

Report of the External Auditor

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TRIBUNAL DE CUENTAS
DE ESPAÑA

The Pan American Health Organization

Long Form Report on the 2012 Financial
Statements audit

The aim of the audit is to collaborate with the audited organization in order to reach its objectives, while supporting compliance with principles of transparency, legality and sound financial management.

The Spanish Court of Audit (SCA), headed by its President, provides external audit services to international organizations, working independently of its role as the Supreme Audit Institution of Spain. The President and the SCA are independent of the Spanish Government and ensure the proper and efficient spending of public funds and accountability to the Spanish Parliament. The SCA audits the accounts of all public sector bodies as well as political parties, collaborates in works related to its role as an active member of INTOSAI and EUROSAI and takes part in audit works within European Union projects and beyond.

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1. Executive Summary

1.1. Introduction

- 1 We have provided an unqualified audit opinion on the 2012 consolidated financial statements which present fairly, in all material respects, the financial position and the results of operations and cash flows for the financial period ended 31 December 2012; and we confirm that this audit revealed no weaknesses or errors which we considered to be material to the accuracy, completeness and validity of the consolidated financial statements.
- 2 The 2012 consolidated financial statements of the Pan American Health Organization (PAHO) represent the third year in which the International Public Sector Accounting Standards (IPSAS) have been used. This unqualified opinion means that IPSAS are embedded within the Organization accounting management and we recognize this achievement.
- 3 However, the computer system which supports accounting is outdated; it was not designed for an accounting system based on accrual criteria and requires manual adjustments at the end of the period. We think that the implementation Enterprise Resource Planning Project (ERP) will improve the economic and financial management in the Organization and the recording of transactions, reporting and preparation of Consolidated Financial Statements.

1.2. Overall Results of the Audit

- 4 We have audited the consolidated financial statements of PAHO in accordance with the International Standards on Auditing of the International Federation of Accountants (IFAC), the Audit Standards and Guidelines formulated by the United Nations Board of Auditors and the International Standards of Supreme Audit Institutions (ISSAIs).

- 5 The audit opinion confirms that these financial statements: present fairly, in all material respects, the financial position as at 31 December 2012 and the results for the year then ended; have been properly prepared in accordance with IPSAS and the stated accounting policies; and, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the Pan American Sanitary Conference or the Directing Council.
- 6 Our audit procedures are designed primarily for the purpose of forming an audit opinion. They included a review of the internal controls and accounting systems and procedures, only to the extent considered necessary for the effective performance of the audit. The audit work did not involve a detailed review of all aspects of PAHO's budgetary and financial information systems. Our findings therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.
- 7 The main observations and recommendations from our audit are set out below. Our recommendations are summarized in Annex A. Follow up of actions taken by management in response to the recommendations included in our Interim Report (December 2012) are set out at Annex B.
- 8 The 2012 financial statements correspond to the first year of the Spanish Court of Audit's appointment as the external auditor of PAHO. We have followed the United Nations protocol for hand over arrangements with our predecessors, the National Audit Office of the United Kingdom, and we grateful their cooperation in those arrangements.
- 9 We would also like to thank PAHO for their professional and constructive approach to the external audit relationship this first year of our engagement. We trust PAHO's management keep consistently engaged with the audit process and seek to improve processes and procedures in response to our audit recommendations.

1.3. Summary of Main Findings

- 10 In this report we have commented upon the Organization's financial position; governance matters; PALTEX Program and our findings with respect to Country Offices.
- 11 Regarding Country Offices, we have noted that the internal control environment across the Country Office network as a whole is adequate but we have drawn attention to the importance of achieving a full compliance of the IPSAS accruals basis as well as of procurement and courses and seminars regulations. We have recommended that PAHO continue taking action to reinforce the understanding of IPSAS accrual concepts and to ensure that single source procurements are minimized and the reasons for resorting to such procurement actions are properly documented.
- 12 We consider that PAHO is still exposed to exchange rate risk in a number of transactions and we think that PAHO should consider the possibility of hedging the exchange rate risk.
- 13 The situation of the PMIS Project has changed with the approbation of the new Business Case which contains all the parameters needed to understand the PMIS project and entails a great step forward in the PMIS Project. However, PAHO should make an effort to streamline it and, if possible, shorten the timing of implementation of ERP Project and especially, the pre-implementation phase. PAHO should also begin the necessary analysis to determine the steps to take in the future first phase.
- 14 The Enterprise Risk Management (ERM) Project should be considered as an institutional procedure integrated into organizational processes. ERM should be funded with sufficient resources to allow the complete implementation of the Project.
- 15 PAHO needs to update the E-Manual in order to provide all PAHO personnel with all information regarding all PAHO's policies and procedures, readily available in one single document and in an adequate format. We have recommended that PAHO proceed to update the E-Manual with all policies and procedures involve in PAHO's management.
- 16 The Pan American Sanitary Conference mandated the consolidation of the overall management and administration of all aspects of the PALTEX Program back to PAHO, including its assets, administration, operations, inventory, procurement and finance.

PAHO should analyze the current functioning of the Program and taking into account the increasing consumption of digital media (eBook, mobile and computer applications, online books, etc.) versus traditional publishing (books on paper), and the growth of social networks where content is shared and where the users interact.

We believe that PAHO should consider making a study on the technical and economic viability in the future of PALTEX Program.

2. Financial review

17 The Director's Comments on the Financial Statements provide a comprehensive analysis of the financial performance of the Organization for 2012. We review the financial analysis provided for consistency with the information contained in the Consolidated Financial Statements and offer some further analysis to aid users.

18 From our audit of the Consolidated Financial Statements we have identified a number of matters that we consider appropriate to highlight in this report:

- In financial year 2012, the first year of the biennium, PAHO had a net surplus of 8.875 USD million.
- During 2012, the total revenue Procurement of Public Health Supplies increased 23%, up to 562.4 USD million compared with 455.9 USD million in 2011. Through extensive international bidding, PAHO is able to purchase vaccines, public health supplies and equipment on behalf of Member States and international institutions at affordable prices. These revenues are the main relevant accounting line item which represents the 57% of the overall balance of revenues. The relative importance of these accounting line items did not have relevant changes between 2011 and 2012.
- Revenues also disclose an important increase in the balance of Miscellaneous Revenue at 31 December 2012 compared to 2011, from 1.5 USD million to 20.1 USD million at the end of 2012. This figure includes the value of PALTEX program, 17.8 USD million, recognized as a gain.
- Miscellaneous Revenue includes foreign currency revaluations, exchange rate gains and losses, interest earned, realized gains and losses, and gains and losses from the sale of property, plant and equipment. Nevertheless, as the Miscellaneous Revenue item just represents 2.1% of the whole amount of revenues, it does not have an important impact in the final revenues figures.
- Finally, total revenue had increased from 838.4 USD million in 2011 to 978.5 USD million, which represent a relative variation of 16.7%.
- PAHO's expenses increased by 15.9% from 836.32 USD million in 2011 to 969.7 million as at 31 December 2012.

- Staff and other personnel costs have grown by 14.9%, from 162 USD million in 2011 to 187 USD million in 2012, due to an increase in international and national staff expenditure. The cost of either consultants or temporary staff has no increase undergone.
- Procurement expenses (supplies, materials and commodities), have increased 16.6%, in line with general increase of expenditure in the Organization. However, travel costs have increased in 30%, from 53 USD million in 2011 to 69 USD million in 2012. Transfers and grants to counterparts have increased also 28.8% (from 33 USD million in 2011 to 43 USD million in 2012).
- Contract Services has decreased from 106.6 USD million in 2011 to 93 USD million in 2012 (12.75%).
- PAHO's cash balances have grown by 54% up to 160.9 million in 2012 (recovering 2010 levels). This partially offset a decrease in investments, both short and long term (27.7 million), and a reduction in the balance of Accounts Receivables (121.6 million). The reduction of Account Receivables is explained by a significant decrease in the Voluntary Contributions funds.
- Although PAHO has sufficient resources to meet its financial obligations (175.3 USD million in Fund Balances and Reserves, 32% over the figures of 2011), financial stability of the entity requires a close monitoring of the significant decrease of those assets. If this becomes a tendency, PAHO should take the necessary steps to ensure the continuity of its activities and projects.
- There has been a large increase in the Inventories amount caused by the inclusion of the PALTEX program, as well as a significant revaluation in a specific asset of Property, Plant and Equipment which increased a net figure of 16.9 million between financial years (16%).
- The Long Term Investments balance stands at 215.5 USD million, which should be adequate to meet the PAHO needs disclosed as long term liabilities.
- Employee benefits liabilities have increased in 2.6%. Thus, the 180 USD million shown in 2011 has hiked to a 186 USD million liability. Behind this figure, the value of Plan assets is a 47.1% higher (26 USD million to 39 USD million) as the Organization continues contributing to the Plan. However, the value of the defined benefit obligation has raised 8.5% (281 USD million to 305 USD million).

The increase in liabilities is caused by the rising of medical-costs and expectations of a low return on investments due to the global economic situation.

- For PAHO, facing the future funding of this liability is a financial challenge. However, in a short-term perspective PAHO has enough resources to fund the employee benefits of the staff.

3. Country Offices

3.1. Introduction

- 19 PAHO is present in more than 30 countries throughout the Region of the Americas. PAHO operations and project implementation at a country level is managed by its network of Country Offices and Centers and it funds its operations using regular budget allocations as well as project funds. The cumulative disbursements by these Offices in 2012 was 214.4 million (2011: 199 USD million) which is a significant component of PAHO's reported activity and we, thus, carry out field visits to obtain assurance on controls over locally managed funds and expenditure.
- 20 Our selection of Country Offices is determined by a risk assessment which takes into consideration of the level of expenditure, the length of time since our previous visit and discussions with Headquarters staff. We also take into consideration the recent visits and findings from the Office of Internal Oversight and Evaluation Services.
- 21 During 2012, we visited the Costa Rica and Brazil Country Offices. At the conclusion of each visit, we presented the management of the Country Office with our findings and recommendations. Management has been encouraged to respond and set out a clear action plan to implement or follow up the points that we have raised. This was the third consecutive year that external auditors have visited the Brazil Country Office but we considered this to be necessary because this Office is responsible for the largest proportion of PAHO's expenditure, apart from Headquarters.
- 22 In addition, in course of the field work of the audit developed in HQ we have reviewed documentation regarding activity of all Country Offices.
- 23 In 2012, an Agreement was signed between the Caribbean Public Health Agency (CARPHA) and PAHO in execution the PAHO's 50.14 Directing Council Decision. As a result, in 1 January 2013 the Caribbean Epidemiology Center (CAREC) and the Caribbean Food and Nutrition Institute (CFNI), both administered by PAHO were decommissioned and transferred to the Caribbean Public Health Agency (CARPHA). We have prepared the Letters of Confirmation on the Statements of Financial Position

at 31 December 2012 for the Caribbean Epidemiology Center (CAREC) and the Caribbean Food and Nutrition Institute (CFNI).

Nevertheless, PAHO's Consolidated Financial Statements include all Financial Statements of these Centers in 2012.

- 24 We reviewed the recommendations that the former external auditor (National Audit Office) had made after their previous visits to the Brazil Country Office in 2010 and 2011, and we can state that considerable improvements have been achieved, particularly in understanding the accrual process and its correct application.

3.2. Exchange rate risk

- 25 PAHO financial transactions are conditioned by some economic factors regarding foreign exchange market. For instance, international currencies market, economic situation at a country, regional and global level, national banking rules and currency regulation of each country, could be mentioned.
- 26 The functional and reporting currency of the organization is the USD. Also, PAHO applies the United Nations Official Exchange Rate (UNORE), periodically updated, for all accounting matters.
- 27 Management's answer to this issues result in a variety of actions. We mention, among others:
- Policies to define the treasury management. In general terms Country Offices maintain a maximum 30 days limited amount of cash balances, and every excess of local currency funds are converted to USD.
 - A very prudent investment policy to ensure a maximum level of safety, an adequate level of liquidity and returns.
 - Preferred relationship with an international wide international bank. This allows PAHO to manage banking transactions in an efficient way.
 - Implemented tools to execute payments: Automatic Clearing House (ACH), wire transfers, credit cards, checks, etc.

- 28 Nevertheless, we consider that PAHO is still exposed to exchange rate risk in, at least, three different types of transactions:
- When selling USD to buy local currency. This type of transactions is made several times a year, depending on disbursement needs of each Country Office.
 - When collecting contributions agreed in a non USD currency (as the functional currency of PAHO is USD).
 - When selling local currency to buy USD, for example in case of excess of cash balance in local currency accounts.
- 29 The level of risk depends on the range of the fluctuation of the currencies and the activity of the organization in each country. The fact is that the exchange rate risk for PAHO is especially noted in some Countries (Brazil, Colombia, Venezuela)
- 30 Moreover, WHO E-manual regulates in its Chapter X.1.2 the management of exchange rate risk. WHO E-Manual suggests the use of some derivatives as hedging tools like collars or forwards to reduce the impact of movements in different exchange rate.
- 31 Despite the fact that management has studied reports about proposals to address this risk. A decision has not been made yet.
- 32 In our visit to the Brazil Country Office, we noted some banking operations regarding the selling of excess Brazilian reals (BRL) in order to maintain in the current account only the amount of the local currency needed to satisfy the Brazil Country Office requirements for 30 days. As a result, the PAHO was exposed to exchange rate risk and made the currency exchange transaction in an unfavorable situation.

Recommendation 1: Consequentially, and given the important monetary amount of those operations, we recommend that PAHO consider the possibility of hedging the exchange rate risk. PAHO, as advised by the Investment Committee, might consider, among others, the following options to address the exchange rate risk:

- **The use of financial derivatives (forwards, collars, cap, floor) to hedge exchange rate risk.**
- **Investing locally in case the investments comply with the conservative investing policies of the organization. We encourage keeping a prudent investment policy.**

- Increasing temporarily the local currency balances, in order to minimize the currency exchange risk.

3.3. Letters of Agreement

- 33 The policy for utilizing letters of agreement is very variable and is currently under review.
- 34 During our visit to the Brazil Country Office, it was not possible to give an opinion as to whether the work performed by letters of agreement fits within the exclusions specified by the E-Manual and we were not able to check if people hired to perform the job were employees of public institutions.
- 35 We identified that there is a risk that letters of agreement could be used for other purposes than those for which they were created if a clearly defined policy is not approved and that letters of agreement funds might have been used to pay for services rendered by people employed by an institution of the public sector.

Recommendation 2: We recommend that the E-Manual define exclusions for the use of letters of agreement in a clearer way in order to avoid the misuse and the misunderstanding of this valuable cooperation instrument. We suggest to specify what services should be excluded from the use of letters of agreement and to establish control mechanisms to make sure this is observed.

3.4. Courses and Seminars

- 36 The definition of courses and seminars is not clear in PAHO procedures, and it is neither updated nor completely adapted to the real needs of the Country Offices. Furthermore, since the category of courses and seminars is neither clearly defined nor updated and since there are different ways to record it in the accounting system, there is a risk related to the control and monitoring of this issue.

Recommendation 3: In order to have a better understanding and control of the category of “Courses and seminars”, they should be channeled through Letters of Agreements if they

are carried out by external entities or through service contracts if they are carried out by PAHO and for PAHO staff. Therefore, we recommend PAHO to reconsider the current concept and regulation of this important category.

3.5. Contractual Service Agreement

37 In our audit work, we saw that the Country Offices very often used contractual service agreements to obtain technical products, and in some cases there was not enough transparency in the selection process. In addition, we noticed that in HQ the justification to award some service contracts to a sole source is very weak and does not prove that the contractor is “the best to meet PAHO's requirements stated in the request for proposals or invitation to bid at the lowest price” as is required in the E-Manual.

The percentage of service contracts awarded in HQ on a sole source is quite high (236 out of 296) in 2012.

Recommendation 4: We recommend using a more open selection process with, at least three offers, as it is established in the PAHO procurement process. In those cases in which there is only one candidate because of the high specialization required, this should be clearly justified.

3.6. Accounting

38 Under IPSAS, entities are required to recognize expenditure in the Financial Statements on an accrual basis. Although we recognize the improvement of the accrual concepts understanding, there remains a certain level of error in its application. Also we have noted the existence un-identified pre-pays.

Recommendation 5: We recommend that PAHO continue reinforcing the training on IPSAS concepts and keep a close oversight of those units with a higher risk.

4. Governance Matters

39 There are mechanisms on which the Governing Bodies of every international organization rely to supervise the effectiveness of its activity. We have analyzed these mechanisms as part of our audit.

4.1. Pan American Sanitary Bureau (PASB) Management Information System (PMIS)

4.1.1. Background

40 The key dates in the process for modernising the Pan American Sanitary Bureau (PASB) Corporate Management System, have been the following:

- In 2008, the 48th Directing Council authorised to perform analysis for modernising the Pan American Sanitary Bureau (PASB) named Management Information System (PMIS) Modernisation Project.
- In 2010, the 50th Directing Council approved an Enterprise Resource Planning (ERP) System. The project estimated budget was of 20.3 USD million.
- On 8 June 2011 the Director formally announced the launch of the PASB Management Information System (PMIS). The implementation schedule envisaged had two phases: Pre-implementation Phase (June 2011 – mid 2012) and Implementation Phase (mid 2012 – mid 2014).

41 Despite the considerable effort that was put into producing a number of important outputs, some key elements of the pre-implementation phase was not delivered as planned and the project schedule was not met. Furthermore, PAHO had not produced a fully articulated business case supporting the need for an ERP and the related costs and benefits, detailed project plans, clearly defined and designated project resources, including staff resources, and careful monitoring of progress, risks and other issues affecting the project's timetable and costs.

- 42 Finally, the estimated costs after selecting a vendor, the provisionally selected systems integration (Tier 1 solution) vendor and other expenses calculated by PAHO, added up approximately 29.4 USD million, an amount much higher than the initially estimated budget (20.3 USD million).

4.1.2. Status of the Enterprise Resource Planning (ERP) System

- 43 Given the above background and in order to resolve the situation described, in October 2012, PAHO appointed the business case analysis team, whose members, under the guidance of the PMIS Steering Committee, were the major business process owners, which included the Project Manager and Focal Points of the following Areas: Planning, Budget and Institutional Development (PBI), Financial Resources Management (FRM), Human Resources Management (HRM), Procurement and Supply Management (PRO), Information Technology Services (ITS), and Country Offices. The business case analysis team was supported by external advisers.

This implied that most of the work previously done was not useful for PAHO. At that point, the project had spent approximately 1.1 USD million against the estimated ERP's budget 20.3 USD million.

- 44 In January 2013, the Business Case document was presented which included the necessary information for the Member States and PAHO's staff to know the advantages of the resources planning system. This involved the information relating to PAHO's activity, which implies a business transformation, organizational re-engineering and the consolidation of the software applications and procedures used by the Organization.
- 45 On 19 February 2013, the Director changed the responsibility and structure of the PMIS project team. The new project structure is the following:
- Executive Sponsor of the project: Director of Administration.
 - Project Charter: Will be reviewed and revised by the Steering Committee in accordance with the new structure.

- Project Management: Will be managed going forward by a new team established within the office of the Director of Administration. The Project lead will be the manager of Information Technology Services (ITS)

4.1.3. Key Goals

46 The overall goal of the project is considered to be six fold¹:

- Enhancing Technical Cooperation program management;
- Reducing process complexity and providing an opportunity to redirect resources to better focus on PAHO's mission;
- Streamlining the organization's business processes to reduce cycle times and process steps as well as the burden on process actors;
- Reducing labor in key administrative functions and increasing the efficiency of operations
- Improving access to and quality of information; and
- Decentralizing decision making while increasing accountability for results.

4.1.4. Project Scope

47 The project scope covers all geographic levels of the organization: regional/headquarters; sub-regional; and country, and includes the replacement of existing information systems as well as supporting workflow tools that support the following areas:

- Program, planning and management.
- Budget.
- Finance.

¹ Terms of Reference: Business Case PASB Management Information System (PMIS) Modernization Project. January 28, 2013.

- Procurement.
- Human resources.
- Organizational learning.
- Payroll.
- Travel.
- Data Warehouse capabilities.
- Customer relationship management.
- Talent management.

48 The business case provides the following timetable:

- Pre-implementation phase (March – September 2013). This phase will include: investigate suppliers of mid-tier ERP software; preparing the streamlining of the request for proposal focused at Tier 2; clean the data; expanding communications; and starting the change management process. Additionally, in this phase will begin the data preparation process (including identification of missing data, identification of duplicate data and evaluation of data quality).
- First phase (October 2013 – September 2014). In this phase will take place the replacement of the systems supporting Program Planning and Management, budget, Finance and Procurement.
- Second phase (October 2014 – September 2015). In this phase Human Resources and Payroll System will be replaced.

4.1.5. Source of Funding

49 The PMIS Project budget is 20.3 USD million. This amount was presented to the 2010 Directing Council. The main source of funding is a Holding Account (10 USD million), which contained surplus funds from the 2006-2007 biennium; the remaining 10 USD million come from a combination of a charge against occupied posts and funds resulting from the implementation of International Public Standard Accounts (IPSAS) in 2010-2011. Of this amount, the expense already incurred in external advisor and business case development was approximately 1.1 USD million.

50 PAHO has tried to adapt the project cost to the amount approved by the 2010 Directing Council (20.3 USD million). The new business case document contains a comparative analysis of the estimated cost in the original project (29.3 USD million); adding the annual proposed recurring ERP costs (8.8 USD million), such as changes in staff, software, hardware, services and maintenance, bandwidth, backfill, disaster recovery, implementation, contingency, depreciation and amortization; and the annual operating reductions (5.2 USD million), basically by changes in staff, software and services and maintenance. Therefore, this analysis shows that PMIS will not recover its initial investment.

As a consequence, PAHO has chosen as ERP suppliers those who target the mid-tier or mid-market and are focused on firms with annual sales between 100 USD million and 1 USD billion (Tier 2 solution). This kind of ERP of Tier 2 alternative solution is estimated to meet the needs of the organization and its business.

The cost of implementing ERP Tier 2 rises to around 20 USD million, so it would be in line with the original budget envisaged for the project. PAHO had contacted with five Tier 2 suppliers, and at the time of writing this report had rejected three of them.

4.1.6. Audit Review

51 The situation of the PMIS Project has changed with the approbation of the new Business Case. The previous Project had not correctly defined key aspects such as the identification of costs, including post-maintenance costs, expected benefits to generate, identified risks and the risks mitigation of each identified risk, among others aspects.

After analyzing the current Business Case, in our view it contains all the parameters needed for acquiring a comprehensive knowledge of the PMIS project, with details about the source of funding, the project approach, the key goals, the key changes in practices, the project cost and cost benefit analysis, among others topics.

52 In conclusion, the new business case is a great step forward in the PMIS Project. However, it is basically a document which outlines the preliminary phase of the project. PAHO should begin the necessary works to define the steps to take in the

coming first phase. Furthermore, PAHO should define indicators or targets in order to enable monitoring the progress in ERP's implementation.

- 53 From our point of view and based on our experience in auditing public sector organizations with ERP system implemented, executive level support at the beginning and throughout the project, is very important. Also, we consider that the implementation of an ERP Project in an organization as complex as PAHO requires the efforts and commitment of all staff members. Therefore, it is necessary that the staff be informed about the project progress, its advantages, benefits and cost, and also the staff's training be planned well in advance.
- 54 Regarding the timing of implementation of ERP, we believe that PAHO should make an effort to complete it and, if possible, shorten the time frame. In that sense, the pre-implementation phase is critical. The correct election of Tier 2 supplier, the change management process, the choice of the best fit for the core ERP software and the clean data process should begin as soon as possible. The compliance with the envisaged schedule is very important because some of the current software applications used by the Organization are outdated and unable to support the information and financial statements based on IPSAS, resulting in a complex and difficult process for preparing the financial statements, as well as in manual operations and off system adjustments (depreciation assets, accruals based, capitalization of tangible and intangible assets, etc.). Moreover, 2015 is a year of completion of a biennium, therefore, it would be desirable for the ERP system to be installed and running correctly in the next biennium.

Recommendation 6: We recommend that PAHO focuses its efforts in order to comply with the estimated deadline in the pre-implementation phase as a priority issue. That phase is the most important as it defines the comprehensive change management and the structure of the whole ERP project.

Recommendation 7: We recommend that PAHO increase its communication and information actions through all levels of the Organization. It is necessary for the staff to be informed about the project progress, its advantages, benefits and cost, and the training to be planned well in advance.

Recommendation 8: We recommend beginning the necessary analysis to determine the steps to take in the coming first and second phases. PAHO should define indicators or targets in order to enable monitoring the progress in ERP's implementation.

4.1.7 Conclusions

- 55 The situation of the PMIS Project has changed with the approbation of the new Business Case. The previous Project had not correctly defined key aspects such as the identification of costs, including post-maintenance costs, expected benefits to generate, identified risks and the risks mitigation of each identified risk, among others aspects.
- 56 The current Business Case contains all the parameters needed for acquiring a comprehensive knowledge of the PMIS project, with details over the source of funding, the project approach, key goals, key changes in practices, project cost and cost benefit analysis, among others topics. In conclusion, the new business case is a great step forward in the PMIS Project.
- 57 However, the business case is basically a document which outlines the preliminary phase of the project. The following elements should be developed to ensure the success of the ERP Project:
- The support of the executive level must continue throughout the project. The efforts and commitment of all staff members are very important. Also, it is necessary for the staff to be informed about the project progress, its advantages, benefits and cost, and the training to be planned well in advance.
 - PAHO should make an effort to fill it out and, if possible, shorten the timeframe of the implementation of ERP Project and especially, the pre-implementation phase. The correct election of Tier 2 supplier, the change management process, the choice of the best fit for the core ERP software and the data cleansing process should begin as soon as possible.
 - Compliance with the envisaged schedule is very important as some of the current software applications used by the Organization are outdated and unable to support the information and financial statements based on IPSAS, resulting in a complex and difficult process for preparing the financial statements, as well as in manual operations and off system adjustments (depreciation assets, accruals based, capitalization of tangible and intangible assets, etc.). Moreover, 2015 is a year of the completion of a biennium, therefore, it would be desirable that the ERP system would be installed and running correctly in the next biennium.

- PAHO should begin the necessary analysis to determine the steps to take in the future first phase. Furthermore, PAHO should define indicators or targets in order to enable monitoring the progress in ERP's implementation.

4.2. Enterprise Risk Management

58 The first steps for creating a risk management framework in PAHO were taken in 2010. During 2011 a framework based upon ISO3100 was adopted (a set of internationally recognised standards, which provide principles and guidelines on risk management).

59 A conceptual framework for the risk management strategy was approved and a Senior Risk Management Committee was established in November 2011. The first meeting of the Committee took place in November 2012. In that meeting the following issues were presented to the Committee:

- Background.
- Scope: PAHO Enterprise Risk Management covers all PAHO entities and applies to all staff involved in program and operations activities in HQ and Country Offices.
- Definitions and targets of the risk management framework.
- Risks detected with details of areas affected and setting out of the proposed mitigating action, taking into account existing controls and responsibilities.
- Enterprise Risk Management Information System: software used in the risk management process.
- Training workshops provided to staff.
- The drawing up of a Risk Management Policy document was also communicated.

60 Currently, a key meeting among the PAHO's Director, the Director of Administration and the person responsible for the project, concerning the next steps of the Enterprise Risk Management is pending. The issues to be discussed are the document called "Top PAHO Corporate Risks" and the Draft of the Enterprise Risk Management Policy that will be included in the E-Manual. That Policy will include, among other

aspects, the scope, the risk management framework, the policy and essential procedures and the primary responsibilities in PAHO.

- 61 The implementation of the system continues relying upon the efforts of only one key member of staff, who, besides, is close to his retirement age. Currently, around 50% of all PAHO units have been trained and have received the assistance required to properly understand how to manage the organization's risk effectively and to sustain that skill and knowledge, having this training been delivered by this key member.
- 62 However, we believe that the following issues should be resolved as soon as possible:
- PAHO should define the Risk Management as an institutional procedure integrated in the organizational processes, in order to ensure that the organization sustains a comprehensive understanding of its risks.
 - The resources devoted to the implementation of the system may not be sufficient to ensure that the risk management concept is integrated in PAHO's culture. The above is aggravated by the fact that only one staff member has been working on the project since its beginning, and this person is not far from retirement age.
 - It would be useful to establish a timetable for the next steps to take to achieve success in the project

Recommendation 9: We recommend that the PAHO's Director should define the Risk Management as an institutional process, thus demonstrating the commitment, the support as well as the importance of this project within the whole Organization.

Recommendation 10: We recommend that the Draft Risk Management Policy be adopted as soon as possible.

Recommendation 11: We recommend that PAHO create a Risk Management Unit to develop the management risk functions and review the resources devoted to the implementation and maintenance of the system to ensure success when the system will be fully operational.

4.3. E-Manual

- 63 PAHO has different regulations: the E-Manual, directives, rules, several policies and numerous guidelines. We have also noticed that some Country Offices have their own procedures and guidelines.
- 64 The fact that there is not a comprehensive and updated E-Manual makes difficult to perform PAHO's mission in a reliable legal environment.
- 65 PAHO needs to have all information regarding its policies and procedures readily available in one single document and in a useful format. The E-Manual should be the single and unified source of information on policies and procedures that directs PAHO personnel in the conduct of their responsibilities to achieve the Organization's Strategic Objectives.
- 66 Policies included in the E-Manual should be consistently reviewed and applied to support an effective management.

Recommendation 12: PAHO needs a comprehensive E-Manual to provide guidance and assistance to all staff in the implementation of the PAHO values of equity, excellence, solidarity, respect and integrity. We recommend that PAHO proceed to update the E-Manual with all policies and procedures involve in PAHO's management.

4.4. PALTEX Program

4.4.1. Background

- 67 The Expanded Textbook & Instructional Materials Program (PALTEX) is a joint Program of the Pan American Health Organization (PAHO) and the Pan American Health and Education Foundation (PAHEF).
- 68 The Pan American Health and Education Foundation, created by PAHO in 1968, is a U.S.-based nonprofit organization that builds public health expertise leading to innovative development of healthier generations in the Americas by partnering with PAHO, the private sector, and major public health research, policy, and development

groups. As an independent organization, PAHEF supports PAHO's vision of health for all.

- 69 PALTEX is functioning since 1968 and its main objective is to support and to improve the quality of educational process, through the provision at affordable prices of relevant educational materials (print materials, basic diagnostic instruments, textbooks for professionals and student and other publications) that are pertinent, accessible and updated, to students and health workers throughout Latin America and Caribbean countries, as part of PAHO's technical cooperation.
- 70 Currently, PAHO has signed Agreements with 19 Latin American and Caribbean member countries to operate PALTEX; and a Memorandum of Understanding with 570 participating institutions (universities, schools, hospitals, medical associations, etc.).
- 71 Purchases of books and medical equipment were managed by PAHEF. For distribution, inventory control, relationship with institutions and sale of materials PAHEF used the PAHO's infrastructure. Expenses, revenues and surplus from the program, were recorded in the financial statements of PAHEF until 31 March 2012.

4.4.2. Status as from April 1, 2012

- 72 The Pan American Sanitary Conference, by Resolution CSP28.R3 of September 19, 2012, mandated the consolidation of the overall management and administration of all aspects of the PALTEX Program back to PAHO, including its assets, administration, operations, inventory, procurement and finance.
- 73 Even though the PALTEX Asset Transfer Agreement was signed between PAHEF and PAHO on 5 November 2012, the implementation and management of the PALTEX Program by PAHO took effect on 1 April 2012.
- 74 The Program funds were transferred to PAHO after the Agreement was signed. Three types of assets were transferred: Cash 9.721 USD million, Inventory 7.633 USD million and Fixed Assets 0.433 USD million. All assets transferred to PAHO for the PALTEX program have been treated as an acquisition and properly recognized as a gain in the income statement, rising to an amount of 17.787 USD million.

- 75 A physical inventory was made on November 30, 2012 by internal PALTEX staff. The inventory value was of 7.998 USD million.
- 76 At December 31, 2012, PAHO recorded an allowance for obsolete/damage in the inventory of 1.322 USD million.

4.4.3. Audit Review

- 77 We have analyzed the information given by PAHEF to PAHO to supporting figures concerning assets to be transferred to PAHO. This information consists of Financial Report for December 31, 2011 audited by McGladrey Company and Statement of Financial Position as of March 31, 2012.
- 78 We have confirmed the consistency of the figures supplied for both periods, according to the disclosure of the statements and the activity of PAHEF concerning PALTEX program.
- 79 The necessary documentation to support data shown in Financial Statements has not been available. Therefore it has not been possible to contrast the accuracy of the figures. Nevertheless, Financial Report for 2011 has been audited and found to be in right terms.
- 80 Regarding figures provided as of March 31, 2012, they have been compared with the previous as of December 31, 2011 and the variations found are not relevant.

The Agreement signed November 5, 2012, between PAHEF and PAHO, accepts the valuation supplied by PAHEF of the assets to be transferred to PAHO.

- 81 We agree to the way in which the operation has been recorded in the accounting system. In the absence of a current IPSAS dealing with this type of transaction, the subject matter falls within the scope of International Financial Reporting Standards number 3 (Business Combination).
- 82 In relation to the objectives of PALTEX Program, PAHO should analyze whether the current structure (relationship between Head Quarters, Country Offices participating institutions and editorial companies) is the most appropriate after the transfer of the

program from PAHEF to PAHO. To perform the above analysis, PAHO should consider the increasing consumption of digital media (eBook, mobile and computer applications, online books, etc.) versus traditional publishing (books on paper), and the growth of social networks where content is shared and where the users interact

Recommendation 13: Due to different valuation of the PALTEX Program inventory and the concern that it would contain obsolete, damaged or lost books, we recommend PAHO to carry out a physical inventory control by an independent party.

Recommendation 14: We consider that PAHO should strengthen the control over the books inventory. Currently, all the operations are registered manually by the PALTEX staff by means of software program. We recommend the use of electronic control systems, using bar code reader that provides accurate information about the inventory.

Recommendation 15: We suggest that PAHO perform a study on the technical and economic future viability of PALTEX Program. In addition to analyzing whether the revenues obtained cover expenses for operation, the Organization should analyze the increasing consumption of digital media versus traditional publishing.

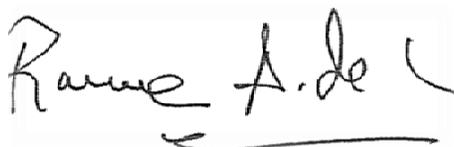
5. Follow up of prior year recommendations

- 83 The National Audit Office (NAO) report for 2011 contains a number of recommendations about PAHO's management. As part of our work we have followed up the progress that PAHO has made in implementing these. The detailed follow up, including both the response from PAHO and our comments thereon, is set out in Annex B.
- 84 Overall we are of the opinion that PAHO has responded appropriately to NAO previous recommendations and is taking steps to address the issues raised. We conclude that PAHO has responded positively to recommendations regarding the ERP and IES. Recommendations about strengthening PAHO's internal review procedures and understanding about accruals concept; compliance of procurement procedures in Country Offices and ERM are either partially implemented or in progress.

Acknowledgement

We wish to record our appreciation for the co-operation and assistance provided by the Director and the staff of the Organization during the course of our audit.

Madrid, April 12, 2013

A handwritten signature in black ink, appearing to read 'Ramón A. de Miranda García', with a horizontal line underneath.

Ramón Álvarez de Miranda García

President of the Spanish Court of Audit

Annex A - Summary of Audit Recommendations

Recommendation 1: Consequentially, and given the important monetary amount of those operations, we recommend that PAHO consider the possibility of hedging the exchange rate risk. PAHO, as advised by the Investment Committee, might consider, among others, the following options to address the exchange rate risk:

The use of financial derivatives (forwards, collars, cap, floor) to hedge exchange rate risk.

Investing locally in case the investments comply with the conservative investing policies of the organization. We encourage keeping a prudent investment policy.

Increasing temporarily the local currency balances, in order to minimize the currency exchange risk.

Recommendation 2: We recommend that the E-Manual define exclusions for the use of letters of agreement in a clearer way in order to avoid the misuse and the misunderstanding of this valuable cooperation instrument. We suggest to specify what services should be excluded from the use of letters of agreement and to establish control mechanisms to make sure this is observed.

Recommendation 3: In order to have a better understanding and control of the category of "Courses and seminars", they should/could be channeled through Letters of Agreements if they are carried out by external entities or through service contracts if they are carried out by PAHO and for PAHO staff. Therefore, we recommend PAHO to reconsider the current concept and regulation of this important category.

Recommendation 4: We recommend using a more open selection process with, at least three offers, as it is established in the PAHO procurement process. In those cases in which there is only one candidate because of the high specialization required, this should be clearly justified.

Recommendation 5: We recommend that PAHO continue reinforcing the training on IPSAS concepts and keep a close oversight of those units with a higher risk.

Recommendation 6: We recommend that PAHO focuses its efforts in order to comply with the estimated deadline in the pre-implementation phase as a priority issue. That phase is the

most important as it defines the comprehensive change management and the structure of the whole ERP project.

Recommendation 7: We recommend that PAHO increase its communication and information actions through all levels of the Organization. It is necessary for the staff to be informed about the project progress, its advantages, benefits and cost, and the training to be planned well in advance.

Recommendation 8: We recommend beginning the necessary analysis to determine the steps to take in the coming first and second phases. PAHO should define indicators or targets in order to enable monitoring the progress in ERP's implementation.

Recommendation 9: We recommend that the PAHO's Director should define the Risk Management as an institutional process, thus demonstrating the commitment, the support as well as the importance of this project within the whole Organization.

Recommendation 10: We recommend that the Draft Risk Management Policy be adopted as soon as possible.

Recommendation 11: We recommend that PAHO create a Risk Management Unit to develop the management risk functions and review the resources devoted to the implementation and maintenance of the system to ensure success when the system will be fully operational.

Recommendation 12: PAHO needs a comprehensive E-Manual to provide guidance and assistance to all staff in the implementation of the PAHO values of equity, excellence, solidarity, respect and integrity. We recommend that PAHO proceed to update the E-Manual with all policies and procedures involve in PAHO's management.

Recommendation 13: Due to different valuation of the PALTEX Program inventory and the concern that it would contain obsolete, damaged or lost books, we recommend PAHO to carry out a physical inventory control by an independent party.

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Recommendation 15: We suggest that PAHO perform a study on the technical and economic future viability of PALTEX Program. In addition to analyzing whether the revenues obtained

cover expenses for operation, the Organization should analyze the increasing consumption of digital media versus traditional publishing.

Annex B - Implementation of Prior Year Recommendations

We reviewed management's implementation of recommendations made by former external auditor in prior year long form report. We have summarized the response and provided our evaluation, based on the audit work we have undertaken in respect of internal controls.

| Subject | Audit Recommendation | Management Response (May 2012) | Update as of 2 April 2013 | External Audit Comments |
|--|---|--|---|--|
| <p>Country Office Visits Identification of Accrued Expenditure</p> | <p>Recommendation 1: We recommend that PAHO continues to impress upon key staff across the Organization the importance of understanding the accruals concept and obtain complete and relevant evidence to support the level of accrued expenditure reported at the year end. PAHO should also consider further strengthening their internal review procedures in view of the errors which continue to be made.</p> | <p>PAHO will continue to impress upon key staff across the Organization the importance of understanding the accruals concept and obtain complete and relevant evidence to support the level of accrued expenditure reported at the year end. PAHO will also continue to further strengthen internal review procedures in view of the errors which were identified.</p> <p>FRM will continue to strengthen the training program in both headquarters and the country offices. In addition, the Country Accounting Services Team (FRM/AR/C) will dedicate a portion of their country office visits to accrual review training and the Accounts Team (FRM/AR/P/W) will visit technical units in headquarters to reinforce the accrual concepts.</p> | <p>In conjunction with the response provided in May 2012, the following was completed:</p> <ul style="list-style-type: none"> • During the month of September, Elluminate sessions were conducted on the expense recognition process emphasizing the concept of accrual accounting, the relevance of technical officers' participation in the identification of accrued expenses, as well as supporting documentation requirements. FRM conducted a live test on expense recognition in October 2012. The • Country Accounting Services Team (FRM/AR/C) issued several documents to be used by the country offices and centers in the analysis of obligations for the expense recognition requirements. • PAHO provided on-site training on expense recognition during the CAS country offices visits in 2012. The | <p>Although we recognize the improvement of the accrual concepts understanding, it remains a level of error in its accounting.</p> <p>Partially implemented</p> |

| Subject | Audit Recommendation | Management Response (May 2012) | Update as of 2 April 2013 | External Audit Comments |
|--|--|--|--|--|
| | | | <p>country offices visited were Argentina, Chile, Mexico, Colombia, Haiti, El Salvador, and Ecuador.</p> <ul style="list-style-type: none"> • FRM/AR/C provided assistance via telephone on the completion of the expense recognition process in December 2012. • Supporting documentation was reviewed for 25% of the highest value accrued obligations in each country office. • Allottees were requested to re-certify the accuracy of the reported accrued expenses during the 2012 exercise (completed 7 January 2013). | |
| <p>Country Office Visits Internal Controls</p> | <p>Recommendation 2:</p> <p>We recommend that PAHO puts measures in place to ensure that staff throughout the Organization comply with laid down procurement procedures. This will ensure that PAHO makes the most effective use of its resources and receives value for money from its purchases. Particular emphasis should be placed on ensuring Letters of Agreement are used appropriately and on the prevention of single source tendering. Where single source procurement is used the reasons for such action should be clearly documented.</p> | <p>With a view toward ensuring effective awareness, the Area Planning, Budget and Resource Coordination (PBR) undertakes regular training (at least twice per year) regarding the use of Letters of Agreement. PBR will collaborate with corresponding entities (for example, the Office of Country Focus Support (CFS), Office of Legal Counsel (LEG), Office of Internal Oversight and Evaluation Services (IES), Office of Administration (AM), the Areas of Financial Resources Management (FRM), Procurement and Supply Management (PRO)) to address accountability and compliance issues. Training is ongoing at six monthly intervals. Internal</p> | <p>During 2012, the Area of Planning, Budget and Institutional Development (PBI), the Area of Information, Technology Services (ITS) and the IT team in the PWR Brazil Office collaborated in the deployment in all PAHO offices (countries and HQ) of a workflow for the preparation, approval and execution of Letters of Agreement (LOA). The LOA workflow, developed in alignment to the Letters of Agreement Policy of PAHO-WHO (January 2010), integrates all operational requirements and standards of the policy in an automated system used by all regional, country and center offices of PAHO/WHO. The workflow facilitates the use of this contractual instrument – all data entry is performed in a single system allowing electronic filing of all supporting documentation, including beneficiary eligibility</p> | <p>Although the workflow is an important step to improve the tracking of LOAs, risks remains, and also we consider that the accountability of the activity developed through LOAs should be improved.</p> <p>Partially implemented LOAs</p> |

| Subject | Audit Recommendation | Management Response (May 2012) | Update as of 2 April 2013 | External Audit Comments |
|--|--|---|---|------------------------------|
| | | audits undertaken on a scheduled basis. Compliance and accountability recommendations will be provided to Executive Management by December 2012. | documents. It also ensures compliance with the requirements of the policy, facilitates monitoring of the LOAs, and increases accountability. During 2012, PBI completed two-day training sessions to all organizational entities (5 via Blackboard and 4 face to face, in Brazil, Haiti and HQ) to train users in the system prior to deployment. Currently, all PAHO offices using LOAs to implement technical cooperation do so through the workflow. In keeping with good management practices, PBI will continue to provide regular training and support to all entities during 2013. | |
| Governance Matters Enterprise Risk Management | Recommendation 3: PAHO's investment in developing a risk management framework is welcomed and we recommend that progress be reviewed against the project target dates to ensure that it is embedded within procedures and the culture of PAHO as soon as possible. | Training on Risk Management is being provided to Entity Risk Focal Points. Also, participants in risk assessment workshops are being trained during the exercise. The expected results are that entities will start implementing risk management in all processes of the organization, including the Work Biannual Plans, Projects and Operations. Some of the entities already assessed had expressed their commitment to use the risk management methodology for all their future planning and operations evaluations. | Training is still in progress and it is expected that training for focal points in country offices will conclude by the Spring of 2013. The Organization has purchased a Risk Management Information System that was implemented in December 2011 and will support all ERM activities. The Organizational Risk Register will be presented to the Director in 2013 for final approval. | Ongoing |
| Governance Matters Enterprise Risk Management | Recommendation 4: We further recommend that PAHO review the resources devoted to the implementation of the system to ensure that they are adequate to cope with the future roll out, and that the successful | Training on Risk Management is being provided to Entity Risk Focal Points. This training will ensure that participants obtain the knowledge and skills to perform risk assessments and to work with the risk management information system. | The Entity Risk Focal Points will be able to perform risk assessments and use the system in their own entities as required once they are trained. In addition, system administrators from some country offices have been trained on the system. They will be able to provide support to their country | Partially Implemented |

| Subject | Audit Recommendation | Management Response (May 2012) | Update as of 2 April 2013 | External Audit Comments |
|---|--|---|--|----------------------------|
| | implementation and maintenance of the new system is not over-reliant on the efforts of one key member of staff. | The Entity Risk Focal Points will be able to perform risk assessments in their own entities as required. At this point there are at least 15 staff members with the access to the system that have the knowledge to perform all the system functions required to manage PAHO's risks. Therefore, the use of the system is not being over-reliant on the efforts of only one staff member. | offices and the sub-region in which they are located. Nevertheless, it is expected that by the end of 2013, all system administrators will be trained on the use of the system in order to make them competent to provide support to their country office. | |
| Office of Internal Oversight and Evaluation Services | Recommendation 5: While such expertise can be contracted in for specific assignments we recommend that IES review its staffing profile and consider whether it requires further specialist information systems audit resources. Such skills may be of particular added value in future as PAHO begin the implementation of a new ERP system. | The Auditor General has reviewed the staffing needs of the Office of Internal Oversight and Evaluation Services (IES) and has concluded that it would not be cost-effective to request funding for a fixed-term post for IT auditing. More generalist internal auditing skills are, in the Auditor General's opinion, more valuable to IES. IES intends to hire in IT auditing expertise as needed in the future. | Completed | Completed |
| Office of Internal Oversight and Evaluation Services | Recommendation 6: We recommend that IES develops performance indicators to measure how well they perform against their annual audit plans and over time. Examples of such measures include: the proportion of audit recommendations accepted by management; the number of recommendations implemented within a given timescale; financial savings generated as a result of audit recommendations; the costs of reports delivered compared to planned | The Auditor General has considered suitable performance measures for IES. In addition to the existing measurement of the number of reports delivered compared to those planned (which is the core measure used for Results Based Management purposes), IES shall also adopt two significant measurements – the % of IES recommendations accepted by the Director of PAHO (target: 95%) and the cumulative % of IES recommendations implemented at any point in time (target: 75%). IES shall continue to review the | Completed | Completed |

| Subject | Audit Recommendation | Management Response (May 2012) | Update as of 2 April 2013 | External Audit Comments |
|--|---|---|---|----------------------------|
| | costs; and the number of reports delivered compared to those planned. IES need to develop measures which are specific to their and PAHO's circumstances. | appropriateness of potential further performance measures. | | |
| Office of Internal Oversight and Evaluation Services | Recommendation 7: We recommend that management take action to improve the implementation rate of IES recommendations as a matter of priority so that IES can "add-value" in the timeliest manner. | Over the past year a number of IES recommendations were acknowledged as legitimate recommendations, but rather than address these recommendations with additional funds being spent on antiquated legacy system, it was decided that it was more efficient and economical to implement these recommendations in the new PMIS system or new travel system that will be coming on-line in the future. Both the travel system and the PMIS are in development stages right now and we did not feel that it was reasonable for them to be considered delinquent. IES has since subsequently adjusted the pending items accordingly. | Response remains the same. | No comments |
| Development of an Enterprise Resource Planning (ERP) System Clarity of Goals and Objectives | Recommendation 8: We recommend that a fully articulated and detailed business case in support of the ERP project is formulated as soon as possible. The business case should state clearly the business need for the project together with the costs and benefits it is expected to generate. | The PMIS Project will convene a task force to develop a business case over the coming months. This team will be coached by an outside expert and will focus on both quantitative measures and qualitative aspects. The business case will contain a clear statement of goals and objectives, a discussion of business capabilities and processes, a comprehensive budget, and clear success criteria. | A cross-organizational task force of 8 persons from across PAHO (and led by two independent consultants) prepared the Business Case identified here. It was accepted by management at the end of January 2013. The PMIS team is in the process of selecting the ERP software and systems integrators. | Implemented |
| Development of an Enterprise Resource | Recommendation 9: We consider that significant uncertainty is | As part of developing the Business Case defined in Recommendation 8, the | Based on the Business Case, a comprehensive budget was prepared as a separate Note for | Implemented |

| Subject | Audit Recommendation | Management Response (May 2012) | Update as of 2 April 2013 | External Audit Comments |
|--|--|--|---|----------------------------|
| Planning (ERP) System Clarity of Goals and Objectives | attached to the current project budget and recommend that it be re-examined in more detail. The full estimated costs of implementing the ERP solution in PAHO should be calculated including the costs of elements currently excluded from the approved project budget. In the future, project budget and forecasts should be regularly updated and reported to management on a periodic, preferably monthly, basis. | PMIS project will develop a more comprehensive budget. | the Record. As the project moves forward, this budget may be revised. | |
| Development of an Enterprise Resource Planning (ERP) System Change Management | Recommendation 10: We recommend that comprehensive change management and communication plans are drafted as a matter of priority. Similarly, work needs to be completed on the definition of new and refined modern business processes to be implemented as part of the ERP solution. | The PMIS Project team will develop and implement a first iteration of both change management and communications plans as soon as possible and no later than Q3 2012. However, a full assessment of business processes, how they will change as a result of the ERP initiative, their impact on the Organization, and what specific change management efforts will be required to address those changes will be part of the Business Case that will be developed in response to Recommendation 8. | The first iteration of Change Management and Communication plans were prepared. | Ongoing |
| Development of an Enterprise Resource Planning (ERP) System Risk Management | Recommendation 11: We recommend that a comprehensive risk management approach is introduced for the ERP project. A register of all risks affecting the project should be compiled and submitted to the Project Steering committee on a regular basis. | The PMIS Project team will work with the PAHO Risk Management Officer and conduct a formal risk assessment, incorporating that into the Enterprise Risk Management Framework. | A draft Risk Management plan has been produced, with critical risks identified and catalogued. This will be incorporated into the Enterprise Risk Management Framework upon the completion of the formal risk assessment. | Implemented |