



WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD
107th Session
Provisional agenda item 5.4

EB107/13
20 November 2000

Financial Rules

Report by the Secretariat

BACKGROUND

1. The Fifty-second World Health Assembly, through resolution WHA52.20, requested the Director-General to undertake a study of the Financial Regulations and the Financial Rules of WHO.
2. The Fifty-third World Health Assembly adopted new Financial Regulations through resolution WHA53.6. These new Regulations will come into effect upon confirmation of new Financial Rules. Proposed new Financial Rules are set out in the Annex.
3. The Financial Regulations are guiding principles that govern the framework within which the financial resources of WHO are managed. The Financial Rules are established by the Director-General in accordance with the new Financial Regulation 1.4, and provide further guidance to ensure effective financial administration, the exercise of economy, and the safeguard of the assets of the Organization. The Executive Board noted several specific areas in the Financial Rules that required special attention.
4. In revising the Financial Rules, the Director-General applied principles similar to those followed for revision of the Financial Regulations, namely, (i) reflection in the rules of good practice and modern management; (ii) provision of a further incentive for efficient management; (iii) strengthening and regrouping internal control mechanisms as a result of a more decentralized organization; (iv) clear definition of the relationship between the roles of authority, accountability and responsibility, linked to the authority of the Health Assembly through the Financial Regulations; and (v) recognition of the United Nations System Accounting Standards as a further framework within which the Organization operates. As far as possible organizational units and titles have not been used when redrafting the Rules in order to avoid discrepancies that would flow from an organizational change, and the consequent need to revise the Rules.
5. The Annex shows the proposed new Financial Rules, the existing Financial Rules and a comparison between the two.
6. The open-ended working group on Financial Regulations established by the Executive Board referred in its report¹ to certain areas for further consideration when revising the Financial Rules, which are commented on in the following paragraphs.

¹ Document EB/Fin.Reg./1/3.

7. **Acceptance of currencies of payment** (Regulations 6.7 to 6.9). Proposed Rules 104.3 and 104.4 set out guidelines and limits which are designed to protect the Organization from the risk of loss due to devaluation. Consequently, the guidelines and limits are based upon the capacity of the Organization to utilize local currency within a short period of time. The requirement in Regulation 6.8 for annual approval of acceptance of a currency that is not fully convertible makes it possible to take account of the changing cash requirements for different currencies, thus assuring that the Organization is not unduly exposed to risk. This is supported by a requirement under new Rule 104.4 that any payments in local currency that have not been approved by the Director-General must be returned to the Member State concerned, whose assessed contribution shall remain due and payable.

8. **Working Capital Fund and internal borrowing** (Regulation VII). Proposed Financial Rules 104.7, 104.8 and 104.9 contain guidelines and limits. Rule 104.7 limits the total amount for the Working Capital Fund and internal borrowing so as to ensure that the Organization does not borrow in excess of its potential capacity to repay. The level of reserves that may be used to finance internal borrowing will be limited by projected income and expenditure; thus, if large expenditures are foreseen, there will be a limit on borrowing against resources that may diminish in the future.

9. **Ex gratia payments** (Regulation 13.5). The Financial Regulations and Rules together provide a high level of accountability on the part of the Director-General to the Health Assembly, and of individuals to whom the Director-General may delegate authority. This chain of accountability is more clearly described in the new Financial Regulations and proposed Financial Rules than in the former versions. Further, a distinct reporting requirement is contained in Regulation 13.5, which has been expanded in new Financial Rule 106.6 to include note of the justification for ex gratia payments. It is proposed that any such payment should be specifically referred, together with a justification, to both Internal and External Audit functions. This provides a greater degree of accountability. Although it is implicit in Financial Regulation 13.5 that the External Auditor will be aware of any ex gratia payment, new Financial Rule 106.6 ensures such awareness. This framework provides both control and greater transparency.

10. Financial Regulation 6.5 authorizes the **financial incentive scheme**. New Financial Rule 104.2 specifies the grace period applicable under Financial Regulation 6.5. The date proposed, 31 January, reflects the principle that the scheme should be an incentive for Member States that meet their obligation to the Organization to pay in full and on time. Surplus interest earnings will be available in the miscellaneous income account for Member States to appropriate through the regular-budget process. Any amounts earned by and credited to Member States under the financial incentive scheme will be calculated in United States dollars.

ACTION BY THE EXECUTIVE BOARD

11. Should the Board agree with the proposed revision of the Financial Rules, it may wish to adopt the following resolution:

The Executive Board,

Having considered the report on the Director-General's revision of the Financial Rules,¹

CONFIRMS, in accordance with Financial Regulation 16.3, the Financial Rules as annexed to the report.

¹ Document EB107/13.

ANNEX

COMPARISON OF EXISTING AND PROPOSED NEW FINANCIAL RULES

PROPOSED NEW FINANCIAL RULES	EXISTING FINANCIAL RULES	COMPARISON OF EXISTING AND NEW
<p>RULE I – APPLICABILITY AND DELEGATION OF AUTHORITY</p>	<p>ARTICLE I – AUTHORITY AND APPLICABILITY</p>	
<p>101.1 These Financial Rules are established in accordance with Financial Regulation 1.4.</p>	<p>101.1 These Rules are established in accordance with the provisions of Financial Regulation 10.1(a).</p>	
<p>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.</p>	<p>101.5 The Director-General, by virtue of the authority vested in him as the chief technical and administrative officer of the Organization, is responsible to the Health Assembly for the implementation of the Financial Rules.</p>	
<p>101.3 These Rules apply uniformly to all sources of funds, and all financial transactions of the Organization unless otherwise stated in these Rules.</p>	<p>101.2 The Financial Rules are applicable to all offices and, irrespective of the source of funds, to all financial transactions of the Organization. The latter are also subject to the budgeting and accounting principles and rules applicable to the source of funds concerned. Funds are subject to either annual or biennial cycles, and related expenditures are accounted on an accrual basis.</p>	
<p>101.4 The Financial Rules established by the Director-General, and any amendments thereto, shall enter into force after confirmation by the Executive Board.</p>	<p>101.3 The Financial Rules become effective as from the date of issue. Amendments made by the Director-General become effective from the date of issue.</p>	<p><i>Clarification that amendments of the Rules only became effective after confirmation by Executive Board</i></p>

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.

101.4 In case of doubt as to the meaning of any of the Financial Rules, the Director-General shall rule thereon.

101.6 The Director-General may delegate, together with authorization for re-delegation, such of his powers as he deems necessary to secure effective administration of these Rules.

109.1 Budget and Finance is responsible for the management, receipt and disbursement of all funds of the Organization.

New Rules lay greater emphasis on responsibility and accountability throughout the Organization

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.

ARTICLE II – BUDGET

102.1 Appropriate officials shall submit biennial programmes of work and necessary estimates to Budget and Finance in such manner and at such times as may be requested.

102.3 Budget and Finance shall consolidate into a single presentation the programmes of work and necessary estimates as required by Article III of the Financial Regulations.

New Rule II establishes a framework to prepare a single strategic budget composed of all sources of funds

102.4 Appropriate officials shall submit supplementary estimates together with explanatory statements to Budget and Finance. Such supplementary estimates shall be presented as far as possible in the same manner as the budget.

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

102.2 Such programmes of work and estimates submitted by Regional Directors shall be accompanied by recommendations of the relevant Regional Committee.

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.

New Rule to reflect new Regulation 4.4

RULE III – REGULAR BUDGET APPROPRIATIONS

ARTICLE III – APPROPRIATIONS

The new Rule consolidates the principles for issuance of regular budget appropriations

103.1 The appropriations voted by the Health Assembly constitute an authority to issue allotments up to the amount voted to enable expenditures to be incurred for the purposes for which the appropriations were voted. 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 voted by the Health Assembly constitute an authority to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted, but no obligations may be incurred or payments made until allotments have been issued as specified in Article IV.

104.4 Budget and Finance shall ensure that allotments are issued in accordance with the appropriation resolution and the policies of the Health Assembly and the Executive Board.

- 103.2 On completion of the financial period, appropriations shall remain available to the extent that they are required to discharge unliquidated obligations in respect of goods or services which were ordered or commissioned during that financial period. These same conditions apply to obligations related to fellowships. Any available cash element of the unobligated balance of the appropriations shall be transferred at the end of the period to the Casual Income Account.
- New Financial Regulations 4.5 to 4.8 now cover the requirement of existing Rules 103.2 to 103.4*
- 103.3 Appropriations shall remain available to liquidate the obligations established in accordance with Rule 103.2 above until the end of the following financial period, after which any unliquidated obligations shall be cancelled or, where the obligation remains a valid charge, an obligation against appropriations for the current financial period shall be established. The remaining balance of appropriations shall be credited to the Casual Income Account the status of which shall be reported in the interim and the biennial financial reports.
- 103.4 The balances of the appropriations surrendered in accordance with Rule 103.3 above shall be taken into the accounts as casual income to be used in accordance with Financial Regulation 5.2.

- 103.6 Assessment of Members joining the Organization during the current year but after the close of the Health Assembly shall be dealt with in accordance with Financial Regulation 5.10.
- New Financial Regulation 6.12 covers the requirement in old Rule 103.6*

RULE IV – PROVISION OF FUNDS

The new Rules are grouped to show separately the rules regarding sources of funds and working capital

- 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.
- 103.5 The assessments of Members, required to meet the appropriations voted by the Health Assembly, shall be computed on the basis of the membership of the Organization as at the last day of the current Health Assembly.
- 104.2 The grace period applicable under Financial Regulation 6.5 shall be 31 January.
- New Rule to provide the grace period as required by new Regulation 6.5*
- 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:
- New Rule establishing the terms and conditions called for by Regulation 6.8*
- (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.
- 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 form of financing must be available in amounts determined by designated officials.
- 104.3 Allotments shall be issued for any expenditure to be incurred by the Organization irrespective of the source of funds, including any expenditures to be made on a reimbursable basis. Prior to the issuance of trust funds or voluntary contributions allotments, advance deposits or letters of credit are required in amounts to be determined by Budget and Finance.
- New Rule in conjunction with Rule 104.3 above*

- 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.
- 118.1 The Financial Rules also govern the Working Capital Fund and its use, which may be determined from time to time by the Health Assembly in accordance with Financial Regulation 6.2. Pursuant to resolution WHA47.20 (1994), the Assembly decided that the Working Capital Fund shall henceforth be used solely for the purpose of financing any regular budget income deficit pending receipt of assessed contributions from Members and Associate Members.
- New Rule to define a ceiling for level of the Working Capital Fund and internal borrowing established under Regulations 7.1 and 7.2*
- New Rule in conjunction with Rule 104.7 above*
- New Rule to indicate how the level of internal borrowing will be determined*

118.2 In the case of exhaustion of the Fund, the amount of internal borrowing provided under Financial Regulation 5.1 shall be recorded in the Working Capital Fund. For the purposes of Financial Regulation 6.3 such internal borrowing shall be closely monitored by the Director-General, to ensure that reimbursements are applied on a first priority basis to the repayment of such advances.

New Financial Regulation 7.3 and the overall responsibilities of the Director-General deal with these provisions

RULE V – ALLOTMENTS

ARTICLE IV – ALLOTMENTS

Redrafted in a style more suited to the present structure of the Organization. Accountability of allotment holders specified

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

104.1 Requests for allotments for specific purposes shall be submitted in writing to Budget and Finance.

104.2 Allotments shall be issued in writing by Budget and Finance.

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

104.5 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)

ARTICLE V – OBLIGATIONS (EXPENDITURES)

Redrafted to reflect accrual accounting principles

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

New Rule to regularize the need for such a procedure

106.2 Obligations may only be raised by designated officials and shall be supported by satisfactory documentation. All commitments or undertakings that create

105.1 Only those officials designated in writing by the Director-General are authorized to incur obligations against allotments.

- 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;
 - (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.
- 105.4 Proposals to incur obligations must be made in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.
- 110.6 All accounts shall be supported by documentation to be retained as integral parts of the official accounts of the Organization.
- 105.2 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.
- 105.3 No obligation shall be incurred without prior certification by Budget and Finance that funds are available in the appropriate allotment to be charged.
- 105.5 Budget and Finance shall be responsible for examining the proposed obligations to ensure that:
- (a) funds are available;
 - (b) the regulations and rules and procedures of the Organization are being observed;
 - (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. | 105.6 Budget and Finance shall reject any proposal for obligation or expenditure not complying with the provisions of Rule 105.5. | 105.7 Revisions to an obligation shall require the same treatment as the original obligation. | <i>New Rule to expand on the requirements of Financial Regulation 13.5</i> |
| 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 Audit and Oversight. | ARTICLE VI – CONTROL OF EXPENDITURE | | <i>Existing Article VI incorporated within new Rule VII below</i> |
| | 106.4 Should Budget and Finance feel there is any reason why payment of any claim should be withheld, such claims shall be referred to the Director-General. | | <i>Designated officials will be determined in accordance with the Director-General's delegation as an extension of Rule 107.2</i> |
| | 106.5 Claims submitted by staff members which are more than one year old shall not normally be considered. | | <i>Obligations will be met in accordance with new Financial Regulation 4.5 and new Rule 107.2</i> |

RULE VII – INTERNAL CONTROL

ARTICLE XVII – INTERNAL CONTROL

The new Rules comprehensively specify the responsibility of the Director-General for establishing controls and the principles for so doing

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.

117.1 Budget and Finance is responsible for establishing and maintaining an adequate internal control of the financial transactions and such other operations of the Organization as may be determined by the Director-General.

106.1 Except where normal commercial practice so requires, no contract or purchase order shall be made on behalf of the Organization which requires payment in advance of the delivery of goods or performance of services.

106.3 Payments shall not be made unless supporting documents are certified by the appropriate officials confirming that:

- (a) services have been rendered or delivery has been completed in accordance with the terms of the contract;
- (b) the amount is correct and in accordance with the terms of the contract.

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.

106.2 The Director-General may, when he deems it in the interests of the Organization to do so, authorize progress payments.

ARTICLE VII – IMPREST CASH

107.1 Imprest cash advances of an amount to be fixed in each case shall be made where necessary to officials designated by the Director-General.

ARTICLE VIII – ADVANCES

108.1 Travel advances may be made upon request to officials to whom official travel authorizations have been issued. Such advances are to be used in accordance with the provisions of the travel rules and must be accounted for when the travel is completed.

108.2 Salary and education grant advances may be given to staff members in accordance with the provisions of the Staff Rules.

108.3 Advances other than those authorized in Rule 108.2 above may be made to staff members in exceptional circumstances, subject to the approval of the Director-General.

ARTICLE IX – MANAGEMENT OF FUNDS

Individual rules from existing Article IX are incorporated in new Rule VII, except for new Rule 109.5 for which the conditions are established in new Financial Regulation XI

109.5 Except as provided in Financial Regulation 9.3 stipulating that income from investments shall be credited to the specific fund or account from which the invested monies derive, unless otherwise provided in the regulations, rules or resolutions relating to that fund or account, no interest shall be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest shall be paid only if so requested in advance and upon such conditions as may be agreed with the Director-General.

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.

109.2 Funds of the Organization shall be deposited only in banks or institutions designated by the Director-General.

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.

109.3 Budget and Finance shall administer all banking accounts operated by the Organization including those opened for trust and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in

- chronological order. A separate cash account shall be kept for each bank account, as well as for sums deposited with other institutions.
- 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, 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.
- 107.2 Officials to whom an imprest cash advance is issued are responsible for the advance and must at all times be in a position to account for it.
- 109.4 Panels of signatories shall be designated by the Director-General and all cheques drawn on the Organization's accounts shall be signed by two officials of the appropriate panels; provided that the Director-General may, where he deems that adequate safeguards of the funds of the Organization are provided, or in exceptional circumstances, authorize the signature of cheques by one official only.
- 109.6 All securities shall be deposited either in the custody of duly appointed bankers or in safe deposit vaults maintained by a recognized financial institution designated by the Director-General.
- 109.7 An advisory committee shall assist the Director-General in framing broad investment policies.

RULE VIII – THE ACCOUNTS

ARTICLE X – THE ACCOUNTS

The rules for Accounts and Treasury Accounts are consolidated into a single section reflecting modern accounting practices and United Nations Accounting Standards

- 111.1 The General Accounts shall record classified income and expenditure, cash at banks, investments, receivables and other assets, payables and other liabilities, as well as the Working Capital Fund, its sub-funds, and such other trust funds or special accounts as may be established. *Included as individual rules in new Rule VIII*
- 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.
- 110.2 Obligations shall be recorded in the accounts of the financial period in which they are incurred.
- 110.3 Receipts shall be credited to the accounts of the financial period in which the remittance is received.
- 110.4 Disbursements shall be recorded in the accounts of the financial period in which they are made.
- 110.5 The accounts shall comprise the general accounts, budget and expenditure accounts and treasury accounts from which the periodic financial statements shall be prepared.
- 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. *New Rule to expand upon Regulation 13.1 and regularize current position of self-accounting units (the regional offices) which are consolidated with 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.
- 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:
- (a) original appropriations voted by the Health Assembly;
 - (b) appropriations after modification by any transfers;
 - (c) credits, if any, other than appropriations made available by the Health Assembly;
 - (d) the operation of the exchange rate facility;
 - (e) income;
 - (f) allotments issued;
 - (g) expenditure (obligations) incurred;
 - (h) liabilities, including unliquidated obligations;
- 110.7 The accounting and other financial records and all supporting documents shall be retained for such period or periods as may be agreed by the External Auditor, after which, on the authority of the Director-General, such records and documents may be destroyed.
- 111.2 Accounting transactions shall be recorded in the general accounts in accordance with a uniform chart of accounts established by the Director-General.
- 112.2 Obligations shall be recorded in the expenditure accounts in accordance with a uniform system of classification established by the Director-General.
- 112.1 The Budget and Expenditure Accounts shall show:
- (a) Original appropriations voted by the Health Assembly;
 - (b) Appropriations after modification by any transfers;
 - (c) Credits, if any, other than appropriations made available by the Health Assembly;
 - (d) The operation of the exchange rate facility;
 - (e) Allotments issued;
 - (f) Obligations incurred, broken down into disbursements and unliquidated obligations;
 - (g) Unobligated balances of allotments;

- (i) assets, including cash, investments, securities and amounts due to the Organization;
- (j) unallotted balances;
- (k) unobligated balances of allotments;
- (l) unobligated balances of appropriations.
- (h) Unobligated balances of appropriations.

ARTICLE XIII – TREASURY ACCOUNTS

113.1 Treasury accounts shall comprise:

- (a) Cash accounts showing all receipts and disbursements of the Organization;
- (b) Investment accounts giving full details of each investment made by the Organization;
- (c) Cash, bank and investment transactions which shall be recorded in the treasury accounts in accordance with a uniform system established by the Director-General.

Now included in individual rules within new Rule VIII

RULE IX – FINANCIAL STATEMENTS

ARTICLE XIV – FINANCIAL STATEMENTS

This section reflects the principles of production of financial statements as a separate activity from maintaining the books of accounts, together with the overall requirements for such financial statements

109.1 The Director-General shall submit interim and final

110.1 Budget and Finance is responsible for establishing

- 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.
- and maintaining all official accounts of the Organization in a manner consistent with the United Nations System Accounting Standards.
- 114.1 Budget and Finance shall furnish:
- (a) Periodic statements of cash on hand;
 - (b) Periodic statements of budgetary status showing:
 - (i) Allotments issued;
 - (ii) Obligations incurred;
 - (iii) Unobligated balances;
 - (c) Periodic special statements showing:
 - (i) Outstanding contributions;
 - (ii) The operation and financial position of the Working Capital Fund including the use of internal borrowing against other available cash resources of the Organization;
 - (d) As early as possible each year a detailed balance sheet as at 31 December immediately preceding. In addition to this balance sheet there shall be produced:
 - (i) Statement of income and expenditure;
 - (ii) Statement showing appropriations voted, allotments issued and obligations incurred;

- (iii) Statement of unliquidated obligations as at 31 December maintained in accordance with Financial Regulation 4.2;
- (iv) Statement of trust and other special accounts;
- (v) Statement of the Working Capital Fund showing its establishment and composition, advances made therefrom, the cash available and use of internal borrowing against other available cash resources of the Organization;
- (vi) Statement of losses of cash, supplies, equipment and other assets which have occurred during the period indicating how these have been dealt with in the accounts;
- (vii) Statement of ex gratia payments.

**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

ARTICLE XV – PROPERTY

115.1 The cost of all property acquired other than real property shall be immediately charged as an expense.

*More modern
practices in asset
management are
specified*

- 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.
- 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
- 115.2 Inventory records shall be maintained of all real property, non-expendable and expendable supplies and equipment, however acquired and from whatever source, containing relevant details.
- 115.3 An annual physical inventory shall be taken of all assets, supplies and materials in hand.
- 115.5 Surplus property shall be sold for the best possible return to the Organization except:
- (a) when the exchange of surplus property in partial payment for new articles will afford an advantage to the Organization over the sale of surplus property and separate purchases of new articles;
 - (b) when the destruction of the surplus or unserviceable material will be more economical, is required by law, or when the confidential nature of the material so warrants;
 - (c) when the best interest of the Organization will be served by disposal by gift or at nominal prices to a non-profit organization.
- 115.6 The proceeds from the sale of surplus property shall be credited to the Casual Income Account, except that, if an article is being replaced, the trade-in allowance or the proceeds from the sale of the replaced article shall serve to
- Refers to Miscellaneous Income rather than Casual Income to reflect new Financial Regulations*

the expenditure incurred in replacing the item.

reduce the charge to expense incurred under Rule 115.1.

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.

115.7 Subject to the provisions of Financial Rule 104.3, 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 prescribed by the Director-General.

RULE XI – PROCUREMENT OF GOODS AND SERVICES

ARTICLE XVI – PROCUREMENT

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.

116.2 The Director-General shall establish suitable procedures which will ensure full and free competition in obtaining and processing bids from suppliers.

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.

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

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

116.3 All purchases and contracts of over US\$ 15 000 shall be made on the basis of competitive bids, except when otherwise authorized by the Director-General.

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

116.4 Contracts are normally awarded to the lowest bidder. The Director-General may, however, if he considers it to be in the interests of the Organization, authorize the acceptance of a bid other than the lowest, or the rejection of all bids.

RULE XII – INTERNAL AUDIT

ARTICLE XVII – INTERNAL CONTROL

No changes made

- 112.1 The Office of Internal Audit and Oversight (IAO) 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 IAO's review, evaluation and oversight.
- 112.2 The Director-General shall appoint a technically qualified head of IAO 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 IAO shall function in accordance with the following provisions:
- (a) the head of IAO shall report directly to the Director-General;
 - (b) IAO shall have full, free and prompt access to all records, property, personnel, operations and functions within the Organization which, in IAO's opinion, are relevant to the subject matter under review;
- 117.2 The Office of Internal Audit and Oversight (IAO) 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 IAO's review, evaluation and oversight.
- 117.3 The Director-General shall appoint a technically qualified head of IAO after consultation with the Executive Board. The Director-General shall likewise consult the Executive Board before any termination of the incumbent of that office.
- 117.4 IAO shall function in accordance with the following provisions:
- (a) The head of IAO shall report directly to the Director-General;
 - (b) IAO shall have full, free and prompt access to all records, property, personnel, operations and functions within the Organization which, in IAO's opinion, are relevant to the subject matter under review;

-
- | | |
|---|---|
| <p>(c) IAO 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 wilfully provided with the knowledge that it was false or with intent to misinform;</p> <p>(d) IAO 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 IAO, any such report shall be submitted to the Executive Board, together with the Director-General's comments thereon;</p> <p>(e) IAO shall submit a summary report annually to the Director-General with a copy to the External Auditor on IAO'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 World Health Assembly together with comments deemed necessary.</p> | <p>(c) IAO 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 wilfully provided with the knowledge that it was false or with intent to misinform;</p> <p>(d) IAO 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 IAO, any such report shall be submitted to the Executive Board, together with the Director-General's comments thereon;</p> <p>(e) IAO shall submit a summary report annually to the Director-General with a copy to the External Auditor on IAO'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 World Health Assembly together with comments deemed necessary.</p> |
|---|---|

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

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

= = =