

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

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

1. At its 124th session in January 2009, 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 amendments would move WHO towards full implementation of the International Public Sector Accounting Standards (IPSAS). The Health Assembly endorsed the introduction of IPSAS in resolution WHA60.9, in line with the introduction of IPSAS throughout the United Nations system.
2. WHO has already adopted many individual standards as required within the United Nations System Accounting Standards and is committed to implementing IPSAS fully from 1 January 2012. Financial Regulation 13.2 requires financial statements to be prepared annually in accordance with IPSAS (IPSAS 1 paragraph 66). To complete the adoption of IPSAS and allow WHO to become fully IPSAS compliant, an amendment to the Financial Regulations is required in order to allow for annual rather than biennial audits of WHO's financial statements, starting in January 2012.
3. The amendment required involves Financial Regulations 14.8 and 14.9, which cover the issuance and periodicity of audited financial statements. The Regulation would require the External Auditor to issue an annual report on the audit of the financial statements prepared by the Director-General, transmitting it through the Executive Board to the World Health Assembly.
4. It is proposed to have the amendments enter into force on 1 January 2012, in connection with the beginning of the next budget cycle.

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

## **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 relating in particular to annual financial audits and the full adoption 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,

RECOMMENDS to the Sixty-fourth World Health Assembly the adoption of the following resolution:

The Sixty-fourth World Health Assembly,

Having considered the report on amendments to the Financial Regulations;

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

ADOPTS the amendments to Financial Regulations 14.8 and 14.9 shown in the Annex, to be effective as from 1 January 2012.

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<sup>1</sup> Document EB128/26.

ANNEX

**FINANCIAL REGULATIONS**

EXISTING TEXT AS OF 1 JANUARY 2010	PROPOSED REVISED TEXT	COMMENTS
<i>Regulation XIV – External Audit</i>		
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.		
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 and, except as permitted under Regulation 14.7 below, any local or special examination.		
14.5 The Health Assembly may request the External Auditor(s) to perform certain specific examinations and issue separate reports on the results.		

## EXISTING TEXT AS OF 1 JANUARY 2010

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 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.

## PROPOSED REVISED TEXT

14.8 The External Auditor(s) shall issue a report on the audit of the ~~biennium~~ annual financial statements 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 statements, to the Health Assembly not later than 1 May following the end of the financial ~~period~~ year to which the final accounts relate. The Executive Board shall examine the ~~interim and biennium~~ annual financial statements and the audit report(s) and shall forward them to the Health Assembly with such comments as it deems necessary.

## COMMENTS

Regulation 13.2 revised in 2010 to require annual financial statements in accordance with IPSAS 1. This change ensures that the annual statements are audited.

The annual audited financial statement would be reported to the Executive Board yearly by the External Auditor, rather than reporting at the end of each biennium only.