



*executive committee of  
the directing council*

PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



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AMENDMENTS TO THE FINANCIAL REGULATIONS

Profits and Losses on Currency Exchange

Standardization of the Regulations Governing  
External Audit

## AMENDMENTS TO THE FINANCIAL REGULATIONS

1. The Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies recommended that the organizations should try as far as possible to standardize their financial regulations when making necessary amendments to them and also that the organizations should amend their financial regulations concerning the duties of external auditors in order to enable them to make observations on the administration and management of the organizations.

2. At its thirty-third session the Consultative Committee on Administrative Questions, in collaboration with the Panel of External Auditors, agreed on a new text of Financial Regulations relating to external audit representing a standardization of external audit principles throughout the organizations. These proposed standard provisions were approved by the Administrative Committee on Co-ordination at its fifty-third session.

3. In view of the above, the World Health Organization has proposed to its Executive Board and, with their approval, to the Twenty-fifth World Health Assembly changes in its Financial Regulations to implement the recommendation of these two bodies. Additionally, WHO has added a regulation explicitly providing that profits and losses on exchange be debited and credited to miscellaneous income, a practice long followed by PAHO.

4. Since financial operations of the Pan American Health Organization and the Regional Office for the Americas of the World Health Organization are carried out jointly and are audited as one operation, it is proposed to amend the Financial Regulations of the Pan American Health Organization to reflect the changes thus proposed by WHO. Such changes would appear to be indicated by Article 8 of the Agreement Between WHO and PAHO which provides that "... funds allocated to the Pan American Sanitary Bureau, as Regional Office of the World Health Organization under the budget of the World Health Organization, shall be managed in accordance with the financial policies and procedures of the World Health Organization."

In view of the foregoing, the Executive Committee may wish to consider a resolution along the following lines:

## PROPOSED RESOLUTION

## THE EXECUTIVE COMMITTEE,

Having considered the amendments to the Financial Regulations of the Pan American Health Organization, contained in the Annex to Document CE68/4 presented by the Director of the Pan American Sanitary Bureau; and

Considering the need to facilitate joint financial operations with the World Health Organization through adoption of similar Financial Regulations,

RESOLVES:

To recommend to the Directing Council at its XXI Meeting the favorable consideration of amendments to the Financial Regulations of the Pan American Health Organization included in the Annex to Document CE68/4.

Annex

Proposed Provisions for Financial  
Regulations Relating to Other Income

Existing Financial Regulations of the  
Pan American Health Organization

Comments

Article VII - Other Income

Article VII - Other Income

7.1 All income, other than:

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- (a) Contributions to the budget;
- (b) Refunds of direct expenditures made during the financial year;
- (c) Advances or deposits to Funds; and
- (d) The contributions made by France, the Netherlands, and the United Kingdom on behalf of their territories in the Region of the Americas, shall be claimed as miscellaneous income for credit to the General Fund. Profits and losses on exchange shall be credited and debited to miscellaneous income.

- (a) Contributions to the budget;
- (b) Refunds of direct expenditures made during the financial year;
- (c) Advances or deposits to Funds; and
- (d) The contributions made by France, the Netherlands, and the United Kingdom on behalf of their territories in the Region of the Americas, shall be claimed as miscellaneous income for credit to the General Fund.

Changed to make explicit the method of accounting for gains and losses on exchange and to achieve uniformity with the proposed change in the WHO Financial Regulations.

7.2 Voluntary contributions may be accepted by the Director provided that the purposes for which the contributions are made are consistent with the policies, aims, and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization, shall require the consent of the appropriate authority.

7.2 Voluntary contributions may be accepted by the Director provided that the purposes for which the contributions are made are consistent with the policies, aims, and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization, shall require the consent of the appropriate authority.

No change

7.3 Monies accepted for the purposes specified by the donor shall be treated as Trust Funds or Special Funds under Regulations 6.7 and 6.8

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No change

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7.4 Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the annual accounts.

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No change

Proposed Provisions for Financial Regulations Relating to External Audit	Existing Financial Regulations of the Pan American Health Organization	Comments
Article XII - External Audit	Article XII - External Audit	
12.1 The Directing Council shall appoint External Auditor(s) of international repute to audit the accounts of the Organization. Auditor(s) appointed may be removed only by the Directing Council.	12.1 The Directing Council shall appoint External Auditor(s) of international repute to audit the accounts of the Organization. Auditor(s) appointed may be removed only by the Directing Council.	No change
12.2 Following generally accepted common auditing standards, the External Auditor(s) shall perform such an audit as he/they may deem necessary to certify:	12.2 The External Auditor(s) shall perform such an audit as he/they may deem necessary to certify:	Addition of the "generally accepted common auditing standards," amendment of paragraph (b) and addition of paragraphs (d) and (e) are made to further define the Auditor's duties and to conform with proposed changes in the WHO Financial Regulations.
(a) That the financial statements are in accord with the books and records of the Organization;	(a) That the financial statements are in accord with the books and records of the Organization;	
(b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;	(b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, and other applicable directives;	
(c) That the securities and monies on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count;	(c) That the securities and monies on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual account.	
(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;		
(e) That procedures satisfactory to Auditor(s) have been applied to the recording of all assets, liabilities, surpluses and deficits.		
12.3 Subject to the provisions of the Financial Regulations, the Auditor(s) shall be the sole judge as to the acceptance in whole or in part of the certifications by members of the staff of the Bureau and may proceed to such detailed examination and verifications of all financial records as he/they may choose, including those relating to supplies and equipment.	12.3 Subject to the provisions of the Financial Regulations, the Auditor(s) shall be the sole judge as to the acceptance in whole or in part of the certifications by members of the staff of the Bureau and may proceed to such detailed examination and verifications of all financial records as he/they may choose, including those relating to supplies and equipment.	No change
NIL	12.4 The Auditor(s) may affirm by test the reliability of the internal audit and may make such reports with respect thereto as he/they may deem necessary to the Directing Council.	Replaced by 12.2(d)

Proposed Provisions for Financial  
Regulations Relating to External Audit

Existing Financial Regulations of the  
Pan American Health Organization

Comments

Article XII - External Audit

Article XII - External Audit

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| <p>12.4 The Auditor(s) and his/their staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditor(s), necessary for the performance of the audit. Information classified as privileged and which the Directorate agrees is required by the Auditor(s) for the purposes of the audit and information classified confidential, shall be made available on application. The Auditor(s) and his/their staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The Auditor(s) may draw the attention of the Directing Council to any denial of information classified as privileged which, in his/their opinion was required for the purpose of the audit.</p>   | <p>12.5 The Auditor(s) and his/their staff have free access at all convenient times to all books of account and records which are, in the opinion of the Auditor(s), necessary for the performance of the audit. Information classified in the records of the Directorate as confidential, and which is required for the purpose of the audit, shall be made available on application to the Director or his alternate.</p>  | <p>Reworded and expanded to achieve uniformity with the proposed changes in the WHO Financial Regulations.</p>  |
| <p>12.5 The Auditor(s), in addition to certifying the account, may make such observations as he/they may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general the administration and management of the Organization. Whenever the Auditor(s) scope of audit is restricted, or he/they is/are unable to obtain sufficient evidence, the Auditor(s) shall refer to the matter in his/their report, making clear the reasons for his/their comments and the effect on the financial position and the financial transactions as recorded. In no case, however, shall the Auditor(s) include criticism in his/their audit report without first affording the Directorate an opportunity of explanation to the Auditor(s) of the matter under observation. Audit objections to any item in the accounts shall be immediately communicated to the Chief of Administration.</p> | <p>12.6 The Auditor(s), in addition to certifying the account, may make such observations as he/they may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general the financial consequences of administrative practices. In no case, however, shall the Auditor(s) include criticism in his/their audit report without first affording the Directorate an opportunity of explanation to the Auditor(s) of the matter under observation. Audit objections to any item in the accounts shall be immediately communicated to the Chief of Administration.</p> | <p>This Regulation has been amended to conform with a proposed change in the WHO Financial Regulations which has been expanded to provide for observations by the External Auditor relative to administration and management of the Organization.</p> |
| <p>12.6 The Auditor(s) shall have no power to disallow items in the accounts but shall draw to the attention of the Director for appropriate action any transaction concerning which he/they entertain(s) doubt as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be immediately communicated to the Director.</p>   | <p>12.7 The Auditor(s) shall have no power to disallow items in the accounts, but shall draw to the attention of the Director for appropriate action any transaction concerning which he/they entertain doubt as to legality or propriety.</p>   | <p>Reworded to be uniform with proposed changes in the WHO Financial Regulations, to provide a channel for discussion of findings during the course of the audit.</p>   |

Article XII - External Audit

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- 12.7 The Auditor(s) shall prepare a report on the accounts certified, in which he/they should mention the extent and character of his/their examination or any important changes therein, matters affecting the completeness or accuracy of the accounts or other matters which should be brought to the notice of the Directing Council, such as:
- (a) Cases of fraud or presumptive fraud;
  - (b) Wasteful or improper expenditure of money or other assets of the Organization (notwithstanding that the accounting for the transactions may be correct);
  - (c) Expenditure likely to commit the Organization to further outlay on a large scale;
  - (d) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment;
  - (e) Expenditure not in accordance with the intention of the Directing Council, after making allowance for duly authorized transfers within the budget;
  - (f) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
  - (g) Expenditure not in conformity with the authority which governs it.
  - (h) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.
  - (i) Transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the Directing Council should have early knowledge.

- 12.8 The Auditor(s) shall prepare a report on the accounts certified, in which he/they should mention the extent and character of his/their examination or any important changes therein, matters affecting the completeness or accuracy of the accounts or other matters which should be brought to the notice of the Directing Council, such as:
- (a) Cases of fraud or presumptive fraud;
  - (b) Wasteful or improper expenditure of money or other assets of the Organization (notwithstanding that the accounting for the transactions may be correct);
  - (c) Expenditure likely to commit the Organization to further outlay on a large scale;
  - (d) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment;
  - (e) Expenditure not in accordance with the intention of the Directing Council, after making allowance for duly authorized transfers within the budget;
  - (f) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
  - (g) Expenditure not in conformity with the authority which governs it.

(h) and (i) have been added for uniformity with the proposed changes in the WHO Financial Regulations.

Article XII - External Audit

Article XII - External Audit

12.8 The External Auditor(s) shall be completely independent and solely responsible for the conduct of the audit. However, the Directing Council may request the Auditor(s) to perform certain specific examinations and issue separate reports on the results. The Director shall provide the External Auditor(s) with the facilities he/they may require in the performance of the audit. For the purpose of making a local or special examination or for effecting economies of audit cost, the Auditor(s) may engage the services of any person or firm who, in the opinion of the Auditor(s), is technically qualified.

NIL

Added to achieve uniformity with the amended WHO Financial Regulations.

12.9 The Auditor(s) shall issue a report on the audit of the financial statements and relevant schedules which shall include such information as he/they deem (s) necessary in regard to Financial Regulation 12.5. The report of the Auditor(s) on the financial statements should include:

12.9 The Auditor(s) shall submit his/their report to the Directing Council to be available to the Executive Committee not later than 15 April following the end of the financial year to which the accounts relate. The Director shall forward to the Executive Committee his comments, if any, on the audit report. The Executive Committee shall review the audit report and forward its comments, if any, to the Directing Council.

This Regulation has been expanded in line with the amended WHO Financial Regulations. It provides a more precise instruction of requirements to the External Auditor.

- (a) The type and scope of his/their examination;
- (b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:
  - (i) Information necessary to the correct interpretation of the accounts;
  - (ii) Any amounts which ought to have been received but which have not been brought to account;
  - (iii) Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
  - (iv) Expenditures not properly substantiated;
  - (v) Whether proper books of accounts have been kept. Where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed.



Article XII - External Audit

Article XII - External Audit

- (c) The Auditor(s) shall express and sign an opinion in the following terms:

"I/We have examined the following appended financial statements, numbered ... to ... properly identified, and relevant schedules of the Pan American Health Organization for the year ended 31 December ... . My/Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of my/our examination I/we am/are of the opinion that the financial statements properly reflect the recorded financial transactions for the year, which transactions were in accordance with the Financial Regulations and legislative authority and present fairly the financial position as at 31 December ...." adding, should it be necessary, "subject to the observations in my/our foregoing report."

- (d) The report(s) shall be transmitted through the Executive Committee, together with the audited financial statements, to the Directing Council not later than 15 April following the end of the financial year to which the accounts relate. The Executive Committee shall examine the financial statements and the audit report(s) and shall forward them to the Directing Council with such comments as it deems necessary.