



# **Amendments to Financial Regulations and Rules**

## **Report by the Director-General**

In accordance with Financial Regulations, Article XV - General Provisions, the Health Assembly is required to approve amendments to the Financial Regulations. When such amendments are approved by the Health Assembly, the Director-General may amend the related Financial Rules as appropriate and, in accordance with Financial Regulations, Article XVI - Special Provisions, he shall report to the Health Assembly on such Financial Rules and amendments after confirmation by the Executive Board. Accordingly, the Director-General submits this report with the proposed amendments to the Financial Regulations.

### **PROPOSED AMENDMENTS**

1. The first proposal is to incorporate in the Financial Regulations, as new Financial Regulation 6.8, the appropriate text to reflect the application of programme support costs on extrabudgetary funded activities, as decided by resolution WHA34.17 (May 1981) and, endorsed by resolution EB95.R4 (January 1995).
2. The second proposal is to revise the financial procedures for the collection of arrears of contribution. This matter was briefly touched upon in the course of the ninety-ninth session of the Executive Board and it was decided that it should be further discussed at a subsequent session. The thrust of the Director-General's proposal is based on the following reasoning:
  - (a) It has been the practice, over the years, to appropriate casual income to help finance the regular budget (other than the interest earned and available for apportionment under the provisions of the incentive scheme) and to use it to help reduce the assessments due for the approved regular budget of the next financial period. This procedure has the effect that Members in arrears in the payment of their contributions receive a credit against future annual assessments, even though they still owe contributions for prior years.
  - (b) Maintaining the principle that such appropriations of casual income should benefit the whole membership of the Organization, the Director-General believes that for reasons of equity and effective financial management, Members who owe prior years' contributions to the Organization should benefit from such credit, *in the first instance*, against their arrears of contributions and, only when those are settled, against future years' assessments.
  - (c) The proposal regarding the use of casual income first for the settlement of arrears can therefore not be interpreted as a penalty, but as a sound financial principle. Debts should be extinguished in the order in which payment is due, before future years' contributions can be reduced.

(d) The application of this new procedure would require the amendment of Financial Regulations 4.3, 4.4, 5.1, 5.2, 5.10 and 6.1 and, when that is approved, of Financial Rules 103.4 and 103.6. The proposed revision of the Financial Regulations is presented in the Annex.

3. Thirdly, to bring the regulations for casual income into line with the current accepted accounting practices in the United Nations system, the Director-General proposes an amendment to Financial Regulation 7.1 whereby:

- for those sources of casual income which involve expenditure, directly related costs would be offset against such income; this is the case, for instance, in respect of garage rental income against which the direct operating costs related to maintenance and security are offset;
- income from the commercial insurance policy covering “illness, accident or death where such events are attributable to the performance of official duties on behalf of the Organization” shall be credited to the Special Fund for Compensation to help finance the portion of compensation payments provided for under Staff Rule 720 not covered by the United Nations Joint Staff Pension Fund, the Organization’s commercial accident and illness insurance arrangements or the Staff Health Insurance. This would relieve the regular budget or extrabudgetary sources of the burden of such unforeseen costs, and would allow the management of resources for technical programmes to continue without any significant disruption.

4. Finally, in order to recognize the United Nations System Accounting Standards which were noted by the United Nations General Assembly at its forty-eighth session for common application by all United Nations organizations, it is necessary to reflect appropriately under revised Financial Regulations 11.1 and 11.3 the applicability of the Accounting Standards to the preparation and presentation of the Organization’s accounts and financial reports.

5. The proposed amendments to the Financial Regulations are shown in the Annex, in paragraph order.

## **ACTION BY THE EXECUTIVE BOARD**

6. Should the Board concur with the proposed amendments it may wish to adopt the following resolution:

The Executive Board,

Having considered the report of the Director-General on the proposed amendments to the Financial Regulations, and having concurred with his recommendations therein,

RECOMMENDS to the Fifty-first World Health Assembly the adoption of the following resolution:

The Fifty-first World Health Assembly,

Having considered the amendments to the Financial Regulations proposed by the Director-General and endorsed by the Executive Board at its 101st session,

ADOPTS the proposed amendments to the Financial Regulations.

## ANNEX

## PROPOSED AMENDMENTS TO FINANCIAL REGULATIONS

PRESENT FINANCIAL REGULATIONS	AMENDED TEXT (with deletions in square brackets and additions underlined)	PURPOSE
4.3 Appropriations shall remain available for the financial period following the end of the financial period to which they relate, to the extent that they are required to discharge the obligations incurred under regulation 4.2. The cash balance of the appropriations shall be surrendered.	4.3 Appropriations shall remain available for the financial period following the end of the financial period to which they relate, to the extent that they are required to discharge the obligations incurred under regulation 4.2. The cash balance of the appropriations shall be surrendered <u>and credited to casual income.</u>	<i>To reflect established practice whereby the cash balance of the appropriations is credited to casual income.</i>
4.4 At the end of the following financial period provided in regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated obligations from the prior financial period shall at that time be cancelled and, where the obligation remains a valid charge, an obligation against current financial period appropriations shall be established.	4.4 At the end of the following financial period provided in regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered <u>and credited to casual income.</u> Any unliquidated obligations from the prior financial period shall at that time be cancelled and, where the obligation remains a valid charge, an obligation against current financial period appropriations shall be established.	<i>To reflect established practice whereby the cash balance of the appropriations is credited to casual income.</i>
5.1 The appropriations, subject to the adjustments effected in accordance with the provisions of regulation 5.2, shall be financed by contributions from Members, according to the scale of assessments determined by the Health Assembly. Pending the receipt of such contributions, the	5.1 The appropriations[, subject to the adjustments effected in accordance with the provisions of regulation 5.2,] shall be financed by contributions from Members, according to the scale of assessments determined by the Health Assembly. Pending the receipt of such contributions, the	<i>To reflect the amendment of regulation 5.2 whereby the reductions on contributions are no longer generally applied against assessments but rather against contributions, either for the current or for prior financial periods.</i>

appropriations may be financed from the Working Capital Fund or, if the cash balance of the Working Capital Fund is inadequate for such interim financing, by internal borrowing from other available cash resources of the Organization, excluding Trust Funds. Any balances of such internal loans outstanding at the end of the financial period shall be reported to the Executive Board.

appropriations may be financed from the Working Capital Fund or, if the cash balance of the Working Capital Fund is inadequate for such interim financing, by internal borrowing from other available cash resources of the Organization, excluding Trust Funds. Any balances of such internal loans outstanding at the end of the financial period shall be reported to the Executive Board.

5.2 In the assessment of the contributions of Members, adjustments shall be made to the amount of the appropriations approved by the Health Assembly in respect of:

5.2 [In the assessment of the contributions of Members, adjustments shall be made to the amount of the appropriations approved by the Health Assembly in respect of]: Casual income appropriated by the Health Assembly to reduce contributions is credited to the contributions in the order in which the Member was assessed.

*To reflect the amendment of regulation 6.1 whereby the reductions on contributions are no longer generally applied to assessments but rather to contributions, either for the prior financial periods or for the current period.*

(a) Supplementary appropriations for which contributions have not previously been assessed on Members;

(a) Delete ]  
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(b) Casual income for which credits have not previously been taken into account, and any adjustments in estimated casual income previously taken into account;

(b) Delete ] *As a consequence of the*  
] *modification of the first*  
] *part of regulation 5.2,*  
] *these subparagraphs have*  
] *lost their relevance*  
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(c) Contributions resulting from the assessment of new Members under the provisions of regulation 5.10;

(c) Delete ]  
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(d) Any balance of the appropriations surrendered under regulation 4.4.

(d) Delete ]  
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5.10 New members shall be required to make a contribution for the financial period in which they become Members at rates to be determined by the Health Assembly.

5.10 New members shall be required to make a contribution for the financial period in which they become Members at rates to be determined by the Health Assembly. When received, such unbudgeted assessments shall be credited to casual income in accordance with regulation 7.1.

*To reflect established practice whereby collected unbudgeted assessments are credited to casual income.*

6.1 There shall be established a General Fund for the purpose of accounting for the income and expenditures of the regular budget of the Organization. The contributions paid by Members under regulation 5.1, casual income, and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund. Advances from the Working Capital Fund in excess of the balance available in the fund may be secured through the internal borrowing facility under regulation 5.1, against other available cash resources of the Organization, excluding Trust Funds.

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*To reflect the change that casual income is used to reduce contributions and therefore no longer accounted for as budgetary income.*

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6.8 Obligations incurred under extrabudgetary funds are subject to the application of a programme support cost charge as decided by the

*To reflect in the Financial Regulations the effect of resolution WHA34.17.*

World Health Assembly, or to fees or to other applicable interagency reimbursement arrangements for the costs incurred by the Organization in the execution of such activities.

7.1 All other income, except:	7.1 All other income, <u>after deduction of any direct expenditure incurred in connection with the earning of other income</u> , except:	<i>Self-explanatory</i>
(a) Contributions to the budget;	(a) Contributions to the <u>regular</u> budget;	<i>For clarity</i>
(b) Direct refunds of expenditures made during the financial period; and	(b) Direct refunds of expenditures made during the financial period, <u>except refunds on the Organization's insurance policies covering events attributable to the performance of official duties on behalf of the Organization which may be credited to the Special Fund for Compensation to help finance compensation payments</u> ; and	<i>Self-explanatory</i>
(c) Advances or deposits to funds,	(c) Advances or deposits to funds,	
shall be credited to casual income.	shall be credited to casual income.	
11.1 The Director-General shall maintain such accounts as are necessary and shall prepare final accounts for each financial period showing:	11.1 The Director-General shall [maintain] <u>establish</u> such accounts as are necessary and shall <u>maintain them in a manner consistent with the United Nations System Accounting Standards</u> . He shall prepare final accounts	<i>Self-explanatory</i>

for each financial period [showing:], presented in conformity with and in the formats established under those standards and taking into consideration within the flexibility afforded therein, the nature and character of the Organization's financial and accounting requirements. The accounts will comprise:

(a) The income and expenditure of all funds;

(a) [The income and expenditure of all funds;] Statement of income and expenditure and changes in reserves and fund balances (Statement I);

(b) The status of appropriations, including:

(b) [The status of appropriations, including:] Statement of assets, liabilities and reserves and fund balances (Statement II);

(i) The original budget appropriations;

[Items (i) to (vi) deleted and transferred to new item (d)]

(ii) Any supplementary appropriations;

(iii) The appropriations as modified by any transfers;

(iv) Credits, if any other than the appropriations voted by the Health Assembly;

(v) The amounts charged against the appropriations and against any other credits;

(vi) The operation of the exchange rate facility under regulation 4.6;

(c) Statements of assets and liabilities at the close of the financial period.

(c) [Statements of assets and liabilities at the close of the financial period.] Statement of cash flow (Statement III);

(d) Statement of appropriations (Statement IV), covering:

- (i) The original budget appropriations;
- (ii) Any supplementary appropriations;
- (iii) The appropriations as modified by any transfers;
- (iv) Credits, if any other than the appropriations voted by the Health Assembly;
- (v) The amounts charged against the appropriations and against any other credits;
- (vi) The operation of the exchange rate facility under financial regulation 4.6.

He shall also give such other information as may be necessary to indicate the current financial position of the Organization.

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11.3 At the end of the first year of the financial period the Director-General shall establish an interim financial report 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

11.3 At the end of the first year of the financial period the Director-General shall establish an interim financial report on significant financial developments that have affected the Organization during the year. Such report will be prepared and presented in accordance with the United Nations System

*Self-explanatory*



financial report for the financial period including the final accounts prepared by the Director-General pursuant to financial regulation 11.1.

Accounting Standards. 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.

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