



WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD
115th Session
Provisional agenda item 6.2

EB115/43
7 January 2005

Amendments to the Financial Regulations and Financial Rules

Report by the Director-General

BACKGROUND

1. WHO's Secretariat has embarked upon a wide-reaching endeavour to renew the results-based management framework and related operational and administrative systems. This will be achieved by replacing the core systems for budget and finance, human resources, payroll and procurement progressively over the next two bienniums so as to meet the current and future management requirements of the Organization in an effective and efficient manner that empowers managers at all levels of the Organization. An important part of this endeavour is simplification of financial policies and procedures so that they support the Organization's work more transparently and effectively.
2. It is therefore necessary to make some changes to the Financial Regulations and Financial Rules in order to reflect modern practices. In particular, policy concerning expenditure is to be modernized to bring it in line with current best practice. This will improve the quality of reporting on expenditure so that there will be a more direct alignment between achievement of expected results and expenditure reported.
3. Changes are proposed to Articles 4.2, 4.5 to 4.8, 8.1 and 11.3 of the Financial Regulations (Annex 1 in order to implement the updated policy.¹ Furthermore, it is proposed that existing Article 4.7 of the Financial Regulations should be maintained as a transitional measure so that unliquidated obligations may be correctly reported for the financial period 2004-2005. The Director-General has also decided to amend Financial Rule 108.6 (Annex 2) on condition the aforementioned amendments to the Financial Regulations are adopted by the Health Assembly. In accordance with Financial Regulation 16.3, this amendment is subject to confirmation by the Executive Board in order to enter into force.
4. Changes are also being made to Financial Rules 106.6 and 112 to reflect the change in the name of the Internal Audit Office to Internal Oversight Services. For the sake of convenience, these changes are intended to be implemented at the same time as the new text of Financial Rule 108.6 above.

¹ For ease of reading, ~~proposed deletions~~ are struck through and proposed additions are underlined.

5. The effective date of implementation of the changes is proposed as 1 January 2006, to coincide with the start of the next biennium, thereby assuring consistency.

ACTION BY THE EXECUTIVE BOARD

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

The Executive Board,

Having examined the report on amendments to the Financial Regulations and Financial Rules,¹

1. RECOMMENDS to the Fifty-eighth World Health Assembly the adoption of the following resolution:

The Fifty-eighth World Health Assembly,

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

1. APPROVES the changes to the Financial Regulations as shown in Annex 1 to be effective as from 1 January 2006; and
 2. AUTHORIZES, as a transitional measure, that at the end of the financial period 2006-2007 any unliquidated obligations from the financial period 2004-2005 shall be cancelled and credited to Miscellaneous Income.
2. 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 2006.

¹ Document EB115/43.

ANNEX 1

FINANCIAL REGULATIONS

EXISTING TEXT

PROPOSED REVISED TEXT

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Regulation IV - Regular Budget Appropriations

...

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 to be supplied or rendered during the period or within the year following the end of the period.

...

4.5 Appropriations in respect of the regular budget for the current financial period may remain available for the following financial period to make it possible to carry forward unliquidated obligations in order to:

(a) complete activities for which the obligation was originally raised, provided that the implementation of these activities has commenced during the current financial period, by the end of the first year of the following financial period;

(b) pay for all goods and services rendered, under the unliquidated obligations referred to in regulation 4.5(a), by the end of the second year following that financial period.

...

4.7 At the end of the financial period, any unliquidated obligations from the prior financial period shall be cancelled and credited to Miscellaneous Income.

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 ~~to be supplied or rendered during the that period or within the year following the end of the period.~~

4.5 Appropriations in respect of the regular budget for the current financial period may remain available for the following financial period to make it possible to carry forward unliquidated obligations an accrual for accounts payable in order to:

~~(a) complete activities for which the obligation was originally raised, provided that the implementation of these activities has commenced during the current financial period, by the end of the first year of the following financial period;~~

~~(b) pay for all goods and services rendered contractually due to be delivered prior to the end of the financial period, under the unliquidated obligations referred to in regulation 4.5(a), by the end of the second year following that financial period.]~~

~~4.7 At the end of the financial period, any unliquidated obligations from the prior financial period shall be cancelled and credited to Miscellaneous Income.~~

4.8 Any claims that continue to exist against the Organization under unliquidated obligations cancelled in accordance with regulation 4.7 shall be transferred to new obligations against appropriations established for the current financial period.

4.8.4.7 Any claims for goods and services contractually due to be delivered in a subsequent financial period that ~~continue to exist against the Organization under unliquidated obligations cancelled in accordance with regulation 4.7~~ at the end of a financial period shall be transferred to new established as obligations against appropriations established for ~~the current~~ the relevant subsequent financial period and shall be disclosed as a note to the Financial Statements.

...

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 unobligated obligations in accordance with regulation 4.7;
- (c) any interest earnings or investment income on surplus liquidity in the regular budget;
- (d) any refunds or rebates of expenditure received after the end of the financial period to which the original expenditure related;
- (e) any proceeds of insurance claims that are not required to replace the insured item, or otherwise compensate for the loss;
- (f) the net proceeds generated on the sale of a capital asset after allowing for all costs of acquisition, or improvement, of any asset concerned;
- (g) 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;
- (h) 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;
- (i) any income not otherwise specifically referred to in these Regulations.

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- ~~(e)~~(b) any interest earnings or investment income on surplus liquidity in the regular budget;
- ~~(d)~~(c) any refunds or rebates of expenditure received after the end of the financial period to which the original expenditure related;
- ~~(e)~~(d) any proceeds of insurance claims that are not required to replace the insured item, or otherwise compensate for the loss;
- ~~(f)~~(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;
- ~~(g)~~(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;
- ~~(h)~~(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;
- ~~(i)~~(h) any income not otherwise specifically referred to in these Regulations.

...

Regulation XI - Investment of Funds

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

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ANNEX 2

FINANCIAL RULES

EXISTING TEXT

REVISED TEXT

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Rule VI – Expenditure (Obligations)

...

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.

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...

Rule VIII – The Accounts

...

108.6 The accounts (as defined in Financial Rule 108.1 above) shall record:

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- (a) original appropriations voted by the Health Assembly;
- (b) appropriations after modification and 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;
- (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.

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- (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~~ 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;
- (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.

...

Rule XII – Internal Audit

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;
- (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;
- (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;

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112.2 The Director-General shall appoint a technically qualified head of ~~IAO~~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 ~~IAO~~IOS shall function in accordance with the following provisions:

- (a) the head of ~~IAO~~IOS shall report directly to the Director-General;
- (b) ~~IAO~~IOS shall have full, free and prompt access to all records, property, personnel, operations and functions within the Organization which, in ~~IAO’s~~IOS’s opinion, are relevant to the subject matter under review;
- (c) ~~IAO~~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 wilfully provided with the knowledge that it was false or with intent to misinform;
- (d) ~~IAO~~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 ~~IAO~~IOS, any such report shall be submitted to the Executive Board, together with the Director-General’s comments thereon;

(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 Health Assembly together with comments deemed necessary.

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

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