



*executive committee of  
the directing council*

PAN AMERICAN  
SANITARY  
ORGANIZATION

19th Meeting  
Washington, D. C.  
April 1953

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



CEL9/25 (Eng.)  
24 April 1953  
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REPORT OF THE WORKING PARTY APPOINTED BY THE EXECUTIVE COMMITTEE  
TO STUDY THE FINANCIAL REPORT OF THE DIRECTOR AND THE  
REPORT OF THE EXTERNAL AUDITOR FOR 1952

The Working Party appointed by the Executive Committee to examine the financial Report of the Director and the Report of the External Auditor for 1952 (Document CEL9/10), and composed of Dr. Oscar Jiménez Pinochet (Chile), Chairman, Dr. Alberto Bissot (Panama), Rapporteur, and Dr. Lucien Pierre-Noel (Haiti), met on 21, 22 and 23 April.

After the aforesaid document had been read, the opinions of the members of the Working Party had been heard, and Dr. Fred L. Soper, Director, Dr. Miguel E. Bustamante, Secretary General, Mr. Harry A. Hinderer, Chief, Division of Administration and Mr. D. Ogdon, Finance Officer, had been consulted, the following report was prepared with the assistance of the Observer for the United States, Mr. Simon N. Wilson:

I. FINANCIAL REPORT OF THE DIRECTOR FOR THE YEAR 1 JANUARY TO  
31 DECEMBER 1952

This report refers to three statements, as follows:

1. Statement of Appropriations, Obligations Incurred and Unobligated Balance of Appropriations for the Year 1952 (Exhibit I)
2. Statement of Income, Obligations and Surplus for the Year 1952 (Exhibit II)
3. Statement of Assets and Liabilities as at 31 December 1952 (Exhibit III)

After analyzing the explanations offered by the Director on each of the three statements, the Working Party has reached the conclusion that they are sufficiently clear, and since they are in accordance with the powers vested in the Director, they do not require any comment.

II. REPORT OF THE EXTERNAL AUDITOR FOR 1952

This report, signed by Mr. Uno Brunskog, External Auditor, in Washington, D. C., on 26 February 1953, is accompanied by the certifications

that appear on each of the three afore-mentioned statements contained in the Financial Report of the Director.

For the convenience of the Executive Committee, the 15 points contained in the Report of the External Auditor are listed below, although only such points as require comment are analyzed in detail:

Point I: Introduction to the Report

- " 2: Listing of the 3 statements included in the Financial Report of the Director
- " 3: Refers to the improvement in the utilization of budgeted provisions as compared with the previous year
- " 4: Refers to the cash surplus for 1952, which in round figures amounted to \$279,253. This point will be commented on in the remarks on point 12.
- " 5: Refers to the improved collection of contributions in arrears. In 1952 these amounted to \$272,721
- " 6: Deals with a particular instance in relation to point 5
- " 7: Refers to the contributions of non-self-governing territories and concludes that such contributions should be treated in the same manner as those from Member States.

This point is the subject of Topic 17 on the Agenda of the present meeting of the Executive Committee.

- " 8 and 9: Financial Situation.- Since these points deal with the most important problems of the External Auditor's Report, we quote below some of the conclusions reached therein, following which the comments deemed pertinent by the Working Party are presented:

"I wish to state that the financial position is good but I would draw attention to the following matters relating to financing arrangements:

- "(a) The bank account managed on behalf of the Bureau by the Treasurer of the Pan American Union has been overdrawn in the books of the Bureau over the last quarter of the year, the overdraft at 31 December 1952 amounting to \$152,564 (See Exhibit III).

- "(b) Funds belonging to the Pan American Sanitary Bureau have been used to meet the cash requirements of the World Health Organization to the extent of \$99,533 (See Exhibit III), of which \$75,000 represents a direct loan.
- "(c) It has happened that Pan American Sanitary Bureau funds have been used for financing expenditures relating to World Health Organization and Bureau joint projects."

As to paragraph (a), both the Director and the Finance Officer, Mr. Ogdon, explained that the wording used by the Auditor might give rise to a misunderstanding, since at no time was there any overdraft in the Bank, as is shown in line 44 of page 41. In a word, what happened is as follows: Owing to the failure to take timely measures, a failure arising out of the fact that the funds of the Pan American Sanitary Bureau are managed by the Treasurer of the Union and not by the Division of Administration, bonds in the hands of the Treasurer were not converted into cash at the proper time, and this was one of the reasons why the money needed to cover outstanding accounts was not available in cash and the accounts were paid between 31 December 1952 and 21 January 1953, when there was available the money from the 1953 quota contributions received.

With respect to the payments made for the World Health Organization as stated in point 8 (b) and (c), payments that also helped increase the overdraft, they will be studied later.

It was a question, then, of an accounting overdraft and not of an overdraft at the Bank; obviously there would have been an overdraft at the Bank if checks issued in January but dated 31 December 1952 had been sent out on the date they bore.

The Director has given assurance that this will not happen again, inasmuch as the negotiations that are now under way and should shortly be concluded will make it possible to have prompt and direct knowledge of the status of the accounts, once the funds have been transferred from the Treasurer of the Union to the Pan American Sanitary Bureau, thus making it possible to issue instructions for converting the bonds into cash sufficiently in advance.

Among the reasons given by the Auditor in point 9 to explain this overdraft are the following:

- (a) Staff changes
- (b) Relationship between the Bureau and the Pan American Union
- (c) Overinvestment of funds

- (a) It is obvious that a 63-percent movement in personnel is not desirable for any institution in so short a period as one year, and that is the real reason for the failure to take timely measures mentioned above, since if the staff had been experienced, this would not have happened.

In an organization whose administration is as complex as that of the Pan American Sanitary Bureau, it is absolutely necessary to take the proper measures to obtain efficient and stable personnel, who will work willingly and be adequately remunerated, in order to prevent such actual occurrences as the mass resignations to which the Chief of the Division of Administration referred during the Session at which the Executive Committee discussed this matter, and the filling of a single post as many as three times in 18 months.

- (b) This paragraph refers to the need to hasten the transfer of the office of Treasurer from the Pan American Union to the Pan American Sanitary Bureau, a measure that the Working Party considers imperative and recommends that the Executive Committee support by a vote of agreement.
- (c) The auditor describes as "unsound financial management" "the situation created by placing too much money in investments".

We believe that the investment policy followed by the Pan American Union cannot be so described, since, according to the information obtained, an owner of bonds may convert them into cash at any time merely by giving an order to that effect to the Bank.

From the foregoing it can be seen that the investment policy is, on the contrary, a wise one, since it produces interest, and all that needs to be done is to have the office of Treasurer transferred to the Pan American Sanitary Bureau, as suggested above, in order to facilitate the conversion of bonds.

Finally, with respect to the statements in point 8 (b) and (c), on the cash advanced to the World Health Organization, the Working Party believes that they are a result of the same failure to take timely measures owing to the excessive turnover of personnel, previously referred to.

The situation created by the interchange of funds of two Organizations like the Pan American Sanitary Bureau and the World Health Organization, which work on similar and often joint programs, and in a common

territory--the American Continent--, has led the Working Party to recommend to the Executive Committee that it request the technical experts of the Pan American Sanitary Bureau to prepare a study on the possibility of revising the Bureau's financial structure in such a manner as to make possible, at a given moment, the transfer of funds between the various Organizations and other accounting operations, in order to bring about greater efficiency and reduce administrative costs.

In order to reach this objective, it would be necessary for the various organizations engaged in health programs on this continent to reach an agreement, so as to have a single budget based on the contributions received by each of them, and to envisage the possibility that the Pan American Sanitary Bureau would take the responsibility for carrying out the projects prepared by the respective authorities of each of the participating organizations, with greater liberty than at present. This liberty refers to the possibility that the Pan American Sanitary Bureau staff throughout the American continent be paid from a common fund, irrespective of the origin thereof, and that the same method be employed for purchases and other accounting operations. Moreover, it would be advisable that the respective organizations merely point out the objective, location, and cost in money of each project, without deciding the percentages to be assigned to each item of such project (equipment, personnel, transportation, etc.).

- Point 10: Refers to the purchase of the buildings and to improvements.
- " 11: Deals with the expenditures approved by the Directing Council at its VI Meeting regarding the surplus in the Working Capital Fund.
- " 12: Refers to the suggestion of the External Auditor regarding the need to stabilize the Working Capital Fund at a fixed level. The Working Party does not believe it necessary to accept this suggestion, since it would limit the ability of the Director to make such changes as are indicated by the financial status of the Bureau, which may vary from year to year.
- " 13: Refers to the External Auditor's summarized statement of the inventory on hand at Headquarters as of 31 December 1952, and after attesting to the correctness of the statement, he speaks of the need for a closer relationship between the Supply Section, General Services Section and the Finance and Accounts Section. The Working Party agrees with this recommendation.

Point 14: Here the External Auditor refers to the records of capital assets of the Zone Offices, and states that it is imperative that good inventory records concerning capital assets used by teams carrying out medical projects, financed either by Regular Budget or by Technical Assistance Funds, be maintained.

The Working Party recommends that the Pan American Sanitary Bureau introduce the measures necessary to improve the procedures for controlling inventories at Headquarters and in the Zones.

Point 15: The conclusions of the External Auditor do not summarize the comments made throughout the Report, nor does he repeat the certifications appearing at the end of each of the Statements on pages 15, 16, and 17 of Document CE19/10.

After due analysis of the aforementioned points as a whole, the Working Party concludes that financial operations of the Pan American Sanitary Bureau for 1952 were correct and that although there were some administrative and accounting errors--which, incidentally, did not injure the interests of the Bureau--the explanations offered by the Director and his advisers are satisfactory.

The Working Party wishes to call attention to the fact that the experience gained through the errors made will suffice to prevent their repetition.



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C O R R I G E N D A

(English Text Only)

Page 4: Section (a), second paragraph, line 6, delete the word "mass".  
Section (c), second paragraph, line 2, for "Pan American Union"  
read "Pan American Sanitary Bureau".