

directing council



PAN AMERICAN
HEALTH
ORGANIZATION

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WORLD
HEALTH
ORGANIZATION

XXXII Meeting



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AMENDMENTS TO THE FINANCIAL REGULATIONS OF THE PAN AMERICAN HEALTH ORGANIZATION

Financial Reports and Extrabudgetary Resources

1. Interim Financial Reports
- 1.1 Background of Decisions at WHO (EB65/16, 20 November 1979).

"The Thirtieth World Health Assembly, 1977, in resolution WHA30.20 approved the introduction of biennial budgeting with effect from the 1980-1981 biennium and in resolution WHA30.21 approved the consequential changes in the Financial Regulations of WHO. The Financial Regulations as modified by resolution WHA30.21 provide in Regulation 11.3: 'At the end of the first year of the financial period, the Director-General shall establish interim accounts, showing the actual income received and expenditure incurred during the year, together with a statement of assets and liabilities at the close of the year'; and, in Financial Regulation 12.8: 'The Auditor(s) shall issue a report on the audit of the interim accounts and on the final financial statements and relevant schedules. . . .'

"Since the adoption of these revised Regulations it has become clear that the usefulness of audited interim financial accounts, established at the end of the first year of a biennium, is limited. . . .

"The Director-General feels that, in order to take full advantage of biennial budgeting possibilities and reduce expenses, the requirement for audited interim accounts should be abolished, and the External Auditor of WHO has no objections. . . .

"Although no audited interim accounts would be published for the first year of the biennium, the Organization's internal controls established pursuant to Article X of the Financial Regulations would be fully maintained."

The Sixty-fifth Session of the Executive Board of WHO at its meeting on 18 January 1980 adopted the following resolution EB65.R3, Financial Reports and Extrabudgetary Resources:

"The Executive Board,

Having considered the report of the Director-General on financial reports and extrabudgetary resources;

Recognizing the desirability of replacing the interim accounts, due to be established at the end of the first year of the biennial financial period, by a descriptive interim financial report;

Noting the growth in extrabudgetary resources available to WHO for programme purposes, both as part of and in addition to the Voluntary Fund for Health Promotion;

RECOMMENDS to the Thirty-third World Health Assembly the adoption of the following resolution:

The Thirty-third World Health Assembly,

Having considered the report of the Director-General on financial reports and extrabudgetary resources;

Having considered the amendments to the Financial Regulations proposed by the Director-General;

Having noted the Director-General's proposals to include in the annual financial reports to the Health Assembly information on income and expenditure relating to all extrabudgetary funds available for programme purpose;

1. ADOPTS the amendments to the Financial Regulations as appended to the Director-General's report;

2. APPROVES the proposals of the Director-General to report annually to the Health Assembly on all extrabudgetary resources available for programme purposes;

3. DECIDES that this resolution supersedes resolution WHA26.24."

The Thirty-third World Health Assembly at its meeting on 15 May 1980 adopted the following Resolution WHA33.8, Financial Reports and Extrabudgetary Resources:

"The Thirty-third World Health Assembly,

Having considered the report of the Director-General on financial reports and extrabudgetary resources;

Having considered the amendments to the Financial Regulations proposed by the Director-General;

Having noted the Director-General's proposals to include in the annual financial reports to the Health Assembly information on income and expenditure relating to all extrabudgetary funds available for program purposes;

1. ADOPTS the amendments to the Financial Regulations as appended to the Director-General's report;

2. APPROVES the proposals of the Director-General to report annually to the Health Assembly on all extrabudgetary resources available for programme purposes;

3. DECIDES that this resolution supersedes resolution WHA26.24."

1.2 Background of Decisions at PAHO

The XX Pan American Sanitary Conference, 1978, in Resolution CSP20.1 approved the introduction of biennial budgeting with effect from the 1980-1981 biennium, and in Resolution CSP20.12 approved the consequential changes in the Financial Regulations of PAHO. The Financial Regulations as modified by Resolution CSP20.12 provide in Regulation 11.3: "At the end of the first year of the financial period the Director shall prepare interim accounts showing the actual income received and expenditure incurred during that year, together with a statement of assets and liabilities at the close of that year"; and in Financial Regulation 12.9: "The Auditor(s) shall issue a report on the audit or the interim and final financial statements and relevant schedules. . . ."

Since PAHO's biennial budgeting and financial regulations basically parallel those of WHO, the proposed changes at WHO are also applicable at PAHO and should be considered for similar reasons as mentioned by the Director-General:

". . . Since the adoption of these revised Regulations it has become clear that the usefulness of audited interim financial accounts, established at the end of the first year of a biennium, is limited. For example, since the adoption of a biennial budget

has made it possible and desirable to allocate and commit funds for the entire two-year period, including such expenditure items as staff salaries and allowances, although assessed contributions from Members are still payable on an annual basis, the interim financial accounts would show commitments not directly related to available resources. Furthermore, the requirement to submit audited financial accounts for the first year of a biennium would involve a number of administrative steps to be taken by the Organization and the expenditure of some effort by the External Auditor. Recognizing certain disadvantages of audited interim accounts in the context of a biennial budget cycle, the United Nations and the ILO have already abolished the requirement for such accounts, and other United Nations organizations are considering doing so.

"The Director shares the opinion) . . . that, in order to take full advantage of biennial budgeting possibilities and reduce expenses, the requirement for audited interim accounts should be abolished, and (it was stated that) the External Auditor of WHO has no objections (PAHO and WHO have the same External Auditor). At the same time . . . (Director) believes that the . . . (Directing Council) would find it useful to have presented in the second year of the biennium a financial report, largely of a descriptive nature, on such matters as budget implementation problems, receipt of contributions, and other significant financial developments which have affected the Organization during the first year of the biennium--along the lines of the introduction to the present Financial Report--with a minimum of tabular material attached. Such a report would not contain audited accounts; it would, however, include data on extrabudgetary resources as . . . (described under Reporting on Extrabudgetary Resources).

"Although no audited interim accounts would be published for the first year of the biennium, the Organization's internal controls established pursuant to Article X (Internal Control) of the Financial Regulations would be fully maintained. These would include a number of financial verifications and internal reports in order to ensure that there was no slackening of the Organization's financial discipline. Similarly, the External Auditor would continue his normal activities throughout the biennium, including the submission to the . . . (Director) of reports on audit findings, but would not proceed at the end of the first year of the biennium to a detailed verification of data on income, expenditures, assets and liabilities. While the External Auditor(s) would not normally at this time submit a report to the . . . (Directing Council), his right to do so, should the situation in his view call for it, would remain undiminished. Full financial reporting and audit activities, of which the report of the External Auditor would form (a) part, would take place at the end of the biennium."

If the Directing Council should agree to the proposed changes in interim financial reporting, changes in the Financial Regulations of PAHO would be necessary. The Financial Regulations so affected and the changes proposed are shown in the Annex to this document. A proposed resolution for the Directing Council's consideration is shown at the end of this document.

2. Reporting on Extrabudgetary Resources and Other Financial Data

Annexes to the interim report would include information on all extrabudgetary resources, quota contributions, summary by object of expenditures, all funds, and a statement of expenditures and sources of funding by budget and individual project, all funds, for the preceding year.

It would be understood that the status of such funds and accounts will continue to be reported in the final financial report for the biennial financial period.

The interim and final reports would continue to be submitted to the Governing Bodies of the Pan American Health Organization in the established manner.

3. Review of Financial Reports

The Director suggests that the procedures for reviewing the revised interim and final financial reports, together with their annexes, should be the same as the procedures followed at the present time in respect to the annual financial reports.

4. Summary

In this report the Director proposes that the audited interim financial statements to be submitted at the end of the first year of each two-year financial period should be replaced by a largely descriptive interim financial report, and the External Auditor has raised no objections. The External Auditor will retain his right to submit, should he consider it desirable, an interim report to be passed to the Directing Council together with the Director's interim financial report. It is similarly proposed that audited interim accounts will not be produced for the Pan American Centers of CAREC, CFNI, and INCAP. However, if required, unaudited financial statements will be provided for these three Centers.

The Director also proposes that the interim financial report for the first year of a financial period and the final financial report for

the entire financial period of two years, both of which are to be submitted to the Governing Bodies of the Pan American Health Organization, will continue to include informational annexes on all extrabudgetary resources, quota contributions, summary of object of expenditures--all funds, and a statement of expenditures and sources of funding by budget and individual project--all funds, for the preceding year.

It would be understood that the status of such funds and accounts will continue to be reported in the final financial report for the biennial financial period.

The interim and final reports would continue to be submitted to the Governing Bodies of the Pan American Health Organization in the established manner.

In order to give effect to the proposed changes, the Directing Council would have to approve certain amendments to the Financial Regulations, as proposed in the Annex to this document.

The Directing Council may wish to consider adopting a resolution along the following lines:

Proposed Resolution

THE DIRECTING COUNCIL,

Having considered the report of the Director on financial reports and extrabudgetary resources;

Having considered the amendments to the Financial Regulations proposed by the Director; and

Having noted the Director's proposals to include in the annual financial reports to the Directing Council information on income and expenditures relating to all extrabudgetary funds available for program purposes,

RESOLVES:

1. To adopt the amendments to the Financial Regulations as annexed to the Director's report (Document CD27/21).

2. To approve the proposals of the Director to report annually to the Directing Council on all extrabudgetary resources available for program purposes.

Annexes

PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS
OF THE PAN AMERICAN HEALTH ORGANIZATION

Current

Article IX - Investment of Funds

- 9.2 At least once a year the Director shall include in the financial statements submitted to the Directing Council a statement of the investments currently held.

Article XI - The Accounts

- 11.3 At the end of the first year of the financial period the Director shall prepare interim accounts showing the actual income received and expenditure incurred during that year, together with a statement of assets and liabilities at the close of that year.
- 11.4 At the end of the second year of the financial period the Director shall prepare final accounts showing the actual income received and expenditure incurred during the financial period, together with a statement of assets and liabilities at the close of the year.
- 11.5 The interim and final accounts of the Organization shall be presented in U.S. dollars. The accounting records may, however, be kept in such currency or currencies as the Director may deem necessary.

Proposed

Article IX - Investment of Funds

- 9.2 The Director shall include in the final financial report submitted to the Directing Council a statement of the investments currently held.

Article XI - Accounts and Financial Reports

- 11.3 At the end of the first year of the financial period the Director shall establish an interim financial report on significant financial developments that have affected the Organization during the year.
- 11.4 At the end of the second year of the financial period, the Director shall prepare a final financial report for the financial period, including the final accounts prepared by the Director pursuant to Financial Regulation 11.1.
- 11.5 The final accounts of the Organization shall be presented in U.S. dollars. The accounting record may, however, be kept in such currency or currencies as the Director may deem necessary.

Current

11.6 The interim and final accounts shall be submitted to the External Auditor(s) not later than 31 March following the end of the year or financial period to which they relate.

Article XII - External Audit

12.9 The Auditor(s) shall issue a report on the audit of the interim and final 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:

(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/financial period ended 31 December. . . . My/Our examination included a general review of the accounting procedures and such tests of the accounting records and other

Proposed

11.6 The final accounts shall be submitted to the External Auditor(s) not later than 31 March following the end of the financial period to which they relate.

Article XII - External Audit

12.9 The Auditor(s) shall issue a report on the audit of the final accounts prepared by the Director pursuant to Financial Regulation 11.1 and relevant schedules. The report shall include such information as he/they deem(s) necessary in regard to Financial Regulation 12.5. The report of the Auditor(s) should include:

(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 financial period 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 I/we considered necessary in the circumstances. As a

Current

supporting evidence as I/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/financial period, 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 year or financial period 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.

Proposed

result of my/our examination I/we am/are of the opinion that the financial statements properly reflect the recorded financial transactions for the financial period, 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) of the Auditor(s) shall be transmitted through the Executive Committee, together with the audited final accounts, to the Directing Council not later than 15 April following the end of the financial period to which the final accounts relate. The Executive Committee shall examine the interim financial report and final financial report and the audit report(s) and shall forward them to the Directing Council with such comments as it deems necessary.



WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD

SIXTY-FIFTH SESSION

GENEVA, 9-25 JANUARY 1980

**RESOLUTIONS AND DECISIONS
ANNEXES**

GENEVA

1980

EB65.R3 Financial reports and extrabudgetary resources

The Executive Board,

Having considered the report of the Director-General on financial reports and extrabudgetary resources;¹

Recognizing the desirability of replacing the interim accounts, due to be established at the end of the first year of the biennial financial period, by a descriptive interim financial report;

Noting the growth in extrabudgetary resources available to WHO for programme purposes, both as part of and in addition to the Voluntary Fund for Health Promotion;

RECOMMENDS to the Thirty-third World Health Assembly the adoption of the following resolution:

The Thirty-third World Health Assembly,

Having considered the report of the Director-General on financial reports and extrabudgetary resources;¹

Having considered the amendments to the Financial Regulations proposed by the Director-General;

Having noted the Director-General's proposals to include in the annual financial reports to the Health Assembly information on income and expenditure relating to all extrabudgetary funds available for programme purposes;

1. ADOPTS the amendments to the Financial Regulations as appended to the Director-General's report;
2. APPROVES the proposals of the Director-General to report annually to the Health Assembly on all extrabudgetary resources available for programme purposes;
3. DECIDES that this resolution supersedes resolution WHA26.24.

Hbk Res., Vol. II (3rd ed.), 7.1.11; 7.1.9; 7.1.1 (Seventeenth meeting, 18 January 1980)

¹ See Annex 1.

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findings, but would not proceed at the end of the first year of the biennium to a detailed verification of data on income, expenditures, assets and liabilities. While the External Auditor would not normally at this time submit a report to the Health Assembly, his right to do so, should the situation in his view call for it, would remain undiminished. Full financial reporting and audit activities, of which the report of the External Auditor would form part, would take place at the end of the biennium.

5. If the Executive Board should agree to the proposed changes in interim financial reporting, changes in the Financial Regulations of WHO would be necessary. The Financial Regulations so affected and the changes proposed are shown in the Appendix to this document.

Reporting on extrabudgetary resources

6. The Twenty-sixth World Health Assembly (1973), in resolution WHA26.24, requested the Director-General to report annually to the Executive Board at its session following the session of the World Health Assembly on: (i) the contributions to the Voluntary Fund for Health Promotion; (ii) the financial status of the Voluntary Fund; and (iii) the action taken to obtain increased support for the Fund.

7. At the time (1973) this resolution was adopted most of WHO's extrabudgetary resources, other than those from United Nations system sources, were made available to the Organization through the Voluntary Fund for Health Promotion. Since that date, however, WHO has become the executing agency for a number of new programmes attracting substantial extrabudgetary resources. At the Board's sixty-fourth session (May 1979) the view was expressed that the report submitted annually pursuant to resolution WHA26.24 should no longer be limited to the Voluntary Fund for Health Promotion, but should also include information on all other extrabudgetary funds - the Trust Fund for the Special Programme for Research and Training in Tropical Diseases, the trust fund (Onchocerciasis Fund) relating to the Onchocerciasis Control Programme in the Volta River Basin Area, funds obtained from various United Nations agencies, etc. The submission of such a, more comprehensive, report on extrabudgetary resources would make it possible to refer more directly to the programmes financed from them as well as to assess the growth of the resources available to WHO for programme purposes. It would be understood that such expanded reporting would not cover purely administrative funds such as the Terminal Payments Account, the staff health insurance fund, the Special Account for Servicing Costs, and similar funds or accounts. The status of such funds and accounts will in any event continue to be reported in the final financial report for the biennial financial period.

8. Possibly because of the short duration of the Board's May sessions the reports on the Voluntary Fund for Health Promotion submitted pursuant to resolution WHA26.24 have not received much attention and have hardly ever given rise to substantial discussions. If an expanded report on all extrabudgetary resources available for programme purposes were to be presented through the Executive Board to the Health Assembly, not only the Board (through its Committee to Consider Certain Financial Matters Prior to the Health Assembly, as explained in paragraph 10 below) but also delegates to the Health Assembly would be able to review the growth and use of extrabudgetary resources at the same time as they consider the financial reports and, every second year, the biennial programme budget proposals.

9. The Director-General therefore proposes that a comprehensive report on income and expenditures relating to all extrabudgetary resources available for programme purposes along the lines described in paragraph 7 above be submitted as an annex to the final financial report for the financial period of two consecutive years and, in alternate years, to the interim financial report for the first year of the biennium. Such a report, in lieu of a report to the May 1980 session of the Executive Board confined as in the past to the Voluntary Fund for Health Promotion, could already be submitted in respect of 1979 as an annex to the financial report for that year. A similarly enlarged report on extrabudgetary resources would form an annex to the interim financial report for the year 1980 to be submitted, through the Committee of the Executive Board to Consider Certain Financial Matters Prior to the Health Assembly, to the Thirty-fourth World Health Assembly in May 1981. The same type of report on extrabudgetary resources would become an annex to the final financial report for the biennium 1980-1981 to be issued early in 1982.

ANNEX 1

Review of financial reports, including annexes relating to extrabudgetary resources

10. As already implicit in the proposals outlined in the preceding paragraph, the Director-General suggests that the procedure for reviewing the revised interim and final financial reports, together with their annexes containing reports on extrabudgetary funds, should be the same as the review procedure followed at the present time in respect of the annual financial reports. Accordingly, the interim and final financial reports would first be reviewed by the Committee of the Executive Board to Consider Certain Financial Matters Prior to the Health Assembly. This Committee is normally established by the Board at its January session and meets on the opening day of the Health Assembly. The financial report and its annexes, i.e. including data on all extrabudgetary resources, would then be considered by Committee B of the Health Assembly together with a report thereon from the Committee of the Executive Board. This would enable all participants in the Health Assembly to review not only, as heretofore, the financial reports but also the source and application of all extrabudgetary resources received by the Organization.

11. In order to give effect to these changes, the Health Assembly would have to approve certain amendments to the Financial Regulations as proposed in the Appendix to this document and to change the reporting arrangements established by resolution WHA26.24.

Appendix

PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS
OF THE WORLD HEALTH ORGANIZATION¹

Article IX - Investment of Funds

9.2 [At least once a year] The Director-General shall include in the final financial [statements] report submitted to the Health Assembly a statement of the investments currently held.

Article XI - ~~The~~ Accounts and Financial Reports

11.3 At the end of the first year of the financial period the Director-General shall establish an interim financial report [interim accounts, showing the actual income received and expenditure incurred during the year, together with a statement of assets and liabilities at the close of the year] on significant financial developments that have affected the Organization during the year. At the end of the second year of the financial period the Director-General shall prepare a final financial report for the financial period including the final accounts prepared by the Director-General pursuant to financial regulation 11.1.

11.4 The [interim and] final accounts of the Organization shall be presented in US dollars. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.

11.5 The [interim and] final accounts shall be submitted to the External Auditor(s) not later than 31 March following the end of the [year or] financial period to which they relate.

Article XII - External Audit

12.8 The Auditor(s) shall issue a report on the audit of [the interim accounts and on] the final [financial statements] accounts prepared by the Director-General pursuant to financial regulation 11.1 and relevant schedules, [which] The report shall include such information as he/they deem necessary in regard to financial regulation 12.3 and the Additional Terms of Reference.

¹ New text is underlined; text to be deleted is shown between square brackets.

EXECUTIVE BOARD, SIXTY-FIFTH SESSION

12.9 The report(s) of the Auditor(s) shall be transmitted through the Executive Board, together with the audited financial statements final accounts, to the Health Assembly not later than 1 May following the end of the year or financial period to which the final accounts relate. The Executive Board shall examine the interim financial report and final financial statements report and the audit report(s) and shall forward them to the Health Assembly with such comments as it deems necessary.

Appendix

ADDITIONAL TERMS
OF REFERENCE GOVERNING THE EXTERNAL AUDIT
OF THE WORLD HEALTH ORGANIZATION

5. 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 World Health Organization for the year/ financial period 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 I/we considered necessary in the circumstances. As a result of my/our examination I am/we are of the opinion that the financial statements properly reflect the recorded financial transactions for the year/ financial period, 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.

16 May 1980

FINANCIAL REPORTS AND EXTRABUDGETARY RESOURCES

The Thirty-third World Health Assembly,

Having considered the report of the Director-General on financial reports and extra-budgetary resources;¹

Having considered the amendments to the Financial Regulations proposed by the Director-General;

Having noted the Director-General's proposals to include in the annual financial reports to the Health Assembly information on income and expenditure relating to all extrabudgetary funds available for programme purposes;

1. ADOPTS the amendments to the Financial Regulations as appended to the Director-General's report;
2. APPROVES the proposals of the Director-General to report annually to the Health Assembly on all extrabudgetary resources available for programme purposes;
3. DECIDES that this resolution supersedes resolution WHA26.24.

Fourteenth plenary meeting, 16 May 1980
A33/VR/14

¹ EB65/1980/REC/1, Annex 1.

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