcome the establishment of the SPBA, we have commented further in this report on how the terms of reference for this committee can be improved for it to be able to fulfil the role of an audit committee with a majority of independent external members. We also raise the need for such a committee to engage with the external auditors throughout the biennium.</p>
<p>Recommendation 2</p> <p>I recommend that the Director of PAHO should consider introducing a systematic process of identifying, measuring and managing corporate risks. Such risks should be recorded in a risk register which is regularly reviewed and updated to ensure that key corporate risks are being managed effectively.</p>	<p>The Secretariat is in agreement with this recommendation and contracted an external audit firm to perform a Risk Assessment, including the preparation of an initial risk register, which was completed in 2007. Furthermore, in November 2007, PAHO's External Auditors made a formal presentation to the PAHO/WHO Representatives and center directors during a global meeting in Geneva. The formalization of a risk register and its subsequent maintenance will be performed by the PAHO Internal Oversight Services</p>	<p>We welcome the progress made to conduct a risk assessment and have actively engaged with PAHO to provide advice and guidance on risk management. We will follow up on this issue further in the next biennium, once the risk register has been developed.</p>

<p>Recommendation 3</p> <p>I commend the adoption of the independent IPSAS accounting standards to PAHO as an appropriate financial reporting framework and recommend that the Organization prepares a detailed strategy to provide for this development.</p>	<p>project team once that team is fully staffed.</p> <p>In October 2007, the PAHO Member States approved a resolution for the Secretariat to implement IPSAS effective 1 January 2010. In preparation for this change in accounting standards, PAHO has actively participated on the United Nations IPSAS Accounting Task Force and the United Nations Finance and Budget Network in the application of IPSAS accounting standards within the United Nations and its Specialized Agencies. During 2007, the Secretariat implemented the new Expenditure Recognition Policy based on the delivery principle, which supports the direct alignment of expenditure with the implementation of activities, and the provision of services and/or delivery of goods. The implementation of this new policy was a significant step in the transition to accrual accounting. Furthermore, the Secretariat has also implemented the monthly accrual of salaries and entitlements, which is also a significant requirement of IPSAS accounting standards. Finally, a 2008-2009 budget was approved by the Member States to fund IPSAS development and training, as well as to provide funding for an actuarial evaluation to determine any unfunded liabilities of the Organization with regard to staff entitlements and benefits.</p>	<p>We again welcome the progress made in this regard and comment further on the areas to be addressed for IPSAS compliance and more specifically on the implementation of the revised expenditure recognition policy in this report.</p> <p>We are pleased to see that PAHO has the approval for a budget to fund staff training and development and to undertake an actuarial valuation in relation unfunded liabilities for staff benefits. We continue to conduct further work in this area during the next biennium.</p>
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ANNEX B**AUDIT SCOPE AND APPROACH****Audit scope**

The audit covers the examination of the Financial Statements of the Pan American Health Organization (PAHO) for the financial period ended 31 December 2007 in accordance with Regulation XIV of the Financial Regulations.

In accordance with the agreed arrangements, the External Auditor has provided a separate audit opinion and report on the Financial Statements of the Institute of Nutrition of Central America and Panama (INCAP) for the financial period ended 31 December 2007.

Audit Objectives

The main purpose of the audit was to enable us to form an opinion as to whether the expenditure recorded in the biennium had been incurred for the purposes approved by the PAHO governing bodies; whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations; and whether the Financial Statements presented fairly the financial position as at 31 December 2007.

Audit Standards

Our audit of the Organization's Financial Statements for 2006-2007 was carried out in accordance with International Standards on Auditing. These standards require us to plan the audit so as to obtain reasonable assurance that the Organization's Financial Statements are free of material misstatement. The Organization's management was responsible for preparing these Financial Statements, and we are responsible for expressing an opinion on the statements, based on evidence collected in the audit.

Audit Approach

In accordance with auditing standards, our audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. This included:

- a general review of the organisation's accounting procedures;

- a broad assessment of the internal controls for income and expenditure; bank accounts; accounts receivable and payable; and supplies and equipment;
- substantive testing of transactions of all types;
- substantive testing of year end balances; and
- a final examination to ensure that the Financial Statements accurately reflected the organisation's accounting records and were fairly presented.

These audit procedures are designed primarily for the purpose of forming an opinion on PAHO's Financial Statements. Consequently the work did not involve a detailed review of all aspects of financial and budgetary systems and the results should not therefore be regarded as a comprehensive statement on them.

Internal Audit

As in previous audits, we continued to liaise with the department of Internal Oversight Services on matters of joint interest. Where we consider that we can place reliance on the work of internal audit it is our practice to do so, particularly in circumstances where such reliance avoids unnecessary duplication of audit procedures.

Reporting

Observations on matters which we consider should be brought to the attention of the Directing Council are set out in this report. In accordance with normal professional audit practice, we also provide the Organization with management letters setting out the detailed findings arising from our examination.

Audit Results

During the audit, we sought explanations as we considered necessary in the circumstances on matters arising from the examination of the internal controls, accounting records and financial statements. None of these matters materially affected our audit opinion on the Organization's financial statements for the biennium and, notwithstanding the observations in this report, our examination revealed no weaknesses or errors that we considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly the External Auditor has placed an unqualified opinion on the financial statements of the Organization for 2006-2007.

Part II

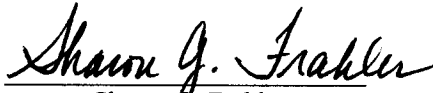
Institute of Nutrition of Central America and Panama



INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA

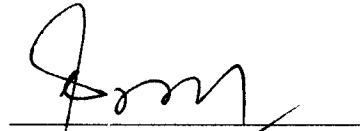
Certification of Financial Statements

The appended Statement XI to Statement XIII and Schedule 11 to Schedule 12 and supporting Explanatory Notes are approved:



Sharon G. Frahler

Area Manager, Financial
Management and Reporting



Mirta Roses Periago
Director

4 April 2008

Opinion of the External Auditor

To the Directing Council of the Pan American Health Organization

I have audited the accompanying financial statements, comprising Statements XI to XIII, Schedules 11 and 12 and Notes to the Institute of Nutrition of Central America and Panama for the financial period ended 31 December 2007.


Respective Responsibilities

These financial statements are the responsibility of the Director of the Pan American Health Organization. My responsibility is to express an opinion on these financial statements based on my audit performed in accordance with Article XIV of the Financial Regulations and Rules.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

Opinion

 In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended in accordance with the United Nations System Accounting Standards and the Institute of Nutrition of Central America and Panama's stated accounting policies set out in Note 2 to the financial statements and schedules. These accounting policies are appropriate to the Institute's circumstances and were consistently applied and adequately disclosed.

Further, in my opinion, the transactions of the Institute of Nutrition of Central America and Panama, which I have tested as part of my audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Article XIV of the Financial Regulations, I have also issued a long-form Report on my audit of the Institute of Nutrition of Central America and Panama's financial statements.



T J Burr
Comptroller and Auditor General,
United Kingdom
External Auditor

National Audit Office, London

14 April 2008.

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	Regular Budget and Working Capital Fund (Note 19)	Trust Funds (Schedule 12)	Special Funds (Statement XI.1)	Subtotal INCAP
Income					
Assessed quota contributions	Schedule 11	857 400			857 400
<i>Voluntary contributions</i>					
INCAP program activities	Schedule 12		5 150 215		5 150 215
Non-INCAP program activities				385 622	385 622
<i>Other income</i>					
Revenue-producing activities		306 756		190 249	497 005
Funds received under interorganization arrangements					
Allocation from other funds				610 137	610 137
Income for services rendered				454 791	454 791
Interest income		93 692		181 330	275 022
Currency exchange differential	Note 2 (h)	(8 809)			(8 809)
Other/Miscellaneous		171 728			171 728
Total Income		1 420 767	5 150 215	1 822 129	8 393 111
Expenditure					
International health program	Note 2 (g)	1 458 436	3 346 038	330 128	5 134 602
Other purposes				1 525 049	1 525 049
Total Expenditure		1 458 436	3 346 038	1 855 177	6 659 651
Excess (Shortfall) of Income over Expenditure					
		(37 669)	1 804 177	(33 048)	1 733 460
Provision for delays in collection of assessed quota contributions	Schedule 11	(59 496)			(59 496)
Payment of assessed quota contributions for prior years	Schedule 11	100 571			100 571
Net Excess (Shortfall) of Income over Expenditure		3 406	1 804 177	(33 048)	1 774 535
Savings on or cancellation of prior periods' obligations					
Other project adjustments			(5 961)		(5 961)
Transfer to/from other funds		(3 406)		3 406	
Total Changes in Fund Balances			1 798 216	(29 642)	1 768 574
Fund Balances, 1 January 2006		1 000 000	429 217	2 998 595	4 427 812
Fund Balances, 31 December 2007		1 000 000	2 227 433	2 968 953	6 196 386

The accompanying notes and schedules are an integral part of the financial statements.

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

PAHO	Sub-total 2006-2007	Eliminations (Note 20)	Total 2006-2007	Total 2004-2005	
	857 400		857 400	807 400	Income
					Assessed quota contributions
	5 150 215		5 150 215	1 822 774	Voluntary contributions
	385 622	(385 622)			INCAP program activities
					Non-INCAP program activities
	497 005	(152 999)	344 006	385 807	Other income
					Revenue-producing activities
2 293 765	2 293 765		2 293 765	2 474 864	Funds received under interorganization arrangements
	610 137	(610 137)			Allocation from other funds
	454 791	(59 067)	395 724	550 485	Income for services rendered
	275 022		275 022	202 458	Interest income
	(8 809)		(8 809)	(12 186)	Currency exchange differential
	171 728		171 728	124 841	Other/Miscellaneous
2 293 765	10 686 876	(1 207 825)	9 479 051	6 356 443	Total Income
					Expenditure
2 293 765	7 428 367	(212 066)	7 216 301	6 027 078	International health program
	1 525 049	(995 759)	529 290	806 153	Other purposes
2 293 765	8 953 416	(1 207 825)	7 745 591	6 833 231	Total Expenditure
					Excess (Shortfall) of Income over Expenditure
	1 733 460		1 733 460	(476 788)	Provision for delays in collection of assessed quota contributions
	(59 496)		(59 496)	(100 571)	Payment of assessed quota contributions for prior years
	100 571		100 571	192 816	Net Excess (Shortfall) of Income over Expenditure
	1 774 535		1 774 535	(384 543)	Savings on or cancellation of prior periods' obligations
	(5 961)		(5 961)	28 260	Other project adjustments
					Transfer to/from other funds
	1 768 574		1 768 574	(356 283)	Total Changes in Fund Balances
	4 427 812		4 427 812	4 784 095	Fund Balances, 1 January 2006
	6 196 386		6 196 386	4 427 812	Fund Balances, 31 December 2007

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances - Special Funds
Financial Period 2006-2007

(expressed in US dollars)

	Staff Provident Fund (Note 12)	Endowment Fund (Note 13)	Special Fund for Program Support Costs (Note 14)	Special Fund for INCAP Services (Note 15)
Income				
<i>Assessed quota contributions</i>				
<i>Voluntary contributions</i>				
INCAP program activities				
Non-INCAP program activities	385 622			
<i>Other income</i>				
Revenue-producing activities				190 249
Funds received under interorganization arrangements				
Allocation from other funds				
Income for services rendered	395 724		59 067	
Interest income	143 299	38 031		
Currency exchange differential				
Other/Miscellaneous				
<i>Total Income</i>	924 645	38 031	59 067	190 249
Expenditure				
International health program			130 060	200 068
Other purposes	1 054 519	5 324		
<i>Total Expenditure</i>	1 054 519	5 324	130 060	200 068
Excess (Shortfall) of Income over Expenditure				
	(129 874)	32 707	(70 993)	(9 819)
Provision for delays in collection of assessed quota contributions				
Payment of assessed quota contributions for prior years				
<i>Net Excess (Shortfall) of Income over Expenditure</i>	(129 874)	32 707	(70 993)	(9 819)
Savings on or cancellation of prior periods' obligations				
Other project adjustments				
Transfer to/from other funds		3 406		
Total Changes in Fund Balances	(129 874)	36 113	(70 993)	(9 819)
Fund Balances, 1 January 2006	1 633 787	371 191	82 377	31 954
Fund Balances, 31 December 2007	1 503 913	407 304	11 384	22 135

The accompanying notes are an integral part of the financial statements.

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances - Special Funds
Financial Period 2006-2007

(expressed in US dollars)

Provision for Personnel Entitlements (Note 16)	Provision for Fixed Assets (Note 17)	Total 2006-2007	Total 2004-2005	
				Income
				Assessed quota contributions
				Voluntary contributions
		385 622	466 122	INCAP program activities
				Non-INCAP program activities
		190 249	188 845	Other income
				Revenue-producing activities
				Funds received under interorganization arrangements
610 137		610 137	675 118	Allocation from other funds
		454 791	661 682	Income for services rendered
		181 330	128 332	Interest income
				Currency exchange differential
				Other/Miscellaneous
				<i>Total Income</i>
610 137		1 822 129	2 120 099	
				Expenditure
		330 128	390 871	International health program
462 206	3 000	1 525 049	1 947 393	Other purposes
462 206	3 000	1 855 177	2 338 264	<i>Total Expenditure</i>
				Excess (Shortfall) of Income over Expenditure
				Provision for delays in collection of assessed quota contributions
				Payment of assessed quota contributions for prior years
				<i>Net Excess (Shortfall) of Income over Expenditure</i>
				Savings on or cancellation of prior periods' obligations
				Other project adjustments
				Transfer to/from other funds
147 931	(3 000)	(33 048)	(218 165)	
147 931	(3 000)	(33 048)	(218 165)	
(3 000)	3 000	3 406		
144 931		(29 642)	(218 165)	Total Changes in Fund Balances
879 286		2 998 595	3 216 760	Fund Balances, 1 January 2006
1 024 217		2 968 953	2 998 595	Fund Balances, 31 December 2007

Institute of Nutrition of Central America and Panama
Statement of Assets, Liabilities, and Reserves and Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	2007	2005
Assets			
Cash and term deposits	Note (3)	3 405 448	3 148 745
Accounts receivable			
Assessed quota contributions due from Members	Schedule 11	59 496	100 571
Provision for delays in collection of assessed quota contributions	Schedule 11	(59 496)	(100 571)
Sundry debtors	Note (5)	2 498	2 159
Balance due from the Pan American Health Organization for interorganization funding activities	Note (6)	2 830 382	1 300 910
Supplies inventory	Note (7)		2 194
Land	Note (8)	214 257	171 714
Total Assets		6 452 585	4 625 722
Liabilities and Reserves and Fund Balances			
<i>Liabilities</i>			
Assessed quota contributions received in advance	Note (9)	15 050	196
Prior biennium reserves / Current unliquidated obligations	Note (10)		
Accounts payable	Note (11)	26 892	26 000
<i>Total Liabilities</i>		41 942	26 196
<i>Reserves and Fund Balances</i>			
Staff Provident Fund	Note (12)	1 503 913	1 633 787
Endowment Fund	Note (13)	407 304	371 191
Trust Funds	Schedule 12	2 227 433	429 217
Special Fund for Program Support Costs	Note (14)	11 384	82 377
Special Fund for INCAP Services	Note (15)	22 135	31 954
Provision for Personnel Entitlements	Note (16)	1 024 217	879 286
Provision for Fixed Assets Replacement	Note (17)		
Working Capital Fund	Note (18)	1 000 000	1 000 000
<i>Total Fund Balances</i>	Statement XI	6 196 386	4 427 812
Equity in Land	Note (8)	214 257	171 714
<i>Total Reserves and Fund Balances</i>		6 410 643	4 599 526
Total Liabilities and Reserves and Fund Balances		6 452 585	4 625 722

The accompanying notes and schedules are an integral part of the financial statements.

Institute of Nutrition of Central America and Panama
Statement of Cash Flow
Financial Period 2006-2007

(expressed in US dollars)

	2006-2007	2004-2005
Cash Flows from Operating Activities		
Net excess (shortfall) of income over expenditure (Statement XI)	1 774 535	(384 543)
(Increase) decrease in sundry debtors	(339)	(1 777)
(Increase) decrease in supplies inventory	2 194	8 727
Increase (decrease) in prior biennium reserves / Current unliquidated obligations		
Increase (decrease) in contributions or payments received in advance	14 854	(497)
Increase (decrease) in accounts payable	892	(13 550)
Less: Interest income	(275 022)	(202 458)
<i>Net Cash Flows from Operating Activities</i>	<u>1 517 114</u>	<u>(594 098)</u>
Cash Flows from Investing and Financing Activities		
(Increase) decrease in interorganization funding balance receivable	(1 529 472)	125 562
Add: Interest income	275 022	202 458
<i>Net Cash from Investing and Financing Activities</i>	<u>(1 254 450)</u>	<u>328 020</u>
Cash Flows from other Sources		
(Increase) decrease in land	(42 543)	
Savings on or cancellation of prior periods obligations		
Other project adjustments (Schedule 12)	(5 961)	28 260
Increase (decrease) in equity land	42 543	
<i>Net Cash from other Sources</i>	<u>(5 961)</u>	<u>28 260</u>
Net Increase (Decrease) in Cash and Term Deposits	256 703	(237 818)
Cash and Term Deposits at 1 January 2006	<u>3 148 745</u>	<u>3 386 563</u>
Cash and Term Deposits at 31 December 2007 (Note 3)	<u><u>3 405 448</u></u>	<u><u>3 148 745</u></u>

Institute of Nutrition of Central America and Panama
Explanatory Notes to Financial Statements
Financial Period 2006-2007
(expressed in US dollars)

1. Mission Statement

INCAP is an institution specializing in food and nutrition, whose mission is to support the efforts of its Member Countries by providing them with technical cooperation in order to reach and maintain food and nutrition security for their populations, through its basic functions of Research, Information and Communication, Technical Cooperation, Training and Development of Human Resources, and Mobilization of Financial and Non-Financial Resources in support of its mission.

2. Accounting Policies

(a) The accounting policies applied reflect the requirements of the Institute's Financial Regulations and those of the Pan American Health Organization. This includes disclosing all amounts in U.S. dollars. (See note 2(h) for currency exchange).

(b) The main accounting policies are compatible with those of the Pan American Health Organization. They are also compatible with the disclosure requirements of International Accounting Standard 1, "Disclosure of Accounting Policies," and the United Nations Common Accounting Standards, insofar as these are applicable to the operations of INCAP.

(c) Period of Account

The period of account is a biennium which consists of two consecutive calendar years. The accounting period was approved at the XLV Meeting of INCAP's Directing Council.

(d) Accounting Convention

The financial statements are prepared under the historical cost convention, except as modified in Policy (e).

(e) Capital Assets

All capital assets, other than land and buildings, are charged to expenditure in the year of purchase. The Institute maintains an inventory of non-expendable equipment containing items equal to or greater than US\$ 1,000 in value. These assets are therefore not shown in the Statement of Assets and Liabilities (Explanatory Note 19). Land & Buildings are capitalized and shown in the Statement of Assets, Liabilities and Reserves and Fund Balances. (See Note 8).

(f) Income

INCAP's assessed quota contributions as well as PAHO Regular budget funding, are recorded on an accruals basis. All other income is recorded on a receipts basis.

(g) Expenditure

All expenditure against INCAP's Funds (Statements XI and XI.1) reflects goods and services that were delivered or contractually due to be delivered by 31 December 2007. Resolution CD47.R13 of the 47th PAHO Directing Council approved this change in expenditure recognition on 29 September 2006. This new expenditure recognition policy will provide a more direct alignment between the achievement of expected results and the expenditure reported. This basis of recording expenditure is also applied to PAHO funds as shown in the INCAP Statement of Income and Expenditure and Changes in Fund Balances (Statement XI).

Trust Fund project costs (Schedule 12) are recorded on a cash basis (i.e., when monies are paid for goods and services).

(h) Currency exchange

Income and expenditures in local currency are recorded in US dollars at the United Nations' rate of exchange at the date of transaction, except where grantors require conversion at the historical rate.

Where applicable, end of month local currency cash balances are revalued using the next month's United Nations' rate of exchange.

Local currency cash balances held at the end of the financial period are translated into US dollars using the rates prevailing at 31 December 2007.

The currency exchange differential resulting from translation of amounts into US dollars is shown in income on Statement XI.

(i) Fixed-term Time Deposits

Funds are invested by PAHO within the PAHO portfolio of investments. Interest is apportioned to the INCAP Staff Provident Fund and Working Capital Fund. PAHO also manages the investment of INCAP at the Central American Bank for Economic Integration, as explained in note 4.

(j) Assessed Quota Contributions Receivable

After reduction by an equal provision for uncollected contributions, amounts due on assessed quota contributions (Schedule 11) are shown with a balance of zero in the Statement of Assets, Liabilities and Reserves and Funds Balances. The Institute adopts this approach in the interest of prudence.

(k) Sundry Debtors Reserve

The Institute makes a provision for the non-collection of bad and doubtful amounts in the interest of prudence.

(l) Unliquidated Obligations

Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the financial period. In accordance with Financial Regulation 4.5 (as amended by Resolution CD47.R13 of the 47th PAHO Directing Council), appropriations for unliquidated obligations remain available to discharge valid obligations for the financial period following the end of the financial period to which they relate.

Liabilities shown in the Statement of Assets and Liabilities include unliquidated obligations charged against INCAP regular budget appropriations. Trust Funds disclosed in Statement XII are reflected on a cash basis.

(m) Accounts Receivable and Payable

Accounts receivable and payable are maintained within the Institute's single set of accounts and are not segregated by source of funds.

(n) Eliminations on consolidation

In order to reflect intra-organizational transactions, an Eliminations Column is included in Statement XI. Further details are given in Note 20.

3. Cash and term deposits

Balances are almost totally in US Dollars in fixed term deposits, and the main breakdown of this balance is as follows:

	<u>31 December 2007</u>	<u>31 December 2005</u>
Bank and fixed term deposits held by INCAP	900 228	513 641
Petty cash held by INCAP	1 307	1 316
Fixed term deposits held by PAHO on INCAP's behalf	2 503 913	2 633 788
Total	<u>3 405 448</u>	<u>3 148 745</u>

4. Investments Endowment Fund-BCIE (CABEI)

In February 2000, the Endowment Fund was invested by PAHO in a special trust fund with the Central American Bank for Economic Integration (CABEI-BCIE). This has been registered in INCAP's records as Investments. Interest earned, bank expenses and Trust Fund Administration Fee are monthly credited/debited on a special account established in the Dresdner Bank Lateinamerika, in Miami. For more information on the fund, see Note 13.

The status of this investment is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	371 191	357 007
Add:		
Transfer from PAHO's portafolio of Investments		
Interest earned	38 030	16 131
Total	<u>409 221</u>	<u>373 138</u>
less: Bank expenses	5 324	1 947
Balance as of 31 December 2007 (2005)	<u>403 897</u>	<u>371 191</u>

5. Sundry Debtors

Sundry Debtors comprise:

	<u>31 December 2007</u>	<u>31 December 2005</u>
Miscellaneous receivables	<u>2 498</u>	<u>2 159</u>

6. Balance due from PAHO for inter-office funding activities

This figure gathers different accounts, receivable from and payable to the Pan American Health Organization, which are summarized as follows:

	<u>31 December 2007</u>	<u>31 December 2005</u>
Net balance due to INCAP	<u>2 830 382</u>	<u>1 300 910</u>

7. Supplies Inventory

The Institute maintains an inventory of expendable equipment and supplies purchased for stock. When required, issues from stock are charged to projects and other funds at the average purchase price. This inventory was closed at biennium 2006-2007. (2005= US\$ 2,194)

8. Land and Equity in Land

The amount of \$214,257 represents the appraised commercial value, as of November 2007, of 7,575 square meters of land donated to INCAP by the Pan American Health and Education Foundation (PAHEF) in 1989. The land is located 22.5 kilometers South East of Guatemala City. In recognizing the value of the gifted asset in the Statement of Assets, Liabilities and Reserves and Fund Balances, an Equity in Land reserve of US\$ 214,257 has been created. See accounting policy 2(e).

9. Assessed Quota Contributions Received in Advance

In addition to the quota collections shown in Schedule 11, some amounts for future periods were received in 2006-2007. At 31 December 2007, \$15,050 of assessed quota contributions had been received in advance from the Government of Costa Rica. This amount will be applied to quota payments in 2008.

10. Unliquidated obligations

At 31 December 2007, there are no unliquidated obligations committed against the resources of the current financial period for which funds have not yet been disbursed. (2005 = US\$ 0)

11. Accounts Payable

There are some specific accounts payable, which have been recorded in the INCAP's ledger.

	<u>31 December 2007</u>	<u>31 December 2005</u>
Total	<u>26 892</u>	<u>26 000</u>

12. Staff Provident Fund

All full-time staff members appointed for one year or more participate in the Provident Fund. Each technical and service staff member contributes an amount equal to 9% of his or her salary, while the Institute contributed 12%. Upon termination, the staff member receives a lump sum payment of the entitlement accumulated in his/her account.

Staff members are entitled also to request specific loans for housing and/or other purposes, and proper guarantee for these loans is the balance of their Provident Fund. INCAP has also a complete set of rules to manage and administrate such kind of loans.

The position of the Staff Provident Fund as of 31 December is:

	2006-2007	<i>2004-2005</i>
Balance as of 1 January 2006 (2004)	1 633 787	1 864 849
Add Income:		
Contributions of staff members and INCAP	385 622 ^{1/}	466 122
Interests on fixed-term deposit	112 669	90 274
Repayment of loans by staff members	395 724	550 485
Interest on loans	30 630	21 927
Total Income	<u>924 645</u>	<u>1 128 808</u>
Less Expenditure:		
Withdrawals on separation	414 525	709 713
Withdrawals as advances previous to separation	176 902	73 367
New loans to staff members	446 625	563 714
Prior year interest paid to former staff members	16 467	13 076
Total Expenditure	<u>1 054 519</u>	<u>1 359 870</u>
Balance as of 31 December 2007 (2005)	<u>1 503 913</u>	<u>1 633 787</u>
This balance represents:		
Provident Fund belonging to staff members	1 699 362	1 777 977
(-) Loans to staff for housing purposes	(145 137)	(135 555)
(-) Loans to staff for other purposes	(128 900)	(87 582)
(+) Interest income apportioned among staff members	78 588	78 947
Total	<u>1 503 913</u>	<u>1 633 787</u>

^{1/} Contributions of staff members and INCAP of \$385,622 have been eliminated as per Note 20.

13. Endowment Fund

The Endowment Fund was created in accordance with Resolution V of the XLIII Meeting of the INCAP Directing Council in September 1992. Its purpose is to provide institutional strengthening to INCAP and ensure continuity in the delivery of technical cooperation programs to benefit the people of Central America. For more information on the funds investments, see Note 4.

The status of the Fund is:

	2006-2007	<i>2004-2005</i>
Balance as of 1 January 2006 (2004)	371 191	357 007
Add:		
Transfers from Working Capital Fund	3 406	
Interest earned (Investments Fund-BCIE (CABEI))	38 031	16 131
Subtotal	<u>412 628</u>	<u>373 138</u>
Less:		
Bank expenses	5 324	1 947
Balance as of 31 December 2007 (2005)	<u>407 304</u>	<u>371 191</u>

14. Special Fund for Program Support Costs

This Fund was established by the Director during 1992 and confirmed by Resolution II of the 1993 INCAP Directing Council. Some trust fund projects are charged program support costs based on a percentage of the direct project cost incurred and this income is credited to the Fund. The \$59,067 of income is included in trust fund and INCAP services expenditure. This is an intra-organizational charge and is eliminated on consolidation (See Note 20). In accordance with

Resolution II, the Fund is used to provide support for the Institute's administrative costs, such as utilities, building maintenance and renovation, purchasing of furniture, office equipment, computer equipment and salaries of administrative staff that supports program activities.

The status of the Fund is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	82 377	180 418
Add:		
Income	59 067	111 197
Transfer from other funds (Note 17)		
Subtotal	<u>141 444</u>	<u>291 615</u>
Less: Expenditure	<u>130 060</u>	<u>209 238</u>
Balance as of 31 December 2007 (2005)	<u><u>11 384</u></u>	<u><u>82 377</u></u>

15. Special Fund for INCAP Services

This Fund was established in 1992 by the Director and confirmed by Resolution II of the 1993 INCAP Directing Council. Income earned from the sale of certain services provided by INCAP (together with expenditure incurred in developing these services) is recorded in this Special Fund. Due to the revised INCAP Director's Delegation of Authority, all externally-provided services ceased at the end of 2000-01, leaving only internal services operating.

The status of the Fund is:

Account description:	Balance			Adjustments	Balance
	1 January 2006	Income	Expenditure		1 December 2007
Institutional services	13 621	37 250	48 604		2 267
Photocopying services (*)	1 942	47 269	32 527		16 684
Transportation services (*)	16 391	105 730	118 937		3 184
Total	<u>31 954</u>	<u>190 249</u>	<u>200 068</u>		<u><u>22 135</u></u>

(*) These are internal services.

External Services: On 7 September 2004, the Director of PAHO authorized INCAP to sell institutional laboratory and research services to external bodies.

Internal Services: In preparing the financial statements, income charged are internal transactions and are eliminated on consolidation of the various INCAP funds. Details are given in Note 20.

16. Provision for Personnel Entitlements

INCAP has created and maintains four reserves for different personnel entitlements, which are described as follows:

Reserve for Statutory and Termination Costs

This reserve is contributed to by INCAP only and it is used for disbursements related to specific costs of contracting new personnel, advertising new positions at INCAP, periodic medical exams for staff, unused annual leave when a staff member leaves the Institute and severance payment when applicable.

Reserve for short-term illness

This reserve is contributed to by INCAP only and it is used for payments to temporary staff when core staff are unable to fulfill their duties due to illness.

Christmas Bonus Reserve

This reserve is contributed to by INCAP only and its purpose of it is the annual Christmas Bonus payment to support staff, which is paid in December every year, as per the Staff Rules of INCAP.

Insurance Reserve

This reserve is contributed to by INCAP and its employees with a level of contribution dependent upon their category and whether they have dependants. All employees are entitled to the benefit of the health and life insurance, and core staff are entitled to dental insurance and an additional benefit for optical glasses.

The status of each reserve for 2006-2007 is:

Reserve description	Balance			Balance	
	1 January 2006	Income	Transfers	Expenditure	1 December 2007
Statutory and termination costs	683 419	231 558	(3 000)	204 016	707 961
Short-term illness	13 183	5 104		2 435	15 852
Christmas bonus	2 782	47 804		45 932	4 654
Insurance	179 902	325 671		209 823	295 750
Total	879 286	610 137 ^{1/}		462 206	1 024 217

^{1/} Fund income of \$610,137 has been eliminated as per Note 20.

17. Provision for Fixed Assets Replacement

This reserve was created at and the end of the 2000-2001 biennium. The purpose of the reserve was to have funds available to purchase new it equipment and renew vehicles, furniture and equipment. As of 31 December 2003, the balance was transferred to INCAP's Regular Budget Fund.

The status of the Fund is:

	2006-2007	2004-2005
Balance as of 1 January 2006 (2004)		
Add:		
Transfer from Statutory and termination costs	3 000	
Subtotal	3 000	
Less: Expenditure	3 000	
Balance as of 31 December 2007 (2005)		

18. Working Capital Fund

In 1992, the XLIII INCAP Directing Council recommended by Resolution II that the level of the Working Capital Fund should be \$1,000,000. Accordingly, any surplus or deficit on the fund is eliminated by a transfer to/from other funds.

The position of the Working Capital Fund as of 31 December is as follows:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	1 000 000	1 000 000
Excess (shortfall) of income over expenditures (Statement XI)	3 406	
Subtotal	<u>1 003 406</u>	<u>1 000 000</u>
Less: Transfers to Endowment Fund	3 406	
Balance as of 31 December 2007 (2005)	<u><u>1 000 000</u></u>	<u><u>1 000 000</u></u>

19. Non-expendable Inventories

The original cost of non-expendable inventory items valued at \$1,000 or more held by INCAP as of 31 December 2007 totaled \$1,442,752. Although the inventory amount is not reported in the financial statements as an asset, inventory lists are prepared to maintain effective custody of the physical assets of the Institute. All amounts are shown at historic cost.

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	1 404 436	1 600 880
Add:		
Acquisitions and donations	216 399	65 997
Less:		
Disposals and transfers	178 083	262 441
Balance as of 31 December 2007 (2005)	<u><u>1 442 752</u></u>	<u><u>1 404 436</u></u>

20. Eliminations on consolidations of the various INCAP funds

Every biennium INCAP has internal transactions, not involving the use of cash, within funds and between the different funds. These internal transactions are included in income and in expenditure in the relevant funds. Because these are only internal transactions, their inclusion in income and expenditure results in an over-statement (duplication) of both income and expenditure by the same amount. Income and expenditure should only reflect the transactions of INCAP with external entities.

The "Eliminations" column in the "Statement of Income and Expenditure and Changes in Fund Balances" allows for the elimination of these duplications.

The internal transactions involving income and expenditure are as follows:

Account	Reference	2006-2007	2004-2005
A. Income from the internal service of photocopies, transportation and institutional services:			
Photocopying service	Note 15	47 269	29 190
Transportation service	Note 15	105 730	81 849
Total		<u>152 999</u>	<u>111 039</u>
B. Technical services provided internally among different units and projects of INCAP:			
Technical services credited to extrabudgetary projects			4 134
Technical services credited to INCAP regular budget			4 134
Total			<u>4 134</u>
C. Income from the charge of Program Support Cost (PSC) to extrabudgetary projects and to the Special fund for INCAP services:			
Total	Note 14	59 067	111 197
D. Income from INCAP's contributions to the Staff Provident Fund and to the Provision for Personnel Entitlements:			
Contribution to the Staff Provident Fund	Note 12	385 622	466 122
Contribution to the Provision for Personnel Entitlements	Note 16	610 137	675 118
Total		<u>995 759</u>	<u>1 141 240</u>
<i>Summary:</i>			
Revenue-producing activities			
A. Photocopies, transportation and institutional services	Note 15	152 999	111 039
B. Technical services			4 134
Subtotal		<u>152 999</u>	<u>115 173</u>
Income from services rendered:			
C. Program Support Cost	Note 14	59 067	111 197
Subtotal		<u>59 067</u>	<u>111 197</u>
Non INCAP program activities			
D. Staff Provident Fund	Note 12	385 622	466 122
Subtotal		<u>385 622</u>	<u>466 122</u>
Allocation from other funds			
E. Provision for Personnel Entitlements	Note 16	610 137	675 118
Subtotal		<u>610 137</u>	<u>675 118</u>
Total		<u>1 207 825</u>	<u>1 367 610</u>

21. Expenditures

Expenditure incurred by INCAP during the biennium was as follows:

<u>Expense Category</u>	Regular Budget INCAP	Trust Funds INCAP	Special Funds INCAP	Regular Budget PAHO	Special Funds PAHO	Total 2006-2007	<i>Total 2004-2005</i>
Personnel	624 169	996 850	144 965	1 930 044	8 353	3 704 381	<i>3 991 982</i>
Duty travel	33 479	92 123	972	41 609	26 361	194 544	<i>111 221</i>
Contractual services	289 193	968 328	22 135	54 188	28 541	1 362 385	<i>733 735</i>
Fellowships and seminars	53 380	842 014		83 961	25 953	1 005 308	<i>284 350</i>
General operation expenses	364 512	235 901	98 652	78 252	4 922	782 239	<i>833 480</i>
Supplies and equipment	93 703	174 769	40 390	11 581		320 443	<i>187 483</i>
Program support costs		36 053	23 014			59 067	<i>111 197</i>
Total:	1 458 436	3 346 038	330 128	2 199 635	94 130	7 428 367	<i>6 253 448</i>
Eliminations on consolidations (Note 20)						(212 066)	<i>(226 370)</i>
Total International Health Program						7 216 301	<i>6 027 078</i>
Other purposes: Special Funds (Statement XI.1)						1 525 049	<i>1 947 393</i>
Eliminations on Consolidation						(995 759)	<i>(1 141 240)</i>
Total Other Purposes						529 290	<i>806 153</i>
Total expenditure (Statement XI)						7 745 591	<i>6 833 231</i>

22. Pension Fund

INCAP is a member Organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the 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. At the time of this report the United Nations General Assembly has not invoked this provision.

23. Losses

During the biennium, INCAP had 3 cases of losses: a laptop, a car and cash. In the case of the lap-top and the cash both covered by the insurance policy and recovered the value of the loss. The case of the car, which value in the inventory was of \$5,141.38 occurred as dead loss because only it had coverage of damages to third parties.

Institute of Nutrition of Central America and Panama
Statement of Assessed Quota Contributions Due from Members
Financial Period 2006-2007

(expressed in US dollars)

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Belize	2006-2007	37 400	37 400	
		37 400	37 400	
Costa Rica	2006-2007	100 800	100 800	
	2004-2005	27 039	27 039	
		127 839	127 839	
Dominican Republic	2006-2007	100 000	46 362	53 638
	2004-2005	50 000	50 000	
		150 000	96 362	53 638
El Salvador	2006-2007	122 400	122 400	
		122 400	122 400	
Guatemala	2006-2007	225 400	225 174	226
		225 400	225 174	226
Honduras	2006-2007	74 800	74 800	
		74 800	74 800	
Nicaragua	2006-2007	89 200	89 200	
		89 200	89 200	
Panama	2006-2007	107 400	101 768	5 632
	2004-2005	23 532	23 532	
		130 932	125 300	5 632
Total		957 971	898 475	59 496
Amounts consist of:				
		857 400	797 904	59 496
		100 571	100 571	
		957 971	898 475	59 496

Institute of Nutrition of Central America and Panama
Statement of Trust Funds
Financial Period 2006-2007

(expressed in US dollars)

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
I. Government Financing						
<i>Belgium</i>						
Support for Agroindustrial Enterprises with Incorporation of Women into Municipalities by the Development of the Border Area Nicaragua-Costa Rica	NUT-469		247 734	238 360	2 197	11 571
<i>Denmark</i>						
The Risk Approach in Nutrition Interventions	NUT-885	278			(278)	
<i>United States of America</i>						
U.S. Department of Agriculture Food Security as Related to Gender in Mesoamerica (Workshop)	NUT-448	37 184		20 963		16 221
Assuring an Accurate Risk Assessment for Corn Products in the USA and Central America	NUT-453	73			(73)	
<i>Subtotal</i>		37 257		20 963	(73)	16 221
Total - Government Financing		37 535	247 734	259 323	1 846	27 792

II. International Organizations

FAO

Feasibility Study on the Long-term Welfare Effects of Commercialization of Agriculture among Smallholders in the Central Highlands of Guatemala	NUT-457		3		(3)	
Case Studies on School Gardening and Nutrition Education in Four Countries in Central America and the Caribbean	NUT-458	2 285		1 777		508

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Survey Fieldwork on the Long-term Welfare Effects of Commercialization of Agriculture among Smallholders in the Central Highlands of Guatemala	NUT-462	857	6 311			7 168
Feasibility Study on the Long-term Welfare Effects of Commercialization of Agriculture among Smallholders in the Central Highlands of Guatemala	NUT-472		35 526	34 371		1 155
Tabulation of 258 Surveys Collected through Reminder of Family Consumption of 24 Hours of Special Programs of SAN, of GUT. ELS. HON. and NIC	NUT-482		3 501	3 501		
<i>Subtotal</i>		3 145	45 338	39 649	(3)	8 831
IAEA						
Body Composition and Daily Expenditure of Older Adults Living in Rural Guatemala	NUT-461	6 116	24 785	28 199		2 702
Nobel Peace Prize Fund Schools in Nutrition "Combating the Double Burden of Malnutrition"	NUT-474		43 648	39 643	(4 005)	
Training Course-data Analysis on Prediction of Body Composition, Guatemala	NUT-489		1 210	896		314
<i>Subtotal</i>		6 116	69 643	68 738	(4 005)	3 016
Inter-American Development Bank						
Central American Food Fortification with Folic Acid and others Micro Nutrients as a Good Public Regional	NUT-479		38 250	38 068		182
IDRC						
Development and Validation of a Community Based Strategy for Reduction of Dengue and Diarrhea Risks in Urban Ecosystem on the Guatemalan Border with Southern Mexico	NUT-456	48 974	38 999	87 937	(36)	

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
INCAP						
Experimental Farm	NUT-130	2 097	58 174	53 380	(5 422)	1 469
The World Bank						
Early Nutrition, Human Capital, and Economic Productivity	NUT-437	342		331	(11)	
OVATIONS						
Nutrition-related Chronic Diseases (NRCDS) Center of Central America, the Dominican Republic, and Mexico	NUT-491		28 400	18 011		10 389
PAHEF						
Indigenous Perspective and Cultural and System Barriers for Postpartum Care	NUT-471		44 284	43 671		613
PMA						
Development and Validation of a Tool to Determine the Institutional Capacity for the Governments of Central America and the Dominican Republic in the Nutrition Sector	NUT-492		7 520	2 385		5 135
Cost of the Hunger in Venezuela	NUT-494		6 000	4 087		1 913
<i>Subtotal</i>			13 520	6 472		7 048
SEGEPLAN						
Evaluation of the Program Growing Well	NUT-477		36 028	42 165		(6 137)
SICA - Central American Integration System						
Food and Nutrition Security in Marginalized Communities of Central America	NUT-439	97			(97)	
Central American Program to Support Small Enterprises Headed by Women, Producers of Foods, with Emphasis in Nutritionally Enriched Foods	NUT-444	10 853		10 852	(1)	

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Central American Program to Support Small Enterprises Headed by Women, Producers of Foods, with Emphasis in Nutritionally Enriched Foods	NUT-463	183 674	4 591	188 265		
Regional Program of Food and Nutrition Security to Central America	NUT-468		223 217	202 040	692	21 869
INCAP's Technical Cooperation to PRESANCA	NUT-473		1 425 284	1 081 521		343 763
Immediate Actions Against the Extreme Poverty and Hunger in Central America: Operationalization of the Strategy in Municipios by Development of Central America and the Dominican Republic	NUT-481		290 642	165 623		125 019
Regional Program of Food and Nutrition Security to Central America - POA2	NUT-484		444 450	88 344		356 106
Technical Assistance for the Institution Building of the Fosan (RE4)	NUT-486		1 176 962	112 745		1 064 217
Technical Assistance for Development, Attendance, and Implementation of the Activities of the POA2 of Presanca	NUT-487		447 332	152 133		295 199
<i>Subtotal</i>		194 624	4 012 478	2 001 523	594	2 206 173
UNICEF						
Fortified Food Evaluation (Salt with Iodine, Sugar with Vitamin A), in Sentinel Schools	NUT-452	20 932	51 003	65 857		6 078
Total - International Organizations		276 230	4 436 117	2 465 802	(8 883)	2 237 662
III. Private and Public Sector						
Cooperativa Agricola Union de 4 Pinos						
Program Fortification of Food and Paired Fortified Food	NUT-493		2 528	1 524		1 004

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Emory University						
Early Nutrition, Human Capital, and Economic Productivity	NUT-441	(8 337)	154 376	133 757		12 282
Zinc, Mental Health, and School Performance	NUT-467		87 223	87 148		75
<i>Subtotal</i>		(8 337)	241 599	220 905		12 357
Johns Hopkins University						
Evaluation of an Oral Vaccine to Prevent Travelers Diarrhea Due to Enterotoxigenic E.Coli	NUT-428	23			(23)	
SENACYT						
Assurance of the Quality and Dairy Product Safety	NUT-488			45 128		(45 128)
University of California						
Beef as a Source of Vitamin B-12, Iron, and Zinc to Improve Development of Infants Fed Low Amounts of Animal Products	NUT-464	358	10 595	11 818	1 146	281
URC Washington						
Validation of Practical Methods for the Monitoring at the Level of the Country of the Realization of the Right to an Adequate Diet	NUT-476		7 500	7 258		242
Evaluation of the Component of Monitoring and Promotion of the Growth of the AINM-C IMCI Strategy in the Expansion of Coverage (quality in health)	NUT-478		75 000	93 594		(18 594)
<i>Subtotal</i>			82 500	100 852		(18 352)
Various						
Program Fortification of Food and Complementary Fortified Food	NUT-483		28 531	25 562		2 969
W.K. Kellogg Foundation						
Design and Implementation of a Micro Regional Development Program in Carchá, A.V	NUT-429	1 747		1 747		

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Systematization and Dissemination of Experiences Learned through Projects of the Human Nutrition Initiative	NUT-434	1 597		1 597		
Promoting Health in Young People within the Framework of Food and Nutrition Security in Local Development Processes Center for Training and Development of Proper Technologies and Ecotechnologies	NUT-438	1 969		1 969		
	NUT-446	47			(47)	
Facilitating Emotional Development of Children by Providing Training for Parents and Teachers in Central American and Caribbean Countries	NUT-459	104	100 611	97 897		2 818
Institutional Strengthening Project	NUT-466	117 944		111 914		6 030
<i>Subtotal</i>		123 408	100 611	215 124	(47)	8 848
Total - Private and Public Sector		115 452	466 364	620 913	1 076	(38 021)
Total		429 217	5 150 215	3 346 038	(5 961)	2 227 433

Balance at 31 December 2007 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by INCAP	2 297 292
Expenditure funded by INCAP in excess of receipts incurred on projects	(69 859)
	<u>2 227 433</u>

^{1/} Funds Received are shown net of refunds to Donors.



National Audit Office

2006-2007

External Auditor's Report

The National Audit Office (NAO), headed by the Comptroller and Auditor General of the United Kingdom, provides an external audit service to the Institute of Nutrition of Central America and Panama (INCAP). The External Auditor has been appointed by the Directing Council of INCAP in accordance with Regulation XIV of the Financial Regulations. In addition to certifying the accounts of INCAP, he has authority under the mandate to report to the Directing Council on the economy, efficiency and effectiveness with which the Institute has used its resources.

The aim of the audit is to provide independent assurance to the Directing Council; to add value to the Institute's financial management and governance; and to support the objectives of the Institute's work.

For further information please contact:

Graham Miller
Director,
National Audit Office
157-197 Buckingham Palace Road,
London, SW1W 9SP

020 7798 7136

Email: graham.miller@nao.gsi.gov.uk or
manjit.lall@nao.gsi.gov.uk

Audit of the Financial Statements of the Institute of Nutrition of Central America and Panama (INCAP)

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**Scope and approach of the audit
Annex A**

EXECUTIVE SUMMARY

- *An unqualified audit opinion on INCAP's financial statements*
- *Commentary on the financial results and internal controls for 2006-2007*
- *Identification of the risks arising from the potential separation of INCAP and PAHO*
- *Review of extra-budgetary trust fund projects and related programme support costs*
- *Follow up to previous audit recommendations*

OVERALL RESULTS OF THE AUDIT

1. We have audited the financial statements of the Institute of Nutrition of Central America and Panama (INCAP) in accordance with the financial regulations and in conformity with International Standards on Auditing. The audit examination revealed no weaknesses or errors which we considered to be material to the accuracy, completeness and the validity of the Institute's financial statements. In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended, in accordance with United Nations System Accounting Standards and INCAP's stated accounting policies.
2. The main observations and recommendations from our audit are summarised below, with a more detailed commentary in the section on Detailed Findings. The scope and approach of the audit, which were communicated to management in a detailed audit strategy, is summarised at **Annex A**.

On the overall financial results of INCAP

3. During the financial period the Institute received \$1.42 million regular budget income, and incurred related expenditure of \$1.46 million. After providing for delays in the collection of assessed contributions, and adjusting for contributions received in relation to prior years, the financial statements record a net excess of income over expenditure of \$3,406. This amount

has been transferred to the Endowment Fund in line with INCAP regulations.

4. Regular budget funding included \$857,400 quota income from assessed contributions. This increased by \$50,000 from the previous biennium, since 2006-2007 reflected the first full biennium of membership for the Dominican Republic. We commend the Institute on maintaining a high collection rate for quota income: the proportion of quota income collected has continued to improve over the last decade, reaching 94 per cent in 2006-2007.
5. The value of trust fund income to INCAP increased by 183 percent from \$1.82 million in 2004-2005 to \$5.2 million in 2006-2007. This is largely attributable to the Presanca project which alone generated \$1.43 million (28 percent) of all trust fund income. We have commented on this project in more detail further below.

Internal financial controls

6. As part of our audit, we routinely test the effectiveness of internal financial controls. Our review of the relevant systems and procedures for audit purposes found these to be working effectively and that the Institute had maintained an effective level of internal financial control during the biennium.

Financial accounting systems

7. From our audit of the records produced by the financial accounting system and other supporting evidence, we concluded that in all material respects proper books of account had been maintained and that these were sufficient to support the biennial financial statements and audit opinion.

Write offs, other losses and frauds

8. INCAP reported no write offs during 2006-2007 and none were noted during our audit. During the biennium INCAP suffered three incidences of thefts of Institute property. Successful insurance claims were made in two cases but a stolen vehicle had not been insured for theft as PAHO and INCAP have a policy of ensuring for third party damage only. The estimated value of the vehicle was \$5,141.

On INCAP's separation from PAHO

9. During the 2008-2009 biennium PAHO and INCAP plan to separate their administrative and governance structures. The transition is designed to give INCAP greater operational independence, which will also bring responsibility for its own system of internal control.
10. This transition brings with it numerous risks for both INCAP and PAHO. Issues which are particularly significant from an audit perspective include the future financial security of INCAP, the control of INCAP's staff provident fund, the appointment of a new Director and the future operating and governance arrangements for the Institute. These issues will have a significant impact on the control environment of INCAP and we have recommended that these aspects need to be adequately resolved before the transition is formalised.

On trust fund projects

11. As well as performing standard testing on trust fund income and expenditure, the audit team spent some time reviewing in more detail a sample of three trust fund projects from the 2006-2007 biennium. We confirmed that expenditure had been in line with the expected profiles of the projects and that evidence of delivery was available.
12. During this review we noted that project management arrangements and reports did not incorporate financial targets or other key performance indicators to measure the relative success of each project. For example, in each of the projects designed to help communities to establish food or agricultural micro enterprises, INCAP in consultation with the donors could set targets for the number of such enterprises established, the amount of revenue generated through the sale of produce from such enterprises and performance measures on improved nutrition in each community. We have recommended that in consultation with trust fund donors INCAP should consider developing more objective key performance indicators to measure the achievement of projects, which can be used in addition to the subjective measures relied on at present.

13. We observed that only 10 of the 41 trust funds (or 26 percent) against which INCAP expenditure had been charged included an allowance for project support costs. This compares to a larger proportion of 13 of 28 trust funds (46 percent) in 2004-2005. Consequently income to the Project Support Costs Fund decreased by \$52,000 or 47 percent and INCAP regular budget income has effectively subsidised some projects by covering the majority of the Institute's administrative costs. There is a risk that if regular budget income were to fall, INCAP would struggle to fully cover its administrative overheads. We have recommend that INCAP seek to include project support costs in project agreements where possible; and ensure that the overheads of the organisation are fully recovered, unless explicit decisions are taken to subsidise the activities from the regular budget.
14. Through this review process, we noted that many of INCAP's projects rely on partnerships with PAHO country offices. We have recommended that INCAP and PAHO review how this coordination will be retained or replaced when INCAP becomes independent from PAHO.

Follow up to previous audit recommendations

15. In our 2004-2005 report we recommended that that INCAP work closely with PAHO to prepare a detailed strategy for a move to International Public Sector Accounting Standards, IPSAS. This is a gradual change process. In this present report we have provided details of some key areas which will be affected by the transfer to IPSAS; and have recommended that INCAP formulate a detailed plan for achieving compliance with the standards, and act promptly to ensure that they have the mechanisms for collecting and reporting the required accounting information.
16. In 2004-2005, we reported that INCAP had been dependent on a small number of key donors for trust fund income for the biennia 2002-2003 and 2004-2005. These donors accounted for 77 per cent of trust fund income in 2004-2005. For 2006-2007, INCAP increased the number of donors from 12 to 18. However, while the number of donors has increased significantly, there is a greater concentration in donor income from the Central America Integration System (SICA), which accounted for 78 per cent of all voluntary contributions in the biennium. We have recommended that INCAP continue to regularly review the profile of voluntary contributions donors and actively manage the risk of reliance on key donors.

DETAILED FINDINGS

FINANCIAL RESULTS - THE INCAP REGULAR BUDGET

17. Statement XI reports that during the financial period the Institute received \$1.42 million in regular budget income and incurred related expenditure of \$1.46 million. After providing for delays in the collection of assessed contributions, and adjusting for contributions received in relation to prior years, the financial statements record a net excess of income over expenditure of \$3,406. This amount has been transferred to the Endowment Fund in line with INCAP regulations.

Collection of quota income

18. INCAP's total income from assessed contributions (quota income) rose from \$807,400 in 2004-2005 to \$857,400 for 2006-2007. Quota contributions from all INCAP member states remained the same as the previous biennium. The increase of \$50,000 in total contributions was due to the Dominican Republic's first full biennium of membership of the Institute.

19. The proportion of assessed quota income collected has continued to improve over the last decade, reaching 94 per cent in 2006-2007 (Figure 1). The Institute's continued success in collecting arrears of contributions means that outstanding amounts (\$59,496) once again relate only to the most recently completed biennium. The balance due to INCAP at biennium-end stood at its lowest level for more than fifteen years.

Figure 1 – Collection Rates For INCAP Quota Contributions (Including arrears)

Biennium	Net Assessments*	Amount Collected	Outstanding Collection	Rate
	\$	\$	\$	%
2006-2007	957,971	898,475	59,496	94
2004-2005	1,000,216	899,645	100,571	90
2002-2003	1,097,387	904,571	192,816	82
2000-2001	1,198,379	858,392	339,987	72
1998-1999	1,221,881	780,902	440,979	64
1996-1997	1,172,074	707,594	464,480	60

* Quota amounts due for the current biennium plus any outstanding amounts relating to previous biennia.

Source: INCAP Financial Statements 1996-1997 to 2006-2007

Trust fund income

20. The value of trust fund income to INCAP increased by 188 per cent, from \$1.8 million in 2004-2005 to \$5.2 million in 2006-2007. The proportion of INCAP's income represented by trust funds has also increased from 29 per cent in 2004-2005 to 54 per cent in 2006-2007.

21. The increase in trust fund income is largely attributable to the Presanca project which alone generated \$1.43 million. This represents 28 percent of all trust fund income and 15 per cent of INCAP's total income.

Miscellaneous income

22. Regular Budget revenue-producing income from the provision of specific services in technical co-operation to Non-Governmental Organisations (NGOs) and private institutions once again decreased, from \$312,135 in 2004-2005 to \$306,756 in 2006-2007. This small decrease of \$5,379 is the result of the cessation of income from cookie sales being offset by increased income from Incaparina sales. New Incaparina products for the elderly, pregnant women and sportspeople were introduced in the biennium.

23. Other and miscellaneous income continued to increase, from \$124,841 in 2004-2005 to \$171,728 in 2006-2007. This resulted in part from a full two years' worth of rent from the Interamerican Institution for Agriculture Cooperation (IICA) which began renting office space from INCAP in June 2005. In addition, miscellaneous income for 2006-2007 included \$32,226 from the sale of two INCAP vehicles.

24. Income generated by the Institute within the Special Fund for INCAP Services has risen slightly from \$188,845 in 2004-05 to \$190,249, resulting from small increases in the recharge rates for photocopying and transport services.

Internal financial controls and accounting systems

25. We routinely test the systems of internal financial control in operation at INCAP. Our work involved:

- Ensuring that appropriate internal controls are in place for processing income and expenditure; and

- Tracing transactions through the systems of internal control to ensure that controls worked effectively during the financial period;
26. Our review of these systems and procedures for audit purposes provided sufficient evidence to conclude that the Institute had maintained an effective level of internal financial control during this biennium. We found no examples where established key controls had not been followed but we identified cost-effective improvements that could be made to further enhance the level of control in operation and these will be reported separately in our routine report to management (management letter). Areas where potential improvements have been identified include: fraud reporting; the monitoring of trust fund income receivable; independence of bank signatories; fixed asset verification; and authorisation of salary advances.
27. As a part of effective governance arrangements, INCAP would benefit from regular internal oversight to help maintain and strengthen the system of internal controls. Under the existing arrangements, PAHO's department of Internal Oversight Services (IOS) is responsible for providing this service but IOS has not undertaken any work at INCAP since 1998.
28. In addition to the review and testing of internal controls, we undertake tests of detail on transactions processed throughout the biennium; and we fully review and reconcile the general ledger to the financial statements to confirm that all transactions have been properly recorded and reported. From our audit of the books of accounts and other supporting evidence, we concluded that in all material respects proper records of income, expenditure, assets and liabilities had been maintained and that these had been accurately reported in the biennial financial statements and were sufficient and reliable to support an unqualified audit opinion.

Amounts written off, other losses and fraud

29. INCAP did not report any amounts written off during 2006-2007 and none were noted during our audit. However the financial statements report three thefts as follows:
- Toyota 1993 4x4 Hilux Vehicle – stolen.
 - Toshiba laptop – stolen from a staff member's vehicle while on an INCAP mission.
 - Three signed cheques – stolen from a messenger while in transit to the bank to be cashed.
30. Only the loss of the Toyota resulted in a net loss for INCAP, as successful insurance claims were made for both the laptop computer and the cheques. INCAP only insures vehicles for third party damage. The Institute confirmed that there had been no cases of fraud or presumed fraud reported during 2006-2007.

INCAP'S SEPARATION FROM PAHO

31. During the 2008-2009 biennium, INCAP and PAHO plan to separate their administrative and governance structures. At present PAHO provides administrative support to INCAP and as such the Institute falls within PAHO's system of control and governance arrangements: PAHO provides nearly half of INCAP's funding; the Director of INCAP is appointed by the Director of PAHO; PAHO is represented on INCAP's Directing Council; and INCAP operates to rules and regulations laid down by PAHO.
32. The transition process will give INCAP greater autonomy and responsibility for its own system of internal control. It is the aspiration of the organisation that by becoming an independent entity, INCAP will become more responsive and better able to meet the nutritional and food technology needs of the Central American people, once it has greater control over its operating environment.
33. Following the separation, PAHO will continue to be represented on the INCAP Directing Council and will continue to provide funding to the Institute, but PAHO's exact relationship with INCAP following the transition is yet to be clearly defined.
34. INCAP is submitting a plan to the INCAP Directing Council in September 2008 to gain approval for revised, independent administrative arrangements, and financial rules and regulations. In October 2008, the PAHO Directing Council will then consider a decision on this separation. While these decisions will mark a formal separation between the two entities, the process is likely to take a substantial period of time to complete if approved.
35. This transition brings with it numerous risks for both INCAP and PAHO. We have identified a number of areas where we see potentially significant risks for the organisations and these are identified in Figure 2.

Figure 2 - Potential Risks and Issues of Separation between INCAP and PAHO

Risk	Areas to be addressed by INCAP
<p>Financial solvency</p> <p>INCAP receives a significant proportion of their total income from PAHO: in 2006-2007 INCAP received \$2,294k from PAHO compared to the \$857K received in quota contributions from member states.</p> <p>The future security of the level of PAHO funding is critical to INCAP as it is this regular budget funding supports the administrative and overhead costs of the organization.</p>	<p>The ability of INCAP to meet its core operating costs may be in question without long term PAHO financial support.</p>
<p>Investment Management</p> <p>PAHO currently hold funds, including the staff provident fund, on behalf of INCAP and invests these funds to generate optimum interest.</p> <p>PAHO is not a financial institution and the continuation of this service beyond the transition may not be appropriate.</p>	<p>INCAP will need to establish treasury management arrangements to benefit from optimum interest income placing an additional administrative burden on the organization which may not potentially have the expertise to resource this function.</p>
<p>Professional appointments</p> <p>The Director of INCAP is a PAHO employee and as such the Director's salary is met by PAHO.</p> <p>INCAP currently have an interim Director in place and plan to employ a new Director directly following the transition</p>	<p>The Director's salary is a significant cost to PAHO which may not be appropriate for PAHO to meet following separation between the organizations.</p> <p>If INCAP cannot afford to pay a competitive salary to prospective candidates, they may not be able to attract a suitable candidate for this mission critical post.</p>
<p>Financial rules, regulations and operating policies</p> <p>PAHO's internal control structure, pay scales and operating policies are observed within INCAP. While INCAP has some existing internal procedures, under current arrangements PAHO policies are commonly used.</p>	<p>The need to establish INCAP's own rules, regulations, policies and practices may lead to a weakening of the internal control environment, particularly during the period of transition and staff training.</p>

Risk	Areas to be addressed by INCAP
<p>Good Governance</p> <p>PAHO provides governance and high level control functions to INCAP – notably with regard to fraud monitoring, IT security, external audit and internal oversight.</p>	<p>INCAP will need to establish its own governance arrangements to ensure appropriate internal controls, external and internal oversight. This again may place additional burden on the organization where previously it benefited from the service provided by PAHO.</p>
<p>Legal Services</p> <p>PAHO provides legal services to INCAP – notably the review of all Trust Fund agreements and Letters of Agreement.</p>	<p>Without alternative arrangements for legal services support there is a risk that INCAP may not be able to easily continue the arrangements for accepting voluntary contributions and establishing trust funds. In addition the critical control provided by PAHO legal services on Letters of Agreement may be dissipated.</p>
<p>PAHO Training and Other Services</p> <p>Staff training is provided by PAHO for free, including ethics training and technical training. In the future charges may be made for these services.</p>	<p>INCAP may not be able to maintain the training and development needs of their staff without the ongoing support of PAHO and without alternative arrangements for staff training in place. This may have a negative impact on INCAP's delivery objectives.</p>
<p>PWR support to INCAP projects</p> <p>INCAP projects often benefit from support and the coordination services of the Central American PWR offices.</p> <p>The relationship between INCAP and PWR offices will be different following the transition because they will not be part of the same organisation</p>	<p>If the existing arrangements between INCAP and PWR offices are not maintained, there is a risk that future projects managed by INCAP with the support of PWR offices may not be sustainable with a detrimental effect on continued funding from project donors.</p>

Recommendation 1: We recommend that PAHO and INCAP work together to ensure that an action plan is developed for INCAP's transition to independent status which responds appropriately to the key risks presented by the separation.

TRUST FUND PROJECTS

36. Trust fund income and expenditure increased significantly in 2006-2007. We routinely carry out an audit examination and detailed testing on a sample of individual items of trust fund income and expenditure. In addition to this work, we performed a broader-scoped review of three trust fund projects which accounted for \$1.51 million of expenditure. This represented 45 percent of total INCAP project expenditure in the biennium. The three projects selected were:

- The Central American programme to support small enterprises headed by women, producers of food, with emphasis in nutritionally enriched foods (Project Reference: NUT 463);
- Support for agro-industrial micro-enterprises of Nicaragua and Costa Rica (NUT 469); and
- Technical assistance of INCAP A Presanca (NUT 473).

37. We interviewed project managers and reviewed the project agreement and project reports produced for donors on each of these projects. We also reviewed the financial information in relation to these projects and assessed the degree to which project objectives were reflected in this information. Our findings were as follows.

Project 1: Central American programme to support small enterprises headed by women, producers of food, with emphasis in nutritionally enriched foods

38. The main objectives of this project were to provide training and education for women and food producers to produce and distribute food in poor communities. The project covered all the Central American countries and was focussed on poor border communities and those where basic foods are not easily accessible. INCAP provided training and food technology for such communities to set up and sustain the production of food stuffs such as cereals, legumes and bakery products. The funding for the project has been used by INCAP primarily to provide training and equipment.

39. Total expenditure on this project amounted to some \$188,265 in 2006-2007, with a brought forward balance of \$183,674 at the start of the biennium and additional funding of a further \$4,591 received during the period. Funding for this project was provided by the Central American Integration System (SICA) but was originally received from the Taiwanese government. The project is now complete and total expenditure at the end of this biennium matched the funding received since 2005.
40. Of the \$188,265 available for this project, some 84 percent of funding was used on the following areas:
- Support and training provided by locally employed staff - \$91,344 or 49 percent of total funding;
 - Training provided by INCAP professional staff - \$29,544 or 16 percent of total funding;
 - Operational overheads - \$21,135 or 11.2 percent of total funding; and
 - Courses, workshops and seminars - \$15,200 or 8 percent of total funding.
41. The project manager considered this project to have been successful and that in particular communities targeted in El Salvador, border of Guatemala, Honduras and El Salvador along with the border of Costa Rica and Nicaragua have benefited from this project. We have seen video and documentary evidence evaluating the project, although the use of quantitative performance indicators and also other qualitative measures would further improve the quality of project assessment and evaluation.

Project 2: Project to Support for agro-industrial micro-enterprises of Nicaragua and Costa Rica

42. The main objectives of this project were to provide training, education and equipment for people in rural municipalities in the Nicaraguan and Costa Rican border areas, to help them develop micro enterprises in producing food and other agricultural products for sale in their communities. Again the funding for this project has been primarily used by INCAP to provide training and equipment.

43. Total funding for this project at the time of audit was \$247,734 which had been received from the donor in 2006-2007. Some \$238,360 had been spent on project activities with a balance of \$11,571 carried forward to the next biennium. Funding for this project was provided by the Belgian government. Of \$238,860 spent on this project, 87 percent had been used on the following areas:

- Courses, workshops and seminars - \$98,653 or 41 percent of total funding to date;
- Contractual services - \$41,286 or 17 percent;
- Support and training provided by locally employed staff - \$34,645 or 15 percent; and
- Training provided by INCAP professional staff - \$32,696 or 14 percent of total funding to date.

44. The evidence seen of project implementation was consistent with our analysis of project expenditure, in that the funding had been used primarily to recruit local professionals to provide training and support directly in the local communities. A significant part of the funding had been used for obtaining and supplying equipment to help set up enterprises.

Project 3: Technical assistance of INCAP Presanca

45. The main objectives of the project are to improve food and nutritional security. INCAP's role is that of providing technical support and monitoring projects delivered by local Non-Governmental Organisations within 62 municipalities in four countries.

46. Total funding for this project was \$1,425,284, all of which had been received from the donor in 2006-2007. Against this, some \$1,081,521 had been spent on project activities with a balance of \$343,763 being carried forward to the next biennium. Funding for this project was provided by SICA. Of the \$1,081,521 spent on this project, 66 percent of funding had been used in the following areas:

- Contractual services - \$404,124 or 37 percent;
- Locally employed staff - \$178,602 or 17 percent of total expenditure to date; and
- Scholarships - \$128,630 or 12 percent of total expenditure to date.

47. The scholarships expenditure reflects an innovative aspect of this project: rather than employ consultants to coordinate Presanca activities at the local level, INCAP is investing some funds in offering a masters qualification to locally-based professionals. These individuals can gain the skills and experience needed to coordinate this and future projects, while gaining a qualification and remaining available to provide ongoing support to such projects. As with other projects, this project would also benefit from a more structured evaluation of the project results using key performance indicators.

Audit findings relating to all trust fund projects

48. We reviewed project files for the three projects, which showed sufficient evidence that the appointed project managers had monitored the projects throughout their life cycle and that INCAP had reported the outcome of the projects to the project donors and PAHO Headquarters. Evidence of coordination with ministries of health was also available.
49. A variety of evidence on the delivery of the projects was available to us for audit purposes. For example, for project NUT 469 we reviewed video evidence demonstrating the implementation in the communities and municipalities and the impact of the project on the lives of the people in these communities. INCAP have also produced training materials, such as guide books on how to run small enterprises, using very simple language and charts to communicate fundamental messages to people in these communities who are poorly educated. In addition we reviewed applications for the INCAP masters course, files of successful candidates and outlines of the courses studied under NUT 473.
50. As a part of our audit testing of trust funds more generally, we sample-tested transactions in respect of these three projects, and confirmed that the receipts and expenditure had been fully and properly accounted for, and that transactions had been properly authorised. In addition, we confirmed that expenditure had been properly allocated to expenditure categories in line with the original project plans, and been correctly accounted for subsequently. We confirmed that the brought forward balance at the start of the biennium, income received and expenditure during the biennium had been properly reported in INCAP's financial statements, which included detailed disclosure of trust funds in Schedule 10.

51. In order to continue attracting voluntary contributions, it is important that INCAP can demonstrate sound internal control and financial management of the projects, as donors expect detailed reports and feedback on progress as well as assurance on how the funding has been used. We confirmed from our work on the audit sample of projects that income and expenditure had been processed through the same rigorous controls as the rest of INCAP's transactions. Combined with the project management and reporting aspects, this provides sound internal control over donor funding. INCAP project managers made available primary evidence of how funding had been used, as well as reports to donors and others. We concluded that there were sound controls, procedures and accountability arrangements over the Institute's use and management of trust funds.
52. However, we noted that project files and reports did not incorporate financial targets or other key performance indicators to measure the relative success of each project. For example, in each of the projects designed to help communities establish food or agricultural micro enterprises, INCAP could set targets in consultation with donors for the number of such enterprises established; the amount of revenue generated through the sale of produce; and a measure for improved nutrition in each community.

Recommendation 2: We recommend that in consultation with trust fund donors, INCAP consider developing more objective key performance indicators to measure the achievement of projects, for application in addition to the subjective measures used at present.

53. None of the three projects we reviewed in detail provided for a defined charge for project support costs. In discussion, INCAP staff informed us that this reflected an increasing trend for donors to refuse to fund a pre-set administrative overhead but rather to pay for specific administrative work within the project plan. Indeed a review of the profile of all projects active in 2006-2007 revealed that only 10 (26 per cent) of the 41 trust funds against which INCAP expenditure was charged had included an allowance for project support costs. This compared to 13 (46 per cent) of 28 trust funds active in 2004-2005. Consequently income to the Project Support Costs Fund decreased by \$52,000 (47 per cent) and INCAP regular budget income has effectively subsidised some projects by covering the majority of the Institute's administrative costs. There is therefore a risk that if regular budget income were to fall, INCAP might struggle to cover its administrative overheads.

Recommendation 3: We recommend that INCAP seek to include project support costs in project agreements where possible, and ensure that the overheads of the organisation are fully recovered, unless explicit decisions are taken to subsidise the activities concerned from the regular budget.

54. Our review of project contracts and related documentation also showed that for two of the projects examined, no formal authorisation of the project by PAHO had been obtained. This is an issue we raised in our interim report to management. It was explained to us that in one case, PAHO had not signed the contract because it does not contract with governments who are outside the United Nations. In the case of the Belgium funded project, we were informed that PAHO were aware of the project but had not formally signed an approval. INCAP management accept that while existing governance arrangements continue, they will only sign agreements with PAHO's explicit authority.

55. From our discussions with project managers and review of project documentation, we established that for many projects INCAP works in partnership with the PAHO Country Offices in the Central American countries involved. Funding is co-ordinated by the PWR Offices for use on the projects in local municipalities. If INCAP separates from PAHO, the nature of the relationship between PAHO and INCAP will change and the existing arrangements with PWR Offices to co-ordinate projects at a local level will no longer be appropriate. Notwithstanding INCAP's strategy to develop new relationships and partnerships in this region, both PAHO and INCAP need to consider how the project support enjoyed by INCAP through PWR Offices can be replaced or replicated following the transition.

Recommendation 4: We recommend that PAHO and INCAP review the existing arrangements in place for PWR Offices to provide support to INCAP Trust Fund projects, in order to assess how these arrangements should be continued following the transition when INCAP becomes independent from PAHO. In doing so, both bodies will need to consider the impact on continued donor funding if these arrangements are no longer sustainable; and review the potential impact on the communities benefiting from these trust fund projects.

FOLLOW UP TO 2004-2005 AUDIT RECOMMENDATIONS

Adoption of IPSAS

56. In our 2004-2005 report we recommended that that INCAP work closely with PAHO to prepare a detailed strategy for a move to International Public Sector Accounting Standards. The strategy should identify the resources, human and other, required and how INCAP plans to deliver these. Achievable milestones should be identified and management should establish appropriate arrangements to ensure that they are achieved. At present INCAP is adopting the step-by-step changes implemented by PAHO as part of their strategy to move to IPSAS. In 2006-2007, PAHO gained approval to amend their financial regulations to revise their expenditure recognition policy on goods and services delivered or contractually due to be delivered in this biennium.
57. As INCAP embarks on a transition from having a parent/child relationship with PAHO to becoming an independent body in its own right, a renewed commitment to compliance with IPSAS would be appropriate. INCAP should ensure that there is a strategy for IPSAS compliance and that appropriate steps are being taken. We have set out in Figure 3 below the key areas on which INCAP needs to focus in assessing how compliance with IPSAS can be achieved.

Figure 3 - Major differences between UNSAS and IPSAS which affect INCAP

UNSAS	IPSAS	Areas to be addressed by INCAP
<p>Accounting Basis</p> <p>Reporting requirements take a "modified accruals" approach that is similar to cash accounting.</p>	<p>Requirements are on a full accruals basis.</p>	<p>IPSAS reports a more complete group of items (assets and liabilities) on the balance sheet than UNSAS.</p>
<p>Fixed Assets</p> <p>Costs of fixed assets are reported as expenditure in the statement of Income and Expenditure when the assets are purchased.</p>	<p>Cost of fixed assets are capitalised and included on the balance sheet when first acquired. The original cost is spread over the useful life of that asset as a depreciation expense.</p>	<p>There will be a decrease in expenditure and an increase in assets reported.</p> <p>A capital reserve will need to be established upon initial recognition of existing fixed assets.</p>
<p>Employee Benefits</p> <p>Accrued employee benefits in respect of repatriation grants and annual leave can be reported in a narrative note to the accounts.</p>	<p>Full recognition is required of liabilities for employee benefits and reported as an expense.</p>	<p>An increase in reported expenditure and a corresponding increase in liabilities for the amounts accrued.</p>
<p>Expenditure</p> <p>Reported expenditure represents disbursements and unliquidated obligations (ULO's).</p>	<p>Recognition of expenditure on the basis of goods and services received. (The delivery principle).</p>	<p>There would be a reduction in reported expenditure as not all ULO's of the period would be recognised as expenditure.</p>
<p>Budgets</p> <p>Preparation of budgets on a cash basis.</p>	<p>Preparation of budget on an accrual basis.</p>	<p>Changes of content and format of budget due to adoption of accruals basis. Or a reconciliation between the two basis.</p>

58. Additional work is required to ensure that INCAP is fully prepared for IPSAS compliance. One of the key aspects which requires early attention is the ability of the Institute to identify accrued income and expenditure.

Recommendation 5: We recommend that INCAP formulate a detailed plan for achieving IPSAS compliance and develop an action plan to ensure establishment of mechanisms for collecting the required accounting information.

Trust Funds: reliance on key donors

59. In 2004-2005 we reported that INCAP had been dependent on a small number of key donors for trust fund income for the biennia 2002-2003 and 2004-2005. Trust fund income accounted for approximately 29 per cent of total income (\$1.82 million of \$6.3 million total income for 2004-2005). For 2006-2007 this increased to \$5,150,215, or 54 per cent of total income (\$9.5 million) and therefore continues to represent a key element of INCAP's funding.

60. The value of trust fund income to the Institute has increased by 183 per cent, from \$1.82 million in 2004-2005 to \$5.2 million in 2006-2007. We noted in our last audit report that over the previous two biennia, there had been five key trust fund donors providing a similar proportion of funds in each financial period. These donors accounted for 77 per cent of trust fund income in 2004-2005. In 2006-2007, INCAP increased the number of donors and the profile of donations is shown in Figure 4 below.

Figure 4 - Dependence on Key Donors

Donors	Value of 2006-2007 funding		Value of 2004-2005 funding	
	(\$)	% of total	(\$)	% of total
Central American Integration System	4,012,478	77.9	480,098	26.3
Federal Government of Belgium	247,734	4.8	-	-
Emory University	241,599	4.7	264,810	14.5
W.K. Kellogg Foundation	100,611	2.0	257,897	14.1
Other Donors	547,793	10.6	819,969	45.9
Total funding received	5,150,215	100	1,822,774	100
Total number of donors	18		12	
Percentage of funding from top 5 donors	91%		78%	

Source: *Financial Statements for 2006-07 and 2004-05*

61. While the number of donors has increased significantly, there is now a greater concentration in donor income from the Central America Integration System (SICA), which accounted for 78 percent of all voluntary contributions in 2006-2007 compared with only 26 percent in 2004-2005. \$1,425,285 (28 percent) of all trust fund income came from a single SICA project, the Presanca project.
62. The concentration of voluntary contributions income with one donor leaves INCAP heavily reliant on its relationship with SICA. If this particular source of funds diminished, this could have a significant impact on INCAP's planned programme of work.

Recommendation 6: We recommend that INCAP continue to regularly review the profile of voluntary contributions donors and actively manage the risk of reliance on key donors.

ACKNOWLEDGEMENT

63. We wish to record our appreciation for the willing co-operation and assistance extended by the Director and the staff of the Institute throughout the course of the audit.



T J Burr

Comptroller and Auditor General, United Kingdom

External Auditor

ANNEX A

AUDIT SCOPE AND APPROACH

Audit scope

1. We have examined the financial statements of the Institute of Nutrition of Central America and Panama (INCAP) for the biennium ended 31 December 2007 in accordance with Regulation XIV of the Financial Regulations of the Institute and the relevant audit provisions of the Financial Regulations of the Pan American Health Organization (PAHO).

Audit objectives

2. The main purpose of the audit was to enable us to form an opinion as to whether the expenditure recorded in the financial period had been incurred for the purposes approved by the INCAP and PAHO Directing Councils; whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations; and whether the financial statements present fairly the financial position at 31 December 2007.

Audit standards

3. Our audit of the Institute's financial statements was carried out in accordance with International Standards on Auditing. These standards require us to plan the audit so as to obtain reasonable assurance that the Institute's financial statements are free from material misstatement. Management were responsible for preparing these financial statements and we are responsible for expressing an opinion on the statements, based on evidence collected in our audit.

Audit approach

4. In accordance with International Standards on Auditing, our audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. This audit included:
 - a general review of the Institute's accounting procedures;
 - an assessment of the internal controls for income and expenditure, bank accounts, and inventory;
 - a review of amounts recorded as accounts receivable and payable;

- substantive testing of transactions of all types;
 - substantive testing of biennium-end balances; and
 - a final examination to ensure that the financial statements accurately reflect the Institute's accounting records and were fairly presented.
5. These audit procedures are designed primarily for the purpose of forming an opinion on INCAP's financial statements. Consequently, the work did not involve detailed review of all aspects of financial and budgetary systems, and the results should not therefore be regarded as a comprehensive statement on them.

Audit conclusion

6. During the audit, we sought explanations as they considered necessary in the circumstances on matters arising from their examination of the internal controls, accounting records and financial statements. Observations on matters which we consider should be brought to the attention of the INCAP Directing Council are set out in this report. In accordance with normal practice, we also provide the Institute with management letters setting out the detailed findings resulting from their examination.
7. None of these matters materially affected our audit opinion on the Institute's financial statements for the biennium and, notwithstanding the observations in this report, the examination revealed no weaknesses or errors that we considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly we have placed an unqualified audit opinion on the financial statements of the Institute for 2006-2007.

**Pan American Health Organization
Consolidated Centers
for Information Only**

Pan American Health Organization
Consolidated Centers
for Information Only
Financial Period 2006-2007
(expressed in U.S. dollars)

1. Latin American and Caribbean Center on Health Sciences Information (BIREME)

BIREME is a specialized center of PAHO established in Brazil in 1967 in collaboration with the Ministry of Health, Ministry of Education, Secretary of Health of the State of São Paulo and the Federal University of São Paulo. BIREME's mission is to contribute to the development of health in the countries of Latin America and the Caribbean by promoting the use of scientific and technical health information.

The financial status of the Center is as follows:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	624 923	240 160
Income from the sale of publications and other services	2 484 445	3 121 452
Income from the sale of PAHO/WHO publications	247 996	91 859
Income from CD-ROM system services	1 256 124	738 769
	<hr/>	<hr/>
Subtotal	4 613 488	4 192 240
Less: Expenditure	4 264 455	3 567 317
	<hr/>	<hr/>
Balance as of 31 December	<u>349 033</u>	<u>624 923</u>

Other expenditures include \$5,048,990 under trust fund arrangements (\$4,848,635 in 2004-2005); \$1,409,776 from PAHO Regular Budget (\$1,217,154 in 2004-2005) and \$532,195 from WHO funds (\$10,600 in 2004-2005).

2. Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS)

CEPIS is a specialized center of PAHO established in Peru in 1968. CEPIS' mission is to cooperate with the countries of the Americas to evaluate and control environmental risk factors that directly or indirectly affect the health of the population. CEPIS' cooperation is primarily provided through the dissemination of information, training of specialized staff, and direct technical advisory services. In addition, CEPIS' available resources include an internet-accessible library, state-of-the-art laboratory, and the distribution of various topical publications.

The financial status of the Center is as follows:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	1 216 186	1 779 338
Income from the sale of publications		22 218
Income from laboratory services		407 266
Income from other services	939	124 537
	<hr/>	<hr/>
Subtotal	1 217 125	2 335 359
Less: Expenditure	70 844	1 117 173
	<hr/>	<hr/>
Balance as of 31 December	<u>1 146 281</u>	<u>1 216 186</u>

Other expenditures include \$983,963 under trust fund arrangements (\$1,462,570 in 2004-2005), \$2,273,982 from PAHO Regular Budget (\$3,144,155 in 2004-2005) and \$1,432,987 from WHO funds (\$846,548 in 2004-2005).

3. Latin American Center for Perinatology and Human Development (CLAP)

This Latin American Center for Perinatology and Human Development (CLAP) is a PAHO/WHO Center, which is located at the University “Hospital de Clínicas” in Montevideo, Uruguay. Its mission is to foster maternal and child health by cooperating with the countries of the Region of the Americas to identify perinatal (obstetrical and neonatal) and pediatric problems and to suggest possible solutions. The strategies to pursue its mission are teaching, research, dissemination of information, and technical cooperation with the countries. The Center has a specialized library, evidence-based tutorials, an information systems development group, and units for the production of visual aids, books, and elements for “appropriate technologies.”

The financial status of the Center is as follows:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January	19 475	18 307
Income from sundry sales and other services	<u>44 734</u>	<u>1 697</u>
Subtotal	64 209	20 004
Less: Expenditure	<u>13 398</u>	<u>529</u>
Balance as of 31 December	<u><u>50 811</u></u>	<u><u>19 475</u></u>

Other expenditures include \$403,145 under trust fund arrangements (\$477,381 in 2004-2005), \$1,516,939 from the PAHO Regular Budget (\$1,073,455 in 2004-2005) and \$815,819 from WHO funds (\$481,521 in 2004-2005).

4. Pan American Foot-and-Mouth Disease Center (PANAFTOSA)

PANAFTOSA is a specialized center of PAHO, which was established in Brazil in 1951 originally as a program of the Organization of American States. PANAFTOSA’s mission is to provide technical cooperation to the countries in the Region affected by the disease in order to develop and strengthen national and regional programs efforts to prevent and eradicate the disease. Furthermore, PANAFTOSA works toward the development of programs within the Region to control and eradicate other animal diseases that affect the health of the population.

The financial status of the Center is as follows:

	<u>2006-2007</u>	<u>2004-2005</u>
PAHO Regular Budget Allocation	7 420 154	5 889 946
Less: Expenditure	<u>7 397 145</u>	<u>5 871 863</u>
Balance	<u><u>23 009</u></u>	<u><u>18 083</u></u>

Other expenditures include \$2,398,293 from PAHO Special Funds (\$1,304,627 in 2004-2005) and \$5,309,580 under Trust Fund arrangements (\$2,193,332 in 2004-2005).