



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



49th DIRECTING COUNCIL

61st SESSION OF THE REGIONAL COMMITTEE

Washington, D.C., USA, 28 September-2 October 2009

CD49.R1 (Eng.)
ORIGINAL: ENGLISH

RESOLUTION

CD49.R1

AMENDMENTS TO THE FINANCIAL REGULATIONS*

THE 49th DIRECTING COUNCIL,

Having considered the recommendation of the Executive Committee at its 144th Session on the proposed amendments to the Financial Regulations as they appear in the Annex to Document CD49/25;

Taking into consideration that the amendments to the Financial Regulations reflect modern and best practices of financial management and are in line with full adoption of the International Public Sector Accounting Standards (IPSAS), approved by the 27th Pan American Sanitary Conference (Resolution CSP27.R18),

RESOLVES:

To approve the amendments to the Financial Regulations of the Pan American Health Organization as they appear in the Annex of Document CD49/25 and to make these amendments effective as of 1 January 2010.

(Second plenary, 28 September 2009)

Annex

* Attached is a final version of the Financial Regulations as adopted by the 49th Directing Council.

**FINANCIAL REGULATIONS
OF THE PAN AMERICAN HEALTH ORGANIZATION**

Regulation I - Applicability and Delegation of Authority

- 1.1 These Regulations shall govern the financial administration of the Pan American Health Organization.
- 1.2 The Director of the Pan American Sanitary Bureau is responsible for ensuring effective financial administration of the Organization in accordance with these Regulations.
- 1.3 Without prejudice to Regulation 1.2, the Director may delegate in writing to other officers of the Organization such authority and related accountability as he or she considers necessary for the effective implementation of these Regulations.
- 1.4 The Director shall establish Financial Rules, including relevant guidelines and limits for the implementation of these Regulations, in order to ensure effective financial administration, the exercise of economy, and safeguard of the assets of the Organization.

Regulation II - The Budgetary and Financial Reporting Periods

- 2.1 The budgetary period shall be a biennium consisting of two consecutive calendar years beginning with an even-numbered year.
- 2.2 The financial reporting period shall be a calendar year.

Regulation III – The Program and Budget

- 3.1 The program and budget proposals for the budgetary period, as referred to in Article 14.C of the Constitution shall be prepared by the Director of the Pan American Sanitary Bureau. The program and budget proposals shall be presented in United States dollars.
- 3.2 The program and budget proposals shall be divided into parts and shall include such information annexes and explanatory statements as may be requested on behalf of the Pan American Sanitary Conference (hereinafter referred to as “Conference”), the Directing Council, or the Executive Committee, and such further annexes or statements as the Director may deem necessary and useful.
- 3.3 The Director shall submit the program and budget proposals to the Executive Committee for examination and recommendation.

- 3.4 The Executive Committee shall submit the program and budget proposals, and any recommendations it may have thereon, to the Conference or the Directing Council within the timeframe stipulated in the corresponding Rules of Procedure.
- 3.5 The program and budget proposals for the following budgetary period shall be approved by the Conference or the Directing Council in the year preceding the biennium to which the program and budget proposals relate.
- 3.6 Supplemental proposals may be submitted by the Director when deemed necessary.
- 3.7 The Director shall prepare supplemental proposals in a form consistent with the program and budget proposals for the budgetary period and shall submit such proposals to the Executive Committee for examination and recommendation. The Executive Committee shall submit the supplemental proposals, and any recommendations it may have thereon, to the Conference or Directing Council within the timeframe stipulated in the corresponding Rules of Procedure.

Regulation IV – Regular Budget Appropriations

- 4.1 The Regular Budget appropriations approved by the Conference or the Directing Council shall constitute an authorization to the Director to enter into commitments and make payments for the purposes for which the Regular Budget appropriations were approved and up to the amounts so approved.
- 4.2 Regular Budget appropriations shall be available for making commitments in the budgetary period to which they relate for delivery of programmed goods and services in that same budgetary period or, exceptionally, in the first year of the subsequent budgetary period for delayed delivery of such programmed goods and services due to unforeseen circumstances.
- 4.3 Transfers within the total amount appropriated may be made to the extent permitted by the terms of the budget resolution adopted by the Conference or the Directing Council.
- 4.4 Any balance of the Regular Budget appropriation not committed by the end of the current budgetary period, shall be used to replenish the Working Capital Fund to its authorized level, after which any balance will be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council.
- 4.5 Any deficit of revenue over expenses of the Regular Budget appropriation at the end of the current budgetary period shall be funded first by the Working Capital Fund to the extent possible, and then by borrowing or by other authorized means.
- 4.6 Any excess of revenue over the Regular Budget appropriation at the end of a budgetary period shall be considered a revenue surplus and shall be available for use in subsequent

- periods to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration.
- 4.7 An accrual shall be established for undisbursed commitments that have been charged against Regular Budget appropriations during the current financial reporting period and that cover the cost of goods or services which were delivered during the financial reporting period.
- 4.8 Any commitments for goods and services due to be delivered in subsequent budgetary periods that exist against the Organization at the end of the current budgetary period shall be established as commitments against future Regular Budget appropriations unless otherwise stated in these Regulations.

Regulation V - Provision of Regular Program Budget Funds

- 5.1 The Regular Budget appropriations shall be financed by assessed contributions from Member States, Participating States, and Associate Members (hereinafter referred to as "Members") and the budgetary estimate of Miscellaneous Income. Assessments shall be determined in accordance with Article 60 of the Pan American Sanitary Code.
- 5.2 Adjustments shall be made to the amount of the assessed contributions of the following budgetary period in respect of:
- (a) Supplemental Regular Budget appropriations approved in the current budgetary period for which Members have not been assessed; and
 - (b) Assessed contributions of new Members under the provisions of Regulation 6.10.

Regulation VI – Revenue - Assessed Contributions

- 6.1 The Conference or the Directing Council shall adopt the total Program and Budget, and the amount of the assessments, determined in accordance with Regulation 5.1, for the budgetary period. The assessed contributions of Members shall be divided into two equal annual installments. In the first year of the budgetary period, the Conference or Directing Council may decide to amend the amount of assessments to be applied to the second year of the budgetary period.
- 6.2 After the Conference or the Directing Council has adopted the Program and Budget, the Director shall inform Members of their commitments in respect of contributions for the budgetary period and request them to pay the first and second installments of their contributions.
- 6.3 If the Conference or the Directing Council decides to amend the amounts of the assessments, or to adjust the amount of the Regular Budget appropriations to be financed by assessed contributions from Members for the second year of a biennium, the Director

- shall inform Members of their revised commitments and shall request them to pay the revised second installment of their assessed contributions.
- 6.4 Installments of assessed contributions shall be due and payable as of 1 January of the year to which they relate.
- 6.5 As of 1 January of the following year, the unpaid balance of such assessed contributions shall be considered to be one year in arrears.
- 6.6 Assessed contributions shall be denominated in U.S. dollars and shall be paid in either U.S. dollars or other currencies as determined by the Director.
- 6.7 Payments in currencies other than U.S. dollars shall be credited to Members' accounts at the United Nations rate of exchange in effect on the date of receipt or at the market rate of exchange should conversion of excess currency be deemed prudent.
- 6.8 Payments made by a Member shall be applied against its oldest outstanding assessed contribution.
- 6.9 The Director shall submit to the regular session of the Conference or the Directing Council a report on the collection of assessed contributions.
- 6.10 New Members shall be required to make an assessed contribution for the budgetary period in which they become Members. If membership begins at any time during the first year of a budgetary period, new Members will be assessed for the full two-year period. If membership begins at any time during the second year of a budgetary period, new Members will be assessed for the second year only.

Regulation VII - Working Capital Fund and Internal Borrowing

- 7.1 A Working Capital Fund shall be established, along with its authorized level, and financing, in accordance with Resolutions adopted by the Conference or Directing Council.
- 7.2 Title to financial resources constituting the Working Capital Fund shall remain with the Pan American Health Organization.
- 7.3 The Working Capital Fund shall be made available to meet any temporary financial resource requirements of the Regular Budget. The Fund shall be reimbursed in accordance with Regulations 4.4 and 7.1.
- 7.4 The Working Capital Fund shall be made available to finance unforeseeable and extraordinary expenses, replenish existing funds to authorized levels, or other authorized purposes. The Fund shall be reimbursed in accordance with Regulations 4.4 and 7.1.

- 7.5 The Director, with the prior and written concurrence of a majority of the members of the Executive Committee, shall have the authority to borrow funds.

Regulation VIII Revenue - Other Sources

- 8.1 Other sources of revenue not otherwise identified in these Regulations shall be reported as Miscellaneous Income.
- 8.2 Voluntary contributions, donations, and bequests, either in cash or in kind, may be accepted by the Director, provided that these contributions can be used by the Organization, and that any conditions which may be attached to them are consistent with the objectives and policies of the Organization.
- 8.3 Donations and bequests received without a specific purpose shall be reported as Miscellaneous Income unless otherwise specified by the Director in accordance with Regulation IX.
- 8.4 The Director is authorized to levy a charge (hereinafter referred to as “Program Support Costs”) on voluntary contributions in accordance with applicable resolutions of the Conference or Directing Council. These Program Support Costs will be used to reimburse all, or part of, the indirect costs incurred by the Organization in respect of the administration of corresponding activities.
- 8.5 Revenue generated from sales and services will be used to reimburse all or part of the direct and indirect costs incurred by the Organization in respect of the administration of its activities.
- 8.6 Revenue from Services Charges on procurement funds will be used to capitalize the respective fund or to reimburse all or part of the costs incurred by the Organization in respect of the administration of its activities.

Regulation IX- Funds

- 9.1 Funds shall be established to enable the Organization to effectively record and report on all sources of revenue.
- 9.2 Individual subsidiary ledger accounts shall be established to effectively record and report on voluntary contributions.
- 9.3 Special Funds or Accounts shall be established by the Director as necessary to meet the requirements of the Organization.

- 9.4 The purpose of any Fund or Account established under Regulation 9.3 shall be specified and subject to the Financial Regulations and Financial Rules.
- 9.5 In establishing any Special Fund or Account under Regulation 9.3, the Director may stipulate that the use of the cash balance of the Fund or Account is restricted for pooling or internal borrowing purposes consistent with the terms and conditions of the funding sources.

Regulation X- Custody of Financial Resources

- 10.1 The Director shall designate the financial institutions in which the financial resources in the custody of the Organization shall be kept.
- 10.2 The Director may designate external investment managers and/or custodians.

Regulation XI - Investments

- 11.1 Investment policies and guidelines shall be established in accordance with best industry practice, having due regard for the preservation of principal, assurance of adequate liquidity, and maximization of total yield.
- 11.2 Financial Resources in excess of immediate cash requirements may be pooled and invested.
- 11.3 Investment income, regardless of the source of funds, shall be credited as Miscellaneous Income to the Regular Budget unless otherwise stipulated in these Regulations, in resolutions adopted by the Conference or Directing Council, or as decided by the Director.

Regulation XII - Internal Control

- 12.1 The Director shall establish and maintain an effective internal control structure with operating policies and procedures based on best industry practice, in order to:
- (a) ensure efficient and effective financial administration,
 - (b) safeguard assets,
 - (c) accomplish the strategic objectives and goals in line with the mission of the Organization, and
 - (d) maintain an internal oversight function reporting to the Director.

Regulation XIII - Accounts and Financial Statements

- 13.1 The Director shall establish and maintain a chart of accounts in accordance with the accounting standards adopted by the Conference or Directing Council.

- 13.2 Financial statements shall be prepared for each financial reporting period in conformity with the Standards referred to in Regulation 13.1.
- 13.3 The financial statements shall be presented in United States dollars. The accounting records may, however, be kept in such currencies as the Director may deem necessary.
- 13.4 The financial statements shall be submitted to the External Auditor by a date mutually agreed upon with the Director.
- 13.5 The Director may make such *ex gratia* payments as deemed to be necessary in the interest of the Organization. *Ex gratia* payments will be disclosed in the financial statements.
- 13.6 The Director may authorize, after full investigation, the write-off of any asset other than assessed contributions. Write-offs will be disclosed in the financial statements.
- 13.7 The Conference or Directing Council may stipulate a reserve for doubtful accounts, representing all or a portion of the outstanding assessed contributions due from a Member State subject to the restrictions of Article 6.B of the Constitution.

Regulation XIV- External Audit

- 14.1 The Conference or the Directing Council shall appoint an External Auditor of international repute to audit the accounts of the Organization. The Auditor appointed may be removed only by the Conference or the Directing Council.
- 14.2 Subject to any special direction of the Conference or the Directing Council, each audit which the External Auditor performs shall be conducted in conformity with generally accepted common auditing standards and in accordance with the Additional Terms of Reference set forth in the Appendix to these Regulations.
- 14.3 The External Auditor, in addition to rendering an opinion on the financial statements, may make such observations as deemed 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.
- 14.4 The External Auditor shall be completely independent and solely responsible for the conduct of the audit.
- 14.5 The Conference or the Directing Council may request the External Auditor to perform certain specific examinations and issue separate reports on the results.
- 14.6 The Director shall provide the External Auditor with the facilities required for the performance of the audit.

- 14.7 For the purpose of making a local or special examination or for effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm that, in the opinion of the External Auditor is technically qualified.
- 14.8 The External Auditor shall issue a report including its opinion, on the audit of the financial statements prepared by the Director pursuant to Regulation XIII. The report shall include such information as deemed necessary in regard to Regulation 14.3 and the Additional Terms of Reference.
- 14.9 The report(s) of the External Auditor shall be completed and provided to the Director together with the audited financial statements no later than 15 April following the end of the financial reporting period to which they relate. The Director will provide the report to the Executive Committee which shall examine the financial statements and the audit report(s) and shall forward them to the Conference or the Directing Council with such comments as deemed necessary.

Regulation XV - Resolutions involving Expenses

- 15.1 The Conference, the Directing Council, and the Executive Committee shall not make decisions involving expenses unless it has before it a report from the Director on the administrative and financial implications of the proposal.
- 15.2 Where, in the opinion of the Director, the proposed expense cannot be made from the existing appropriations, it shall not be incurred until the Conference or the Directing Council has made the necessary appropriations, unless such expense can be made under the conditions of the resolution of the Directing Council relating to the Emergency Procurement Revolving Fund.

Regulation XVI - General Provisions

- 16.1 These Regulations may be amended only by the Conference or the Directing Council.
- 16.2 In case of doubt as to the interpretation and application of any of the foregoing Regulations, the Director is authorized to rule thereon.
- 16.3 The Financial Rules established or amended by the Director as referred to in Regulation 1.4 shall be confirmed by the Executive Committee and reported to the Conference or the Directing Council for its information.

**ADDITIONAL TERMS OF REFERENCE GOVERNING THE EXTERNAL AUDIT
OF THE PAN AMERICAN HEALTH ORGANIZATION**

1. The External Auditor shall perform such audit of the accounts of the Pan American Health Organization, including all Trust Funds, Special Funds, and Special Accounts, as deemed necessary to support the opinion:
 - (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 of the Organization;
 - (c) that the financial resources have been verified by the certificates received direct from the Organization's depositaries or by actual count;
 - (d) that the internal controls, including the internal audit, are adequate in view of the extent of reliance placed thereon;
 - (e) that the procedures applied to the recording of all assets, liabilities, surpluses and deficits conform with industry best practices.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by members of the staff of the Organization and may proceed to such detailed examination and verification as needed.
3. The External Auditor shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor necessary for the performance of the audit. Information classified as privileged and which the Director agrees is required by the External Auditor for the purposes of the audit, and information classified as confidential, shall be made available upon request. The External Auditor 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 External Auditor may bring to the attention of the Conference or the Directing Council any denial of information classified as privileged which, in their opinion, was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounts but shall bring to the attention of the Director for appropriate action any transaction that creates 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.
5. The External Auditor shall express an opinion on the financial statements of the Organization. The opinion shall include the following basic elements:
 - (a) identification of the financial statements audited;
 - (b) a reference to the responsibility of the entity's management and responsibility of the External Auditor;

- (c) a reference to the audit standards followed;
 - (d) a description of the work performed;
 - (e) an expression of opinion on the financial statements as to whether:
 - (i) the financial statements present fairly the financial position as at the end of the financial reporting period and the results of the operations for such period;
 - (ii) the financial statements were prepared in accordance with the stated accounting policies;
 - (iii) the accounting policies were applied on a basis consistent with that of the preceding financial reporting period unless disclosed in the financial statements.
 - (f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
 - (g) the date of the opinion and the signature of the External Auditor;
 - (h) the External Auditor's name and position;
 - (i) the place where the report has been signed;
 - (j) a reference to the report of the External Auditor on the financial statements, should one be provided.
6. The report of the External Auditor to the Conference or Directing Council on the financial operations of the financial reporting period should mention:
- (a) the type and scope of 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 that ought to have been received but which have not been brought to account;
 - (iii) any amounts for which a legal or contingent liability exists and which have not been recorded or reflected in the financial statements;
 - (iv) expenses not properly substantiated;
 - (v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of a material nature from a consistent application of generally accepted accounting principles, these should be disclosed.
 - (c) other matters that should be brought to the notice of the Conference or the Directing Council such as:
 - (i) cases of fraud or presumptive fraud;
 - (ii) wasteful or improper expense of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) expense likely to commit the Organization to further outlay on a large scale;
 - (iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements, or of supplies and equipment;
 - (v) expense not in accordance with the intention of the Conference or the Directing Council, after making allowance for duly authorized transfers within the Program Budget;
 - (vi) expense in excess of Regular Budget appropriations as amended by duly authorized transfers within the Program Budget;
 - (vii) expense not in conformity with the authority that governs it.

- (d) the accuracy of the inventory and fixed assets as determined by a physical count and examination of the records.
 - (e) transactions accounted for in a previous financial reporting period, about which further information has been obtained, or transactions in a later financial reporting period about which the Conference or the Directing Council should have early knowledge.
7. The External Auditor may make such observations with respect to findings resulting from the audit and such comments on the financial report as deemed appropriate to the Conference or the Directing Council, or to the Director.
 8. Whenever the External Auditor's scope of audit is restricted, or insufficient evidence is available, the External Auditor's opinion shall refer to this matter, making clear in the report the reasons for the comments and the effect on the financial position and the financial transactions as recorded.
 9. In no case shall the External Auditor include criticism in any report without first affording the Director an adequate opportunity of explanation on the matter under observation.
 10. The External Auditor is not required to discuss or report any matter which is considered immaterial.