

# **Amendments to the Financial Regulations and Financial Rules**

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

1. At its 120th session in January 2007, the Executive Board considered a report on amendments to the Financial Regulations and Financial Rules.<sup>1</sup> The report, submitted by the Director-General, indicated that the Secretariat had embarked on a far-reaching endeavour to modernize essential operational systems in support of the results-based management framework to which the Organization is committed. As part of this modernization, and in line with similar initiatives throughout the United Nations system, the introduction of the International Public Sector Accounting Standards (IPSAS), was endorsed by the Health Assembly in resolution WHA60.9.

2. WHO is already introducing many individual standards as authorized within the United Nations System Accounting Standards and is committed to implementing IPSAS fully as from 1 January 2010. Full introduction of IPSAS requires amendments to be made to both the Financial Regulations and the Financial Rules. The proposed changes are set out in Annexes 1 and 2.

### **AMENDMENTS TO FINANCIAL REGULATIONS AND FINANCIAL RULES**

3. The adoption of IPSAS, and other related reforms, have major implications for the Organization. The effect of the proposed amendments to the Financial Regulations and Financial Rules are summarized below.

- In adopting IPSAS, WHO will undertake to follow all IPSAS or risk a qualified audit opinion on grounds of non-compliance.
- IPSAS require financial statements to be prepared annually under the accrual basis of accounting; however they accommodate those organizations with biennial budgets. (IPSAS 1 paragraph 66, and IPSAS 24 paragraph 38).

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<sup>1</sup> Documents EB120/21 and EB120/21 Corr.1.

- The required financial statements are:
  - statement of financial position (balance sheet)
  - statement of financial performance (income statement)
  - statement of changes in net assets/equity
  - cash flow statement
  - comparison of budgeted amounts and actual amounts for the reporting period
  - notes, including a summary of significant accounting policies.
- With IPSAS, the concept of Miscellaneous Income for the regular budget is replaced by that of available surplus for that part of the budget financed by assessed contributions. As is currently the case with Miscellaneous Income, the Health Assembly will determine the use of the available surplus stemming from assessed contributions.
- Under the accrual basis, expenditure is recognized on the delivery principle, which is an important improvement over the obligation/commitment principle used in the past. At the end of each year, the figures for expenditure/budget implementation will reflect what has actually happened with the undelivered commitments not being recognized as expenditure until their delivery in the subsequent year. The proposed changes to Financial Regulation 4.2 take account of this.
- With IPSAS, annual accounts are prepared on the accrual basis, albeit with a biennial budget prepared on the cash basis, as is currently the case. Budget proposals will comprise the total effective budget for all programme activities under the control of the Organization, a part of which will be appropriated for financing by assessed contributions.
- The amendments provide the possibility of a separate budget for capital expenditure. Capital expenditure, which frequently distorts the overall programme budget, can thus be considered in its own right.

4. It is suggested that the effective date of implementation of the proposed changes should be 1 January 2010. This would complete the changes to the Financial Regulations required in line with the preparations for the introduction of IPSAS throughout the United Nations system.<sup>1</sup>

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<sup>1</sup> The full list of the accounting standards as currently issued by the IPSAS Board is shown in Annex 3.

## **ACTION BY THE EXECUTIVE BOARD**

5. The Executive Board is invited to consider the following draft resolution:

The Executive Board,

Having considered the report of the Director-General on the proposed amendments to the Financial Regulations and Financial Rules relating in particular to the introduction of International Public Sector Accounting Standards,<sup>1</sup>

Recalling resolution WHA60.9 on amendments to the Financial Regulations and Financial Rules: introduction of International Public Sector Accounting Standards,

1. CONFIRMS, in accordance with Financial Regulation 16.3, the revised Financial Rules as shown in Annex 2, provided that the amendments proposed to the Financial Regulations as set forth in Annex 1 have been adopted by the Health Assembly, to be effective as from 1 January 2010;
2. RECOMMENDS to the Sixty-second World Health Assembly the adoption of the following resolution:

The Sixty-second World Health Assembly,

Having considered the report on amendments to the Financial Regulations and Financial Rules,

Recalling resolution WHA60.9 on amendments to the Financial Regulations and Financial Rules: introduction of International Public Sector Accounting Standards,

1. ADOPTS the changes to the Financial Regulations as shown in Annex 1, to be effective as from 1 January 2010;
2. NOTES that the changes to the Financial Rules as confirmed by the Executive Board at its 124th session shall be effective at the same time as the amendments to the Financial Regulations adopted in paragraph 1;
3. AUTHORIZES the Director-General to number the revised Financial Regulations and Financial Rules appropriately.

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<sup>1</sup> Document EB124/22.



ANNEX 1

**FINANCIAL REGULATIONS**

**EXISTING TEXT AS OF 1 JANUARY 2008**

**PROPOSED REVISED TEXT**

**COMMENTS**

*Regulation I – Applicability and Delegation of Authority*

1.1 These Regulations shall govern the financial administration of the World Health Organization.

1.2 The Director-General 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-General may delegate in writing to other officers of the Organization such authority as he or she considers necessary for the effective implementation of these Regulations.

1.4 The Director-General 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 Financial Period*

2.1 The financial period shall be two consecutive calendar years beginning with an even-numbered year.

*Regulation III – The Budget*

3.1 The budget estimates for the financial period, as referred to in Article 55 of the Constitution (hereinafter referred to as “budget proposals”), shall be prepared by the Director-General.

1.3 Without prejudice to Regulation 1.2 the Director-General 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.

2.1 The financial period **for the programme budget** shall be two consecutive calendar years beginning with an even-numbered year.

3.1 The budget estimates for the financial period, as referred to in Article 55 of the Constitution (hereinafter referred to as “budget proposals”), shall be prepared by the Director-General. **The budget proposals shall be presented in United States dollars.**

Ties in with Director-General’s and other delegations of authority.

Annual financial statements will be prepared in accordance with IPSAS.

## EXISTING TEXT AS OF 1 JANUARY 2008

## PROPOSED REVISED TEXT

## COMMENTS

3.2 The budget proposals shall cover gross income and gross expenditure for the financial period to which they relate, and shall be presented in United States dollars.

3.3 The budget proposals shall be divided into parts, sections and chapters, and shall include such information, annexes and explanatory statements as may be requested by, or on behalf of, the Health Assembly and such further annexes or statements as the Director-General may deem necessary and useful.

3.4 The Director-General shall submit the budget proposals at least 12 weeks before the opening of the regular session of the Health Assembly, and before the opening of the appropriate session of the Executive Board, at which they are to be considered. At the same time, the Director-General shall transmit these proposals to all Members (including Associate Members).

3.5 The Executive Board shall submit these proposals, and any recommendations it may have thereon, to the Health Assembly.

3.6 The budget for the following financial period shall be approved by the Health Assembly in the year preceding the biennium to which the budget proposals relate, after consideration and report on the proposals by the appropriate main committee of the Health Assembly.

3.7 Should the Director-General, at the time of the session of the Executive Board that submits the budget proposals and its recommendations thereon to the Health Assembly, have information which indicates that there may, before the time of the Health Assembly, be a need to alter the proposals in the light of developments, he or she shall

**3.1 *bis* The Director-General may also present estimates for a separate budget for capital expenditure.**

~~3.2 The budget proposals shall cover gross income and gross expenditure for the financial period to which they relate, and shall be presented in United States dollars.~~

Introduces the concept of a capital budget outside the programme budget so as to avoid distortion of the latter.

Limits Regulation III to budget; funding/income covered later.

**EXISTING TEXT AS OF 1 JANUARY 2008**

report thereon to the Executive Board, which shall consider including in its recommendations to the Health Assembly an appropriate provision therefore.

3.8 Should developments subsequent to the session of the Executive Board that considers the budget proposals, or any of the recommendations made by it, necessitate or render desirable in the opinion of the Director-General an alteration in the budget proposals, the Director-General shall report thereon to the Health Assembly.

3.9 Supplementary proposals may be submitted to the Board by the Director-General whenever necessary to increase the appropriations previously approved by the Health Assembly. Such proposals shall be submitted in a form and manner consistent with the budget proposals for the financial period.

*Regulation IV – Regular Budget Appropriations*

4.1 The appropriations approved by the Health Assembly shall constitute an authorization to the Director-General to incur contractual obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

4.2 Appropriations shall be available for obligation for the financial period to which they relate. The Director-General is authorized to charge, as an obligation against the appropriations during the current financial period, the cost of goods or services which were contracted during the current financial period, and which are contractually due to be delivered during that period.

4.3 The Director-General is authorized, with the prior concurrence of the Executive Board or of any committee to which it may delegate appropriate authority, to transfer credits between sections. When the Executive Board or any

**PROPOSED REVISED TEXT**

4.2 Appropriations shall be available for ~~obligation for~~ **making commitments in the financial period to which they relate for delivery in that financial period or the subsequent calendar year.** ~~The Director-General is authorized to charge, as an obligation against the appropriations during the current financial period, the cost of goods or services which were contracted during the current financial period, and which are contractually due to be delivered during that period.~~

**COMMENTS**

Enables a budget carry forward into the third year. Expenditure will be recognized on the delivery principle in that third year – against the previous biennium's budget carry over. This gives the transparency that was lacking with unliquidated obligations.

**EXISTING TEXT AS OF 1 JANUARY 2008**

committee to which it may have delegated appropriate authority is not in session, the Director-General is authorized, with the prior written concurrence of the majority of the members of the Board or such committee, to transfer credits between sections. The Director-General shall report such transfers to the Executive Board at its next session.

4.4 At the same time as budget proposals are approved an exchange rate facility shall be established by the Health Assembly, which shall set the maximum level that may be available to protect against losses on foreign exchange. The purpose of the facility shall be to make it possible to maintain the level of the budget so that the activities that are represented by the budget approved by the Health Assembly may be carried out irrespective of the effect of any fluctuation of currencies against the United States dollar at the official United Nations exchange rate. Any amount unused during the biennium shall be credited to Miscellaneous Income.

4.5 Appropriations in respect of the regular budget for the current financial period may remain available for the following financial period to pay for all goods and services resulting from legal commitments that were made before the end of the financial period, for completion the following year.

4.6 At the end of the financial period, any unobligated balance of the appropriations shall be credited to Miscellaneous Income.

4.7 Any claims for goods and services contractually due to be delivered in a subsequent financial period that exist against the Organization at the end of a financial period shall be established as obligations against appropriations established for the relevant subsequent financial period and shall be disclosed as a note to the Financial Statements.

**PROPOSED REVISED TEXT**

4.4 At the same time as budget proposals are approved an exchange rate facility shall be established by the Health Assembly, which shall set the maximum level that may be available to protect against losses on foreign exchange. The purpose of the facility shall be to make it possible to maintain the level of the budget so that the activities that are represented by the budget approved by the Health Assembly may be carried out irrespective of the effect of any fluctuation of currencies against the United States dollar at the official United Nations exchange rate. ~~Any amount unused during the biennium shall be credited to Miscellaneous Income~~

~~4.5 Appropriations in respect of the regular budget for the current financial period may remain available for the following financial period to pay for all goods and services resulting from legal commitments that were made before the end of the financial period, for completion the following year.~~

~~4.6 At the end of the financial period, any unobligated balance of the appropriations shall be credited to Miscellaneous Income.~~

~~4.7 Any claims for goods and services contractually due to be delivered in a subsequent financial period that exist against the Organization at the end of a financial period shall be established as obligations against appropriations established for the relevant subsequent financial period and shall be disclosed as a note to the Financial Statements.~~

**COMMENTS**

Miscellaneous Income deleted as any unused amount will automatically be recognized in the surplus.

Covered in Regulation 4.2 as revised.

Deleted as no accounting credit required. The uncommitted balance will be reflected in the surplus.

Covered in Regulation 4.2.



## EXISTING TEXT AS OF 1 JANUARY 2008

## PROPOSED REVISED TEXT

## COMMENTS

*Regulation V – Provision of Regular Budget Funds*

5.1 Appropriations shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, and by Miscellaneous Income.

5.2 The amount to be financed by contributions from Members shall be calculated after adjusting the total amount appropriated by the Health Assembly to reflect that proportion of the regular budget to be financed by Miscellaneous Income.

5.3 In the event that the amount realized as Miscellaneous Income is greater than the amount approved by the Health Assembly under the regular budget proposals, any such surplus shall be credited to Miscellaneous Income for the following financial period, and shall be applied in accordance with the budget approved for that financial period.

5.4 In the event that the amount realized as Miscellaneous Income is less than the amount approved by the Health Assembly under the regular budget proposals, the Director-General shall review implementation plans for the regular budget in order to make any adjustments that may be necessary.

*Regulation VI – Assessed Contributions*

6.1 The assessed contributions of Members based on the scale of assessments shall be divided into two equal annual instalments. In the first year of the financial period, the Health Assembly may decide to amend the scale of assessments to be applied to the second year of the financial period.

5.1 Appropriations shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, and by ~~Miscellaneous Income~~ **any available surplus**.

5.2 The amount to be financed by contributions from Members shall be calculated after adjusting the total amount appropriated by the Health Assembly to reflect that proportion of the regular budget to be financed by ~~Miscellaneous Income~~ **any available surplus**.

~~5.3 In the event that the amount realized as Miscellaneous Income is greater than the amount approved by the Health Assembly under the regular budget proposals, any such surplus shall be credited to Miscellaneous Income for the following financial period, and shall be applied in accordance with the budget approved for that financial period.~~

~~5.4 In the event that the amount realized as Miscellaneous Income is less than the amount approved by the Health Assembly under the regular budget proposals, the Director-General shall review implementation plans for the regular budget in order to make any adjustments that may be necessary.~~

Under IPSAS, the concept of available surplus replaces Miscellaneous Income.

Not required since, with IPSAS, the concept of available surplus is being applied.

Not required since, with IPSAS, the concept of available surplus is being applied.

**EXISTING TEXT AS OF 1 JANUARY 2008**

6.2 After the Health Assembly has adopted the budget, the Director-General shall inform Members of their commitments in respect of contributions for the financial period and request them to pay the first and second instalments of their contributions.

6.3 If the Health Assembly decides to amend the scale of assessments, or to adjust the amount of the appropriations to be financed by contributions from Members for the second year of a biennium, the Director-General shall inform Members of their revised commitments and shall request Members to pay the revised second instalment of their contributions.

6.4 Instalments of 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 contributions shall be considered to be one year in arrears.

6.6 Contributions shall be assessed in United States dollars, and shall be paid in either United States dollars, euros or Swiss francs, or such other currency or currencies as the Director-General shall determine.

6.7 The acceptance by the Director-General of any currency that is not fully convertible shall be subject to a specific, annual approval on a case-by-case basis by the Director-General. Such approvals will include any terms and conditions that the Director-General considers necessary to protect the World Health Organization.

6.8 Payments made by a Member and/or credits from Miscellaneous Income shall be credited to the Member's account and applied first against the oldest amount outstanding.

**PROPOSED REVISED TEXT**

6.8 Payments made by a Member ~~and/or credits from Miscellaneous Income~~ shall be credited to the Member's account and applied first against the oldest amount outstanding.

**COMMENTS**

**EXISTING TEXT AS OF 1 JANUARY 2008****PROPOSED REVISED TEXT****COMMENTS**

6.9 Payments in currencies other than United States dollars shall be credited to Members' accounts at the United Nations rate of exchange ruling on the date of receipt by the World Health Organization.

6.10 The Director-General shall submit to the regular session of the Health Assembly a report on the collection of contributions.

6.11 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 Miscellaneous Income.

*Regulation VII – Working Capital Fund and Internal Borrowing*

7.1 Pending the receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund, which shall be established as part of the regular budget approved by the Health Assembly, and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds.

7.2 The level of the Working Capital Fund shall be based on a projection of financing requirements taking into consideration projected income and expenditure. Any proposals that the Director-General may make to the Health Assembly for varying the level of the Working Capital Fund from that previously approved shall be accompanied by an explanation demonstrating the need for the change.

7.3 Any repayments of borrowing under Regulation 7.1 shall be made from the collection of arrears of assessed contributions and shall be credited first against any internal borrowing outstanding and secondly against any borrowing outstanding from the Working Capital Fund.

6.11 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 Miscellaneous Income.~~ **Such contributions shall be recorded as income in the year in which they are due.**

Recorded as income, without an additional budget appropriation results in an increase in available surplus.

## EXISTING TEXT AS OF 1 JANUARY 2008

*Regulation VIII – Miscellaneous and other Income*

8.1 Miscellaneous Income shall be applied in accordance with Regulation V and shall include the following:

- (a) any unobligated balances within appropriations in accordance with Regulation 4.6;
- (b) any interest earnings or investment income on surplus liquidity in the regular budget;
- (c) any refunds or rebates of expenditure received after the end of the financial period to which the original expenditure related;
- (d) any proceeds of insurance claims that are not required to replace the insured item, or otherwise compensate for the loss;
- (e) the net proceeds generated on the sale of a capital asset after allowing for all costs of acquisition, or improvement, of any asset concerned;
- (f) any net gains or losses that may have arisen under operation of the exchange rate facility, or application of the official United Nations rates of exchange, or in revaluation for accounting purposes of the Organization's assets and liabilities;
- (g) any payments of arrears of contributions due from Member States that are not required to repay borrowings from the Working Capital Fund or internal borrowing in accordance with Regulation 7.3;
- (h) any income not otherwise specifically referred to in these Regulations.

## PROPOSED REVISED TEXT

*Regulation VIII – ~~Miscellaneous and other Income~~  
Revenue: Other Sources*

~~8.1 Miscellaneous Income shall be applied in accordance with Regulation V and shall include the following:~~

- ~~(a) any unobligated balances within appropriations in accordance with Regulation 4.6;~~
- ~~(b) any interest earnings or investment income on surplus liquidity in the regular budget;~~
- ~~(c) any refunds or rebates of expenditure received after the end of the financial period to which the original expenditure related;~~
- ~~(d) any proceeds of insurance claims that are not required to replace the insured item, or otherwise compensate for the loss;~~
- ~~(e) the net proceeds generated on the sale of a capital asset after allowing for all costs of acquisition, or improvement, of any asset concerned;~~
- ~~(f) any net gains or losses that may have arisen under operation of the exchange rate facility, or application of the official United Nations rates of exchange, or in revaluation for accounting purposes of the Organization's assets and liabilities;~~
- ~~(g) any payments of arrears of contributions due from Member States that are not required to repay borrowings from the Working Capital Fund or internal borrowing in accordance with Regulation 7.3;~~
- ~~(h) any income not otherwise specifically referred to in these Regulations.~~

## COMMENTS

IPSAS 1 paragraph 119 states that “All items of revenue and expense recognized in a period shall be included in surplus or deficit unless an IPSAS requires otherwise.” The concept of Miscellaneous Income as understood in the Financial Regulations is no longer relevant. Members will have full control over the surplus related to assessed contributions.

## EXISTING TEXT AS OF 1 JANUARY 2008

8.2 The Director-General is authorized to levy a charge on extrabudgetary contributions in accordance with any applicable resolution of the Health Assembly. This charge shall be used, together with any interest earnings or earnings from investments of extrabudgetary contributions, in accordance with Regulation 11.3(b), to reimburse all, or part of, the indirect costs incurred by the Organization in respect of the generation and administration of extrabudgetary resources. All direct costs of the implementation of programmes that are financed by extrabudgetary resources shall be charged against the relevant extrabudgetary contribution.

8.3 Any refund of expenditure, or reimbursement for services and facilities provided, received from third parties during the biennium in which the original expenditure was incurred or services and facilities were provided shall be credited against that expenditure.

8.4 Any payments received from insurance policies held by the Organization shall be credited towards mitigating the loss that the insurance covered.

8.5 The Director-General is delegated the authority, under Article 57 of the Constitution, to accept gifts and bequests, either in cash or in kind, provided that he or she has determined that such contributions can be used by the Organization, and that any conditions which may be attached to them are consistent with the objective and policies of the Organization.

## PROPOSED REVISED TEXT

8.2 The Director-General is authorized to levy a charge on extrabudgetary contributions in accordance with any applicable resolution of the Health Assembly. This charge shall be **credited to the Special Account for Servicing Costs used**, together with any interest earnings or earnings from investments of ~~extrabudgetary~~ contributions, ~~in accordance with Regulation 11.3(b), and used~~ to reimburse all, or part of, the indirect costs incurred by the Organization in respect of the generation and administration of ~~extrabudgetary~~ **such** resources. All direct costs of the implementation of programmes ~~that are financed by extrabudgetary resources~~ shall be charged against the relevant **budget**. ~~extrabudgetary contribution.~~

~~8.3 Any refund of expenditure, or reimbursement for services and facilities provided, received from third parties during the biennium in which the original expenditure was incurred or services and facilities were provided shall be credited against that expenditure.~~

~~8.4 Any payments received from insurance policies held by the Organization shall be credited towards mitigating the loss that the insurance covered.~~

## COMMENTS

No longer needed. IPSAS 1 paragraphs 54–59 cover offsetting, which basically depends upon the substance of the transaction.

No longer needed. IPSAS 1 paragraphs 54–59 cover offsetting, which basically depends upon the substance of the transaction.

To be new Regulation 8.1

## EXISTING TEXT AS OF 1 JANUARY 2008

## PROPOSED REVISED TEXT

## COMMENTS

*Regulation IX – Funds*

9.1 Funds shall be established to enable the Organization to record income and expenditure. These funds shall cover all sources of income: regular budget, extrabudgetary resources, Trust Funds, and any other source of income as may be appropriate.

9.2 Accounts shall be established for amounts received from donors of extrabudgetary contributions and for any Trust Funds so that relevant income and expenditures may be recorded and reported upon.

9.3 Other accounts shall be established as necessary as reserves or to meet the requirements of the administration of the Organization, including capital expenditure.

9.4 The Director-General may establish revolving funds so that activities may be operated on a self-financing basis. The purpose of such accounts shall be reported to the Health Assembly, including details of sources of income and expenditures charged against such funds, and the disposition of any surplus balance at the end of a financial period.

9.5 The purpose of any account established under Regulations 9.3 and 9.4 shall be specified and shall be subject to these Financial Regulations and such Financial Rules as are established by the Director-General under Regulation 12.1, prudent financial management, and any specific conditions agreed with the appropriate authority.

*Regulation X – Custody of Funds*

10.1 The Director-General shall designate the bank or banks or financial institutions in which funds in the custody of the Organization shall be kept.

*Regulation X – Custody of ~~Funds~~ **Cash and Cash Equivalents***

10.1 The Director-General shall designate the bank or banks or financial institutions in which ~~funds~~ **cash and cash equivalents** in the custody of the Organization shall be kept.

Avoids confusion of double meaning of “fund” by using the IPSAS terminology of “cash and cash equivalents”.

**EXISTING TEXT AS OF 1 JANUARY 2008**

10.2 The Director-General may designate any investment (or asset) managers and/or custodians that the Organization may wish to appoint for the management of the funds in its custody.

*Regulation XI – Investment of Funds*

11.1 Any funds not required for immediate payment may be invested and may be pooled in so far as this benefits the return that may be generated.

11.2 Income from investments shall be credited to the fund or account from which invested moneys derive unless otherwise provided in the regulations, rules or resolutions relating to that fund or account.

11.3(a) Income generated from regular budget resources shall be credited to Miscellaneous Income in accordance with Regulation 8.1.

(b) Income generated from extrabudgetary resources may be used to reimburse indirect costs related to extrabudgetary resources.

11.4 Investment policies and guidelines shall be drawn up in accordance with best industry practice, having due regard for the preservation of capital and the return requirements of the Organization.

*Regulation XII – Internal Control*

12.1 The Director-General shall:

(a) establish operating policies and procedures in order to ensure effective financial administration, the exercise of economy, and safeguard of the assets of the Organization;

**PROPOSED REVISED TEXT**

10.2 The Director-General may designate any investment (or asset) managers and/or custodians that the Organization may wish to appoint for the management of the ~~funds~~ **cash and cash equivalents** in its custody.

*Regulation XI – Investment of ~~Funds~~ **Cash and Cash Equivalents***

11.1 Any ~~funds~~ **cash** not required for immediate payment may be invested and may be pooled in so far as this benefits the return that may be generated.

11.2 Income from investments shall be credited **as income to the Special Account for Servicing Costs in accordance with Regulation 8.2,** ~~to the fund or account from which invested moneys derive.~~ unless otherwise provided in the regulations, rules or resolutions relating to ~~that~~ **a specific** fund or account.

~~11.3(a) Income generated from regular budget resources shall be credited to Miscellaneous Income in accordance with Regulation 8.1.~~

~~(b) Income generated from extrabudgetary resources may be used to reimburse indirect costs related to extrabudgetary resources.~~

**COMMENTS**

## EXISTING TEXT AS OF 1 JANUARY 2008

(b) designate the officers who may receive funds, incur financial commitments and make payments on behalf of the Organization;

(c) maintain an effective internal control structure to ensure the accomplishment of established objectives and goals for operations; the economical and efficient use of resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of assets;

(d) maintain an internal audit function which is responsible for the review, evaluation and monitoring of the adequacy and effectiveness of the Organization's overall systems of internal control. For this purpose, all systems, processes, operations, functions and activities within the Organization shall be subject to such review, evaluation and monitoring.

*Regulation XIII – Accounts and Financial Reports*

13.1 The Director-General shall establish such accounts as are necessary and shall, in so far as is not otherwise provided for in these Regulations and any Financial Rules established by the Director-General, maintain them in a manner consistent with the United Nations System Accounting Standards.

13.2 Final financial reports shall be prepared for each financial period, and interim financial reports shall be prepared at the end of the first year of each such period. Such financial reports shall be presented in conformity with – and in the formats established under – the Standards referred to in Regulation 13.1, together with such other information as may be necessary to indicate the current financial position of the Organization.

## PROPOSED REVISED TEXT

*Regulation XIII – Accounts and Financial Reports*

13.1 The Director-General shall establish such accounts as are necessary and shall, ~~in so far as is not otherwise provided for in these Regulations and any Financial Rules established by the Director General,~~ maintain them in a manner consistent with the United Nations System Accounting Standards. **accordance with IPSAS.**

13.2 ~~Final financial~~ **Financial statements** reports shall be prepared **annually in accordance with IPSAS,** ~~for each financial period, and interim financial reports shall be prepared at the end of the first year of each such period. Such financial reports shall be presented in conformity with – and in the formats established under – the Standards referred to in Regulation 13.1,~~ together with such other information as may be necessary to indicate the current financial position of the Organization.

## COMMENTS



**EXISTING TEXT AS OF 1 JANUARY 2008**

13.3 The financial reports shall be presented in United States dollars. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.

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

13.5 The Director-General may make such ex gratia payments as deemed to be necessary in the interest of the Organization. A statement of such payments shall be included with the final accounts.

13.6 The Director-General may authorize, after full investigation, the writing-off of the loss of any asset, other than arrears of contributions. A statement of such losses written off shall be included with the final accounts.

*Regulation XIV – External Audit*

14.1 External Auditor(s), each of whom shall be the Auditor-General (or officer holding equivalent title or status) of a Member government, shall be appointed by the Health Assembly, in the manner decided by the Assembly. External Auditor(s) appointed may be removed only by the Assembly.

14.2 Subject to any special direction of the Health Assembly, each audit which the External Auditor(s) performs/performs shall be conducted in conformity with generally accepted common auditing standards and in accordance with the Additional Terms of Reference set out in the Appendix to these Regulations.

**PROPOSED REVISED TEXT**

13.3 The financial ~~reports~~ **statements** shall be presented in United States dollars. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.

13.4 The financial ~~reports~~ **statements** shall be submitted to the External Auditor(s) not later than 31 March following the end of the ~~financial period~~ **year** to which they relate.

**COMMENTS**

## EXISTING TEXT AS OF 1 JANUARY 2008

14.3 The External Auditor(s) may make observations 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(s) shall be completely independent and solely responsible for the conduct of the audit.

14.5 The Health Assembly may request the External Auditor(s) to perform certain specific examinations and issue separate reports on the results.

14.6 The Director-General shall provide the External Auditor(s) 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(s) 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(s), is technically qualified.

14.8 The External Auditor(s) shall issue a report on the audit of the biennium financial report prepared by the Director-General pursuant to Regulation XIII. The report shall include such information as he/she/they deem(s) necessary in regard to Regulation 14.3 and the Additional Terms of Reference.

14.9 The report(s) of the External Auditor(s) shall be transmitted through the Executive Board, together with the audited financial report, to the Health Assembly not later than 1 May following the end of the financial period to which the final accounts relate. The Executive Board shall

## PROPOSED REVISED TEXT

14.4 The External Auditor(s) shall be completely independent and solely responsible for the conduct of the audit **and, except as permitted under Regulation 14.7 below, any local or special examination.**

## COMMENTS

Emphasizes the single audit principle.

**EXISTING TEXT AS OF 1 JANUARY 2008**

examine the interim and biennium financial reports and the audit report(s) and shall forward them to the Health Assembly with such comments as it deems necessary.

*Regulation XV – Resolutions involving Expenditures*

15.1 Neither the Health Assembly nor the Executive Board shall take a decision involving expenditures unless it has before it a report from the Director-General on the administrative and financial implications of the proposal.

15.2 Where, in the opinion of the Director-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the Health Assembly has made the necessary appropriations.

*Regulation XVI – General Provisions*

16.1 These Regulations shall be effective as of the date of their approval by the Health Assembly, unless otherwise specified by the Health Assembly. They may be amended only by the Health Assembly.

16.2 In case of doubt as to the interpretation and application of any of the foregoing regulations, the Director-General is authorized to rule thereon, subject to confirmation by the Executive Board at its next session.

16.3 The Financial Rules established by the Director-General as referred to in Regulation 1.4 above, and the amendments made by the Director-General to such rules, shall enter into force after confirmation by the Executive Board. They shall be reported upon to the Health Assembly for its information.

**PROPOSED REVISED TEXT****COMMENTS**

To be effective as from 1 January 2010

## ANNEX 2

## FINANCIAL RULES

## EXISTING TEXT AS OF 1 JANUARY 2008

## PROPOSED REVISED TEXT

## COMMENTS

*Rule 1 – Applicability and Delegation of Authority*

101.1 These Financial Rules are established in accordance with Financial Regulation 1.4.

101.2 The Director-General is responsible to the Health Assembly for the implementation of the Financial Rules in order to ensure effective financial administration, the exercise of economy, and safeguard of the assets of the Organization.

101.3 These Rules apply uniformly to all sources of funds, and all financial transactions of the Organization unless otherwise stated in these Rules.

101.4 The Financial Rules established by the Director-General, and any amendments thereto, shall enter into force after confirmation by the Executive Board.

101.5 In case of doubt as to the interpretation and application of any of the Financial Rules, the Director-General shall rule thereon.

101.6 In addition to the delegations of authority to designated officials expressed in these Financial Rules, and without prejudice to Financial Rule 101.2, the Director-General may delegate in writing, together with authorization for re-delegation to other officers of the Organization, such authority considered necessary by the Director-General for the implementation of these Rules, including for the issuance of operational procedures. All designated officials shall be responsible and accountable to the Director-General for the exercise of any authority delegated to them.

**EXISTING TEXT AS OF 1 JANUARY 2008**

**PROPOSED REVISED TEXT**

**COMMENTS**

*Rule II – The Budget*

102.1 Biennial budget proposals, and supplementary proposals if appropriate, reflecting all sources of funds in such manner and at such times as may be required shall be drawn up and submitted by designated officials to the Director-General.

102.2 The biennial budget proposals may be submitted to the Regional Committees which shall comment and make recommendations thereon.

102.3 In implementation of Financial Regulation 4.4, the Director-General's budget proposals to the Health Assembly shall include proposals for the application and limit of the Exchange Rate Facility for that biennium.

*Rule III – Regular Budget Appropriations*

103.1 The appropriations approved by the Health Assembly constitute an authority to issue allotments up to the amount approved to enable expenditures to be incurred for the purposes for which the appropriations were approved. The Director-General may determine the maximum amount of the appropriations that it would be prudent to make available for allotment, taking into account the prospects for payment of assessed contributions and the availability of both the Working Capital Fund and internal borrowing.

103.1 The appropriations approved by the Health Assembly constitute an authority to issue ~~allotments~~ **awards** up to the amount approved to enable expenditures to be incurred for the purposes for which the appropriations were approved. The Director-General may determine the maximum amount of the appropriations that it would be prudent to ~~make available for allotment~~ **issue as awards** taking into account the prospects for payment of assessed contributions and the availability of both the Working Capital Fund and internal borrowing.

## EXISTING TEXT AS OF 1 JANUARY 2008

*Rule IV – Provision of Funds*

104.1 The assessments of Members, in accordance with Financial Regulations 5.1–5.2 shall be computed on the basis of the membership of the Organization as at the last day of the relevant Health Assembly.

104.3 In order that the Director-General may accept payment of Members' assessed contributions under Financial Regulation 6.8 in currencies that are not fully convertible, the following limits and guidelines shall apply:

- (a) the amount due shall be expressed in United States dollars;
- (b) payments to WHO shall be required to be made on a specified date to a specific bank account;
- (c) the amounts of any payment authorized shall be no greater than the expected monthly net cash outflow of the Organization in the currency concerned;
- (d) for the purpose of crediting the relevant Members' account with WHO in United States dollars, the United Nations rate of exchange effective on the date of receipt by WHO shall apply.

104.4 Any payments in currencies, other than those specified in Financial Regulation 6.7 (United States dollars, euros or Swiss francs), that do not comply with the specific terms of any approval given by the Director-General shall be automatically returned to the relevant Member State, and the assessed contribution concerned shall continue to be due and payable.

## PROPOSED REVISED TEXT

*Rule IV – ~~Provision of funds~~ Financing*

104.3 In order that the Director-General may accept payment of Members' assessed contributions under Financial Regulation 6.~~8~~<sup>7</sup> in currencies that are not fully convertible, the following limits and guidelines shall apply:

- (a) the amount due shall be expressed in United States dollars;
- (b) payments to WHO shall be required to be made on a specified date to a specific bank account;
- (c) the amounts of any payment authorized shall be no greater than the expected monthly net cash outflow of the Organization in the currency concerned;
- (d) for the purpose of crediting the relevant Members' account with WHO in United States dollars, the United Nations rate of exchange effective on the date of receipt by WHO shall apply.

104.4 Any payments in currencies, other than those specified in Financial Regulation 6.~~7~~<sup>6</sup> (United States dollars, euros or Swiss francs), that do not comply with the specific terms of any approval given by the Director-General shall be automatically returned to the relevant Member State, and the assessed contribution concerned shall continue to be due and payable.

## COMMENTS

**EXISTING TEXT AS OF 1 JANUARY 2008**

104.5 In order for allotments to be issued for expenditure to be financed from sources other than the regular budget, advance deposits, or letters of credit, or other acceptable forms of financing must be available in amounts determined by designated officials.

104.6 In order to ensure that implementation of the regular budget is not prejudiced by late receipt of Members' assessed contributions, the Director-General shall take into account the anticipated funding required to meet expenditure under the regular budget.

104.7 The use of the Working Capital Fund and the amount of internal borrowing together shall not exceed the total amount of unpaid assessed contributions, and shall in any event not exceed 25% of the assessed contributions for the biennium concerned.

104.8 In formulating proposals to the Health Assembly to vary the level of the Working Capital Fund in accordance with Financial Regulation 7.2, the Director-General shall take into consideration the level of internal borrowing that it would be prudent to incur and the limit specified in Financial Rule 104.7.

104.9 In accordance with Financial Regulation 7.1, in order to determine the level of reserves available to finance internal borrowing the Director-General shall take into account the projected income and expenditure of each cash reserve.

**PROPOSED REVISED TEXT**

104.5 In order for ~~allotments~~ **authorizations** to be issued for expenditure, **financing must be available, taking account of revenue recognized in accordance with IPSAS, of availability of cash or cash equivalents** ~~to be financed from sources other than the regular budget, advance deposits, or letters of credit,~~ or other acceptable forms of financing ~~must be available~~ in amounts determined by designated officials.

~~104.6 In order to ensure that implementation of the regular budget is not prejudiced by late receipt of Members' assessed contributions, the Director-General shall take into account the anticipated funding required to meet expenditure under the regular budget.~~

**COMMENTS**

Not required as income recognition taking account of availability of cash determines authorization to spend.

## EXISTING TEXT AS OF 1 JANUARY 2008

*Rule V – Allotments*

105.1 Allotments shall be issued to designated officials as authorization to incur expenditure.

105.2 Designated officials to whom allotments are issued are accountable to the Director-General for the correct use of the resources made available.

*Rule VI – Expenditure (Obligations)*

106.1 In order to incur expenditure, obligations shall be raised against allotments issued to designated officials.

106.2 Obligations may only be raised by designated officials and shall be supported by satisfactory documentation. All commitments or undertakings that create liabilities against the resources of the Organization shall be represented by obligations that are raised when the liability arises.

106.3 Obligations may be raised only for the purpose indicated on the allotment and may not exceed the amount available in the allotment.

106.4 Proposals for expenditure, including procurement of goods and services, shall be rejected if they do not comply with the Financial Regulations, the present Rules, and the following conditions:

- (a) funds are available;
- (b) the procedures of the Organization are being observed;

## PROPOSED REVISED TEXT

*Rule V – ~~Allotments~~ Funding from Awards for Approved Workplans*

105.1 ~~Allotments~~ **Funding from awards for approved workplans** shall be issued to designated officials as authorization to incur expenditure.

105.2 Designated officials to whom ~~allotments~~ **funding from awards** is ~~are~~ issued are accountable to the Director-General for the correct use of the resources made available.

*Rule VI – Expenditure (~~Obligations~~ Commitments)*

106.1 In order to incur expenditure, ~~obligations~~ **commitments** shall be ~~raised~~ **made** against ~~allotments~~ **award funding issued against approved workplans** to designated officials.

106.2 ~~Obligations~~ **Commitments** may only be ~~raised~~ **made** by designated officials and shall be supported by satisfactory documentation. All commitments or undertakings that create liabilities against the resources of the Organization shall be represented by ~~obligations~~ **signed contracts or similar documentation** that are ~~raised~~ **prepared** when the liability arises.

106.3 ~~Obligations~~ **Commitments** may be ~~raised~~ **made** only for the purpose indicated ~~on~~ **in** the ~~allotment~~ **workplan** and may not exceed the amount available in the ~~allotment~~ **award**.

106.4 Proposals for expenditure, including procurement of goods and services, shall be rejected if they do not comply with the Financial Regulations, the present Rules, and the following conditions:

- (a) ~~funds are available~~; **award funding is available**;
- (b) the procedures of the Organization are being observed;

## COMMENTS



**EXISTING TEXT AS OF 1 JANUARY 2008**

(c) the financial situation of the Organization will not be prejudiced;

(d) the purpose of the proposed expenditure is in the interests of the work of the Organization.

106.5 Revisions to an obligation shall be subject to the same procedure as the original obligation.

106.6 Ex gratia payments may be authorized by the Director-General in accordance with Financial Regulation 13.5, provided such payments are justified in the interests of equity, or otherwise in the best interests of the Organization. Any such payment, together with an explanation of its justification, shall be promptly reported to both the External Auditor and the Head of the Office of Internal Oversight Services.

*Rule VII – Internal Control*

107.1 In order to ensure effective internal control within the Organization, in accordance with Financial Regulation XII, the Director-General shall establish measures, including (i) an internal audit framework as set out in Financial Rule XII, (ii) appropriate delegations of authority, (iii) segregation of duties and (iv) other measures that are consistent with best financial practice.

107.2 Payments shall not be made in advance except as where otherwise specified in these Rules. Payments shall only be made on the basis of satisfactory supporting documents duly certified by designated officials confirming that:

(a) services have been rendered or delivery has been completed in accordance with the terms of contract;

(b) the amount is correct and in accordance with the terms of the contract.

**PROPOSED REVISED TEXT**

(c) the financial situation of the Organization will not be prejudiced;

(d) the purpose of the proposed expenditure is in the interests of the work of the Organization.

106.5 Revisions to ~~an obligation~~ **a commitment** shall be subject to the same procedure as the original ~~obligation~~ **commitment**.

**COMMENTS**

**EXISTING TEXT AS OF 1 JANUARY 2008**

107.3 As an exception and only where operationally justified, contracts or purchase orders may be entered into which require part payment in advance prior to the delivery of goods or performance of services. The justification for any such arrangements shall be fully documented.

107.4 In order for any contract or purchase order to be entered into requiring full payment in advance, the official requesting such terms shall provide full justification and demonstrate why such payment terms are necessary in the interest of the Organization. All such payment terms shall be subject to approval by designated officials.

107.5 Designated officials may authorize advances to staff members and other persons in connection with the execution of official duties for WHO and staff entitlements.

107.6 Funds of the Organization shall be deposited only in banks or financial institutions or invested with counterparties determined by the Director-General in accordance with the investment policies referred to in Financial Rule 107.11.

107.7 The Director-General shall designate officials to be responsible for all bank accounts, and for the management, receipt and disbursement of all funds of the Organization and proper accounting thereof.

107.8 Imprest account holders shall be accountable for all funds under their responsibility.

107.9 Panels of signatories shall be designated by officials authorized by the Director-General. All payments from the Organization's bank accounts shall be signed by two officials of the appropriate panels. Where deemed necessary, in exceptional circumstances, those officials authorized to designate panels of signatories may authorize the signature of payments by one official only, provided that there are adequate safeguards for the protection of funds,

**PROPOSED REVISED TEXT****COMMENTS**

**EXISTING TEXT AS OF 1 JANUARY 2008**

including limits on the funds that may be paid from the account.

107.10 All securities shall be deposited in the custody of duly appointed banks or financial institutions designated by the Director-General.

107.11 Investment policies shall be drawn up in accordance with Financial Regulation 11.4. An advisory committee shall assist the Director-General in formulating these investment policies and in monitoring the performance of funds invested.

*Rule VIII – The Accounts*

108.1 The accounts shall comprise a consolidated general ledger of the Organization and subsidiary ledgers which shall include all financial transactions of the financial period in which they occur and which shall be accounted for on an accrual basis. All periodic and other financial statements shall be prepared from these accounts.

108.2 Subject to Financial Rule 101.3, the Director-General shall determine those parts of the Organization that shall be authorized to maintain their own accounting records, and which shall be consolidated periodically into the accounts of the Organization.

108.3 All financial transactions and statements shall be supported by documentation to be retained as an integral part of the official records of the Organization for such period or periods as may be agreed with the External Auditor, after which, on the authority of designated officials, such records and documents may be destroyed.

**PROPOSED REVISED TEXT**

108.1 The accounts shall comprise a consolidated general ledger of the Organization and subsidiary ledgers which shall include all financial transactions of the financial period in which they occur and which shall be accounted for on an accrual basis **to enable the Organization to produce IPSAS-compliant financial statements.** All periodic and other financial statements shall be prepared from these accounts.

108.2 Subject to Financial Rule 101.3, the Director-General shall determine those parts of the Organization that shall be authorized to maintain their own accounting records, and which shall be **reported** ~~consolidated periodically into~~ **periodically with** the accounts of the Organization.

**COMMENTS**

Non-controlled partnerships (e.g. UNAIDS, the African Programme for Onchocerciasis Control and the International Computing Centre) should not be consolidated into the accounts of the Organization.

EXISTING TEXT AS OF 1 JANUARY 2008	PROPOSED REVISED TEXT	COMMENTS
108.4 All accounting transactions shall be recorded in the general and subsidiary ledgers in accordance with a uniform chart of accounts.		
108.5 Income and expenditure shall be recorded in accordance with a uniform system of classification.		
108.6 The accounts (as defined in Financial Rule 108.1 above) shall record:	<del>108.6 The accounts (as defined in Financial Rule 108.1 above) shall record:</del>	Rule becomes redundant as proposed revision to Rule 108.1 enables Organization to produce IPSAS-compliant financial statements.
(a) original appropriations voted by the Health Assembly;	<del>(a) original appropriations voted by the Health Assembly;</del>	
(b) appropriations after modification by any transfers;	<del>(b) appropriations after modification by any transfers;</del>	
(c) credits, if any, other than appropriations made available by the Health Assembly;	<del>(c) credits, if any, other than appropriations made available by the Health Assembly;</del>	
(d) the operation of the exchange rate facility;	<del>(d) the operation of the exchange rate facility;</del>	
(e) income;	<del>(e) income;</del>	
(f) allotments issued;	<del>(f) allotments issued;</del>	
(g) expenditure (obligations) incurred;	<del>(g) expenditure (obligations) incurred;</del>	
(h) liabilities, including an accrual for accounts payable in order to pay for all goods and services contractually due to be delivered prior to the end of the financial period;	<del>(h) liabilities, including an accrual for accounts payable in order to pay for all goods and services contractually due to be delivered prior to the end of the financial period;</del>	
(i) assets, including cash, investments, securities and amounts due to the Organization;	<del>(i) assets, including cash, investments, securities and amounts due to the Organization;</del>	
(j) unallotted balances;	<del>(j) unallotted balances;</del>	
(k) unobligated balances of allotments;	<del>(k) unobligated balances of allotments;</del>	
(l) unobligated balances of appropriations.	<del>(l) unobligated balances of appropriations.</del>	

## EXISTING TEXT AS OF 1 JANUARY 2008

## PROPOSED REVISED TEXT

## COMMENTS

*Rule IX – Financial Statements*

109.1 The Director-General shall submit interim and final financial reports, taken from the accounts referred to in Financial Rule 108.1, to the Health Assembly and the Executive Board or to such committees of the Executive Board as may be responsible for review and comment thereon, no later than 1 May. Such financial statements shall be prepared in accordance with the United Nations System Accounting Standards, the Financial Regulations and the present Rules and shall include such other information as may be necessary to indicate the financial position of the Organization.

109.2 Interim and final financial reports shall also disclose any ex gratia payments and any losses of cash, supplies, equipment and other assets that have occurred during the period, indicating their treatment in the accounts.

*Rule X – Property, including Equipment and Supplies*

110.1 The acquisition of land and buildings, together with improvements thereto shall be capitalized in the accounts. Any other property, other than capital assets acquired by purchase, shall be charged as expenditure. Property acquired under lease shall be capitalized or charged as expenditure in accordance with the terms of the relevant lease.

110.2 Inventory records shall be maintained of all capitalized assets.

109.1 The Director-General shall submit ~~interim and final~~ **annual** financial ~~reports~~ **statements**, taken from the accounts referred to in Financial Rule 108.1, to the Health Assembly and the Executive Board or to such committees of the Executive Board as may be responsible for review and comment thereon, no later than 1 May. Such financial statements shall be prepared in accordance with ~~the United Nations System Accounting Standards~~ **International Public Sector Accounting Standards (IPSAS)**, the Financial Regulations and the present Rules and shall include such other information as may be necessary to indicate the financial position of the Organization.

109.2 ~~Interim and final~~ **The annual** financial reports shall also disclose any ex gratia payments and any losses of cash, supplies, equipment and other assets that have occurred during the period, indicating their treatment in the accounts.

*Rule X – Property, ~~including Equipment and Supplies~~ Plant and Equipment*

110.1 The acquisition *and related depreciation* of land, ~~and buildings, plant and equipment together with improvements thereto~~ shall be capitalized in the accounts *in accordance with IPSAS*. ~~Any other property, other than capital assets acquired by purchase, shall be charged as expenditure.~~ Property, *plant or equipment* acquired under lease shall be capitalized or charged as expenditure in accordance with *IPSAS*. ~~the terms of the relevant lease.~~

110.2 Inventory records shall be maintained ~~of all capitalized assets.~~ *for all property, plant and equipment.*

## EXISTING TEXT AS OF 1 JANUARY 2008

110.3 An asset management system shall be maintained for other property.

110.4 Periodic physical inventories shall be taken of all property.

110.5 Property may be declared to be surplus if it is of no further use to the Organization and disposed of for the best possible return to the Organization, including part-exchange, except when (i) destruction will be more economical or is required by law or environmental considerations, or (ii) the best interest of the Organization will be served by disposal by gift or at a nominal price to a non-profit organization.

110.6 The proceeds from the sale of surplus property shall be credited to Miscellaneous Income, except that, if an item is being replaced, the trade-in allowance or the proceeds from the sale of the replaced article shall serve to reduce the expenditure incurred in replacing the item.

110.7 Subject to the provisions of Financial Rule 104.5, goods and services may be provided to governments, specialized agencies, and other international organizations on a reimbursable or reciprocal basis on such terms and conditions as may be approved by designated officials.

*Rule XI – Procurement of Goods and Services*

111.1 The Director-General shall establish policies and procedures for the purchase of property, services, supplies, equipment or other requirements, and which shall set forth the requirements for invitations to tender and competitive bidding.

## PROPOSED REVISED TEXT

~~110.3 An asset management system shall be maintained for other property.~~

110.4 Periodic physical inventories shall be taken of all property, *plant and equipment*.

110.5 Property, *plant and equipment* may be declared to be surplus if it is of no further use to the Organization and disposed of for the best possible return to the Organization, including part-exchange, except when (i) destruction will be more economical or is required by law or environmental considerations, or (ii) the best interest of the Organization will be served by disposal by gift or at a nominal price to a non-profit organization.

110.6 The ~~proceeds~~ *gain or loss* from the ~~sale of surplus derecognition of an item of~~ property, *plant or equipment shall be included in surplus or deficit.* ~~credited to Miscellaneous Income, except that~~ However, if an item is being replaced, *any gain on derecognition* ~~the trade in allowance or the proceeds from the sale~~ of the replaced article shall serve to ~~reduce~~ *contribute towards* the expenditure incurred in replacing the item.

## COMMENTS

Not required as all assets capitalized under IPSAS.

**EXISTING TEXT AS OF 1 JANUARY 2008****PROPOSED REVISED TEXT****COMMENTS**

111.2 Contracts for the purchase of property, services, supplies, equipment or other requirements shall be entered into for and on behalf of the Organization only by designated officials.

111.3 All purchases and other contracts shall be made on the basis of competitive bids, except when otherwise authorized by designated officials.

111.4 Contracts are normally awarded to the lowest bidder. However, where it is considered to be in the interest of the Organization, the acceptance of a bid other than the lowest, or the rejection of all bids may be authorized by designated officials.

*Rule XII – Internal Audit*

112.1 The Office of Internal Oversight Services (IOS) is responsible for internal audit, inspection, monitoring and evaluation of the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets as well as investigation of misconduct and other irregular activities. All systems, processes, operations, functions and activities within the Organization are subject to IOS's review, evaluation and oversight.

112.2 The Director-General shall appoint a technically qualified head of IOS after consultation with the Executive Board. The Director-General shall likewise consult the Executive Board before any termination of the incumbent of that office.

112.3 IOS shall function in accordance with the following provisions:

(a) the head of IOS shall report directly to the Director-General;

**EXISTING TEXT AS OF 1 JANUARY 2008**

(b) IOS shall have full, free and prompt access to all records, property, personnel, operations and functions within the Organization which, in IOS's opinion, are relevant to the subject matter under review;

(c) IOS shall be available to receive directly from individual staff members complaints or information concerning the possible existence of fraud, waste, abuse of authority or other irregular activities. Confidentiality shall be respected at all times, and no reprisals shall be taken against staff members providing such information unless this was willfully provided with the knowledge that it was false or with intent to misinform;

(d) IOS shall report the results of its work and make recommendations to the Regional Director, Executive Director, Director or other responsible manager for action, with a copy to the Director-General and the External Auditor. At the request of the head of IOS, any such report shall be submitted to the Executive Board, together with the Director-General's comments thereon;

(e) IOS shall submit a summary report annually to the Director-General with a copy to the External Auditor on IOS's activities, including the orientation and scope of such activities, as well as the implementation status of recommendations. This report shall be submitted to the Health Assembly together with comments deemed necessary.

112.4 The Director-General shall ensure that all IOS recommendations are responded to and implemented as appropriate.

**PROPOSED REVISED TEXT**

(d) IOS shall report the results of its work and make recommendations to the Regional Director, ~~Executive Director~~—Assistant Director-General, Director or other responsible manager for action, with a copy to the Director-General and the External Auditor. At the request of the head of IOS, any such report shall be submitted to the Executive Board, together with the Director-General's comments thereon;

**COMMENTS**



## ANNEX 3

### **International Public Sector Accounting Standards (IPSAS)**

The following standards have been adopted by the IPSAS Board as at 1 November 2008:

1. Presentation of Financial Statements
2. Cash Flow Statements
3. Changes in Accounting Policies, Changes in Accounting Estimates and Fundamental Errors
4. The Effects of Changes in Foreign Exchange Rates
5. Borrowing Costs
6. Consolidated Financial Statements and Accounting for Controlled Entities
7. Accounting for Investments in Associates
8. Financial Reporting of Interests in Joint Ventures
9. Revenue from Exchange Transactions
10. Financial Reporting in Hyperinflationary Economies
11. Construction Contracts
12. Inventories
13. Leases
14. Events after the Reporting Date
15. Financial Instruments: Disclosure and Presentation
16. Investment Property
17. Property, Plant and Equipment
18. Segment Reporting
19. Provisions, Contingent Liabilities and Contingent Assets
20. Related Party Disclosures
21. Impairment of Non-Cash-Generating Assets
22. Disclosure of Financial Information About the General Government Sector
23. Revenue from Non-Exchange Transactions (Taxes and Transfers)
24. Presentation of Budget Information in Financial Statements
25. Employee Benefits
26. Impairment of Cash-Generating Assets

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