

Amendments to the Financial Regulations and Financial Rules

Report by the Director-General

1. This report sets out a series of amendments to the Financial Regulations and Financial Rules. The last amendment to the Financial Regulations and Financial Rules was completed in 2013 and took effect as of 1 January 2014.¹
2. The Financial Regulations and Financial Rules are two separate frameworks that follow parallel processes.
3. The Financial Regulations govern the financial administration of the Organization and are established according to the following three-stage process.
 - (a) The Executive Board considers the proposals of the Director-General for recommendation to the Health Assembly.
 - (b) The Health Assembly considers the proposals of the Director-General and the recommendations of the Executive Board; it then approves the revised Financial Regulations.
 - (c) The revised Financial Regulations become effective.
4. The Financial Rules include relevant guidance and limits for the implementation of the Financial Regulations and are designed to ensure the effective financial administration, exercise of economy, and safeguard of the assets of the Organization. They are established by the Director-General according to the following four-stage process.
 - (a) The Director-General establishes and amends the Financial Rules.
 - (b) The Executive Board confirms the Financial Rules established by the Director-General and any amendments thereto.
 - (c) The revised Financial Rules become effective.
 - (d) The Health Assembly notes the revised Financial Rules.
5. The Secretariat has undertaken a review of both the Financial Regulations and Financial Rules to ensure that they are fit for purpose, enhance accountability and reflect WHO's current operating model.

¹ Resolution WHA66.3 (2013). See also documents A66/33 and A66/57.

The Annex outlines the current Financial Regulations and Financial Rules as well as the proposed changes and includes comments on the reason for any suggested amendment.

6. The proposed amendments to the Financial Regulations and Financial Rules are submitted together for the consideration of the Executive Board and the Health Assembly, pursuant to the processes outlined in paragraphs 3 and 4 above. In preparing these updates, the Secretariat sought the advice of the members of the Independent Expert Oversight Advisory Committee, together with the Office of Internal Oversight Services, and received their support for the amendments being proposed. Suggestions were also received from the External Auditors.

7. The Financial Regulations and Financial Rules are critical to guaranteeing the appropriate level of assurance over the financial administration and overall enabling environment of the Organization. The Secretariat has strived to maintain the Financial Regulations and Financial Rules at the optimum level, aligning with the best practices, innovative programmes, and initiatives of other United Nations organizations wherever possible.

FINANCIAL REGULATIONS

8. The Annex outlines all the proposed changes to the Financial Regulations for the consideration of the Executive Board and approval of the Health Assembly. An overview of the proposed changes per Regulation is provided in paragraphs 9 to 15 below.

9. Several of the proposed updates to Regulations III, IV and XV relate to the budget. These amendments are primarily editorial in nature and are designed to reflect the current budget proposal and approval process and related terminology. For example, the biennial budget approval resolution sets the limits on any possible transfers between sections so Regulation 4.3 has been updated accordingly. Regulation 4.4 has similarly been amended to reflect the fact that the exchange rate facility is no longer used and that the Director-General instead manages foreign exchange risks.¹

10. Regulations II and V have been updated to take account of the International Public Sector Accounting Standards reporting period of one year and their terminology in respect of finance revenue (encompassing interest revenue and other investment revenue). The amendments also specify that the Director-General submits to the Health Assembly annual reports on the collection of both voluntary and assessed contributions.

11. Regarding Regulation VI, two additional paragraphs on assessed contributions have been proposed to take better account of the provisions of previous related Health Assembly decisions, along with a new paragraph setting out the option (Option B) to streamline the application of Article 7 of the Constitution.

(a) In relation to the application of Article 7 of the Constitution, a new subparagraph has been drafted that incorporates the provisions of resolutions WHA8.13 (1955) and WHA41.7 (1988) into the Financial Regulations. There are two alternative subparagraphs proposed under this Regulation. Option A reflects the present application of Article 7, namely that the Health Assembly discusses and agrees upon the actions set forth in Article 7 to suspend voting rights when Members reach the defined level of arrears. Option B seeks to streamline the application of Article 7, aligning it with the practices of some other United Nations entities by suspending voting rights when Members reach a defined level of arrears, without the need of an additional decision

¹ See document A66/32.

by the Health Assembly. The defined level of arrears in this case shall equal or exceed the amount of contributions due from the preceding two full years at the time of the opening of the Health Assembly at which voting rights may be suspended.

(b) Paragraph 6.8 has been amended to specify the order of application when there are rescheduled payments of arrears.

(c) A new paragraph has been proposed to incorporate the provisions of resolution WHA54.6 (2001) regarding the possibility of rescheduling payment of arrears into the Financial Regulations.

12. Regulation VII (and Rule IV) have been updated to reflect the operating mechanism of the Working Capital Fund in line with current procedures.

13. Regulation VIII has been amended to include several updates related to cost recovery and one on multi-year commitments. One proposed change is to remove the reference for the levy charged to contributions to be in accordance with Health Assembly resolutions. The last related Health Assembly resolution on cost recovery was in 1981¹ and since then the Organization has revised programme support cost rates when operationally necessary. The proposed revised text reflects the present practice whereby the Director-General determines the specific programme support cost rates to cover indirect costs, with the overarching goal to ensure that the standard programme support cost rate defrays indirect costs. A new sentence has also been inserted to specify that voluntary contributions, with the exception of bequests, should cover the full cost of the activities funded and that the duration of financial commitments entered into should align with the duration of funding provided. In addition, a new Regulation 8.3 is proposed in order to provide a framework for establishing a policy for existing cost recovery mechanisms beyond programme support costs. For further background on cost recovery, please refer to the report on WHO's cost-recovery mechanisms submitted to the Working Group on Sustainable Financing at its second meeting.²

14. Regulations VII and IX have been amended to reflect the latest terminology for the existing practice of fund accounting, which enables the Organization to segregate categories of activities. Other proposed amendments include that all funds are to be reported in the annual audited financial statements, and that awards are to be established for voluntary contributions and any other activities in order that the relevant revenue income and expenses may be recorded and reported upon.

15. Regulations X and XI include editorial updates relating to WHO's existing investment policy.

FINANCIAL RULES

16. The Annex also outlines the proposed changes to the Financial Rules, for the consideration of the Executive Board and noting by the Health Assembly. The main proposed changes are designed to promote the accountability of staff and strengthen the rules on procurement. The amendments relate to the principles of procurement, inventory management, the role of the contract review committee and include other minor editorial changes to align with the proposed changes to the Financial Regulations.

¹ Resolution WHA34.17 (1981).

² Document EB/WGSF/2/5.

17. WHO defines accountability as the obligation of all staff members of the Organization to be answerable and accept responsibility for their actions and decisions. Each and every WHO staff member plays a significant role in the achievement of results and the stewardship of resources in an ethical and transparent manner, thus contributing to the Organization's success. In line with other United Nations organizations, Rule I of the Financial Rules has been amended to set forth the responsibility of staff members to comply with the Financial Regulations and Financial Rules, policies and procedures, as well as to recognize the personal accountability and financial liability of staff members for their actions.

18. Rule X has been updated to include references to inventory management, reflecting the fact that inventory is now a key component in many programmes implemented by WHO.

19. Rule XI has been amended to incorporate the principles applied to the procurement process, further clarify the approaches to be applied to tender and competitive bidding, and include the role of the contract review committee in overseeing significant procurement processes.

ACTION BY THE EXECUTIVE BOARD

20. The Executive Board is invited to note the report and to consider the following draft resolution:

The Executive Board,

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

1. CONFIRMS the amendments made by the Director-General to the Financial Rules as shown in the Annex, that will become effective at the same time as the amendments to the Financial Regulations;

2. RECOMMENDS to the Seventy-sixth World Health Assembly the adoption of the following resolution:

The Seventy-sixth 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 the Annex, incorporating option [A or B] with respect to the application of Article 7 of the Constitution, to be effective as from 1 June 2023;

2. NOTES that the changes to the Financial Rules as confirmed by the Executive Board at its 152nd session shall be effective at the same time as the amendments to the Financial Regulations approved in paragraph 1;

3. AUTHORIZES the Director-General to renumber the Financial Regulations and Financial Rules appropriately.

¹ Document EB152/30.

ANNEX

PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS AND FINANCIAL RULES OF THE WORLD HEALTH ORGANIZATION

EXISTING TEXT AS OF 1 JANUARY 2014	PROPOSED REVISED TEXT	COMMENTS
<i>Regulation I – Applicability and Delegation of Authority</i>		
1.1 These Regulations shall govern the financial administration of the World Health Organization.	No change.	
1.2 The Director-General is responsible for ensuring effective financial administration of the Organization in accordance with these Regulations.	No change.	
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.	No change.	
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.	1.4 The Director-General shall establish Financial Rules, including relevant guidance 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.	Amended to make clear the administrative hierarchy within WHO.
<i>Regulation II – The Financial Period</i>		
2.1 The financial period for the programme budget shall be two consecutive calendar years beginning with an even-numbered year.	2.1 The financial period for the programme budget shall be two consecutive calendar years beginning with an even-numbered year. <u>The financial period for statutory financial reporting shall consist of one calendar year.</u>	Amended to add the financial period for statutory reporting.
<i>Regulation III – The Budget</i>		
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.	No change.	

EXISTING TEXT AS OF 1 JANUARY 2014	PROPOSED REVISED TEXT	COMMENTS
3.2 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.	3.2 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.	Amended to allow for flexibility on how budget proposals are presented.
3.3 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).	3.3 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). ¹	As this is the first reference to Members and the only reference to Associate Members, a footnote has been added to specify that the term “Members” shall be used to refer to both Members and Associate Members throughout the document.
3.4 The Executive Board shall submit these proposals, and any recommendations it may have thereon, to the Health Assembly.	No change.	
3.5 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.	No change.	
3.6 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 report thereon to the Executive Board, which shall consider including in its recommendations to the Health Assembly an appropriate provision therefore.	No change.	
3.7 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.	No change.	

¹ **Note: Throughout the Financial Regulations and Financial Rules, the term “Members” shall refer to both Members and Associate Members.**

EXISTING TEXT AS OF 1 JANUARY 2014	PROPOSED REVISED TEXT	COMMENTS
3.8 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.	3.8 Supplementary proposals may be submitted to the Board by the Director-General whenever necessary to increase the appropriations budget 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.	Amended to change “appropriations” to “budget”.
<i>Regulation IV – Budget Approval</i>		
4.1 The budget 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 budget was approved and up to the amounts so approved, subject to available funding.	No change.	
4.2 Once the budget has been approved, commitments can be made by the Director-General in the financial period to which they relate for delivery in that financial period or the subsequent calendar year, subject to available funding.	No change.	
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 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.	4.3 <u>The programme budget approval resolution sets out the limits on any possible transfers between strategic priorities. In addition to any transfer of credits between sections authorized in the budget approval resolution,</u> 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 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.	Amended to reflect resolution WHA74.3 (2021), in which it is set forth that the budget shall be allocated to four strategic priorities and that the Director-General, where necessary, shall make budget transfers among the four strategic priorities, up to an amount not exceeding 5% of the amount allocated to the strategic priority from which the transfer is made.
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.	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. <u>As the programme budget is approved in United States dollars, and</u>	Amended to reflect the fact that the exchange rate facility is no longer used. Instead, the Director-General manages the foreign exchange risks, considering the United States dollar and Swiss franc assessments. Foreign exchange risks due to movements in foreign exchange rates are managed through the partial assessment of

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	<u>considering the measures under Regulation 6.6, the Director-General is authorized to undertake foreign exchange hedging transactions to minimize the foreign exchange risk to the Organization.</u>	contributions in Swiss francs, and by the transaction of forward foreign exchange contracts to lock in future exchange rates for currencies to which the Organization has significant exposure. See also document A66/32 relating to foreign exchange risk management.
<i>Regulation V – Provision of Budget Funds</i>		
5.1 The budget shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, by voluntary contributions, by projected interest earned, prior period collection of arrears and any other income attributable to the regular budget. Members' financial obligations under Article 56 of the WHO Constitution are limited to the assessed contributions.	5.1 The budget shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, by voluntary contributions, by <u>projected finance revenue (including interest revenue) earned</u> , prior period collection of arrears and any other <u>revenue income</u> attributable to the regular budget. Members' financial obligations under Article 56 of the WHO Constitution are limited to the assessed contributions.	Amended to align with the latest International Public Sector Accounting Standards terminology on finance revenue.
5.2 The Health Assembly shall approve the amount to be financed by assessed contributions from Member States and shall approve the amount to be raised by the Director-General from voluntary sources.	No change.	
5.2.1 The amount to be financed by assessed contributions from Members shall be calculated after adjusting the total amount approved by the Health Assembly to reflect that proportion of the regular budget to be financed by the other sources noted in 5.1 above.	5.2.1 The amount to be financed by assessed contributions from Members shall be calculated after adjusting the total amount approved by the Health Assembly to reflect that proportion of the regular budget to be financed by the other sources noted in 5.1 above.	Amended to delete Regulation 5.2.1 as Regulation 5.2 provides sufficient information in this respect.
5.3 In the event that the total financing for the budget is less than the amount approved by the Health Assembly under the budget proposals, the Director-General shall review implementation plans for the budget in order to make any adjustments that may be necessary.	No change.	
5.4 Assessed contributions are made available for implementation on 1 January of each year of the financial period. Voluntary contributions are made available for implementation upon recording of agreements with the resource contributors.	No change.	

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5.5 The Director-General shall submit to the Health Assembly annual reports on the collection of the contributions (both voluntary and assessed), and other sources of cash.	5.5 The Director-General shall submit to the Health Assembly annual reports on the collection of the contributions (both voluntary and assessed); and other sources of cash.	Amended to delete the reference to “other sources of cash” to align the text with current practice based on which annual reports contain voluntary and assessed contributions. The Annex to the audited financial statements details voluntary contributions by donor and the report on the status of collection of assessed contributions includes details of assessed contributions due by contributor. The financial statements also report other sources of revenue.
<i>Regulation VI – Assessed Contributions</i>		
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.	No change.	
6.2 After the Health Assembly has adopted the budget, the Director-General shall inform Members of their commitments in respect of assessed contributions for the financial period and request them to pay the first and second instalments of their contributions.	No change.	
6.3 If the Health Assembly decides to amend the scale of assessments, or to adjust the amount of the budget to be financed by assessed 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.	No change.	
6.4 Instalments of assessed contributions shall be due and payable as of 1 January of the year to which they relate.	No change.	

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6.5 As of 1 January of the following year, the unpaid balance of such assessed contributions shall be considered to be one year in arrears.	No change.	
	<p><u>6.5.1. Option A: In application of Article 7 of the Constitution, if a Member is in arrears in the payment of its assessed contributions to the Organization in an amount which equals or exceeds the amount of the contributions due from the preceding two full years at the time of opening of the World Health Assembly, the Assembly shall consider, whether the voting privileges of such Member shall be suspended. The suspension shall take place from the opening day of the following Health Assembly, if at that time the Member is still in arrears to the extent referred to above. If the Member is no longer in arrears to the said extent, the decision shall lapse, and the suspension will not take effect.</u></p> <p><u>Where voting privileges of a Member has previously been suspended due to arrears in the payments of its assessed contributions or rescheduled payment of arrears, and the Member is no longer in arrears to the said extent, the suspension of voting privileges of the Member shall lapse automatically and its voting privileges be reinstated.</u></p> <p><u>6.5.1. Option B: In application of Article 7 of the Constitution, if a Member is in arrears in the payment of its assessed contributions to the Organization in an amount which equals or exceeds the amount of the contributions due from the preceding two full years at the time of opening of the World Health Assembly, the voting privileges of that Member shall be suspended. The suspension shall take place from the opening day of the following Health Assembly, if at that time the Member is still in arrears to the extent referred to above. If the Member is no longer in arrears to the said extent, the suspension shall not take effect.</u></p> <p><u>Where voting privileges of a Member has previously been suspended due to arrears in the payments of its assessed contributions or rescheduled payment of arrears, and the Member is no longer in arrears to the said extent, the suspension of voting privileges of the Member shall lapse automatically and its voting privileges be reinstated.</u></p>	<p>New paragraph to incorporate the provisions of resolutions WHA8.13 (1955) and WHA41.7 (1988) on the application of Article 7 of the Constitution into the Financial Regulations.</p> <p>Two options are presented for consideration: option A (reflecting the current practice) or option B (incorporating a new approach leading to an automatic loss of vote when payments are in arrears, in line with some other United Nations organizations).</p>

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6.6 Where the total of annual assessed contributions for a Member is US\$ 200 000 or greater, that Member's contributions shall be assessed half in United States dollars and half in Swiss francs. Where the total of annual assessed contributions for a Member is less than US\$ 200 000 that Member's contributions shall be assessed in United States dollars only. The contributions shall be paid in either United States dollars, euros or Swiss francs, or such other currency or currencies as the Director-General shall determine.	No change.	
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.	No change.	
6.8 Payments made by a Member for assessed contributions shall be credited to the Member's account and applied first against the oldest amount outstanding.	6.8 Payments made by a Member for assessed contributions shall be credited to the Member's account and applied first against the oldest amount outstanding. <u>Where restoration of voting privileges is decided by the Health Assembly on the basis of a reschedule of payments of arrears, payments are applied to the oldest outstanding regular assessment first.</u>	Amended to specify the order of application when there are rescheduled payments of arrears.
6.9 Payments of assessed contributions 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.	No change.	
6.10 New Members shall be required to make an assessed contribution for the financial period in which they become Members at rates to be determined by the Health Assembly. Such contributions shall be recorded as income in the year in which they are due.	6.10 New Members shall be required to make an assessed contribution for the financial period in which they become Members at rates to be determined by the Health Assembly. Such contributions shall be recorded as <u>revenue</u> income in the year in which they are due.	Amended to align with the latest International Public Sector Accounting Standards terminology on finance revenue.
	<u>6.11 For those Members in arrears who wish to reschedule the payment of their arrears as part of an arrangement to have their voting privileges restored, or to prevent their voting rights from being suspended, requests should be made in writing to the Director-General prior to the opening of the Health Assembly at which the suspension of voting privileges takes place, including at least the following information: (i) the total amount due, including the current year's assessment; (ii) the period over which payment is proposed; and</u>	Amended to incorporate the provisions of resolution WHA54.6 (2001) regarding the possibility of rescheduling payment of arrears into the Financial Regulations.

EXISTING TEXT AS OF 1 JANUARY 2014	PROPOSED REVISED TEXT	COMMENTS
	<u>(iii) the minimum amount of payment that the Member intends to make each year.</u>	
<i>Regulation VII – Working Capital Fund and Internal Borrowing</i>		
7.1 Pending the receipt of assessed contributions, implementation of that part of the budget financed from these contributions may be financed from the Working Capital Fund and thereafter by internal borrowing. The amount of the Working Capital Fund is approved by the Health Assembly. Internal borrowing may be made against available cash reserves of the Organization, excluding Trust Funds.	7.1 Pending the receipt of assessed contributions, implementation of that part of the budget financed from these contributions may be financed from the Working Capital Fund and thereafter by internal borrowing. The amount of the Working Capital Fund is approved by the Health Assembly. Internal borrowing may be made against available cash reserves of the Organization, excluding Trust Funds.	Amended to reflect the fact that the budget is now considered as one consolidated budget and that trust funds are no longer used.
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 from assessed contributions. 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.	7.2 The level of the Working Capital Fund shall be based on a projection of financing requirements taking into consideration projected revenue income and expenditure from assessed contributions. 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.	Amended to align with the latest International Public Sector Accounting Standards terminology on finance revenue.
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.	No change.	
<i>Regulation VIII – Revenue: Other Sources</i>	<i>Regulation VIII – Revenue: Other Sources <u>and Cost Recovery</u></i>	Updated to include cost recovery in the title.
8.1 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.	No change.	
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, together with any interest earnings or earnings from investments of extrabudgetary contributions, and used to reimburse all, or part of, the indirect costs incurred by the Organization in respect of the generation and administration of such resources. All direct costs of the implementation of	8.2 The Director-General is authorized to levy a charge on voluntary extrabudgetary contributions for indirect costs, in accordance with any applicable resolution of the Health Assembly. This charge shall be credited to the Special Account for Servicing Costs Programme Support Cost Fund , together with finance revenue, including any interest earnings or earnings from investments of extrabudgetary contributions , and used to reimburse all, or part of, the indirect costs incurred by the Organization in respect of the generation and administration of such resources. All direct costs of the implementation of programmes that are financed by voluntary	Amended to clarify language and to change “extrabudgetary” to “voluntary” contributions. Changing the name of the “Special Account for Servicing Costs” to “Programme Support Cost Fund” to improve clarity for the reader.

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programmes that are financed by extrabudgetary resources shall be charged against the relevant budget.	contributions, except bequests extrabudgetary resources shall be charged against the relevant contribution (award) budget. <u>Voluntary contributions shall include sufficient amounts to cover the full cost of implementation.</u>	Amended to clarify the full cost recovery process for voluntary contributions, with the exception of bequests to the Organization.
	8.3 The Director-General shall establish policies for cost recovery.	Added to facilitate the policy development for other cost recovery mechanisms, to align with the harmonized United Nations system financial regulations.
	8.4 The Director-General may enter into commitments financed by other resources for future budget periods, provided that such commitments are: (a) related to activities, programmes, projects or programme support that continue beyond the end of the current budget period; and (b) financed fully by signed agreements valid for the duration of the commitments and/or funds received.	Amended to reflect the utilization of multi-year financing over multi-year periods.
<i>Regulation IX – Funds</i>		
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.	9.1 Funds shall be are established to enable the Organization to record income and expenditure segregate the financing of categories of activities in its records. These Funds shall cover all sources of revenue income and expenses. regular budget, extrabudgetary resources, Trust Funds, and any other source of income as may be appropriate.	Amended to clarify the purpose of fund accounting and to remove the two terms: “trust funds” and “regular budget”.
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.	9.2 Accounts Awards shall be are established to account for amounts received from donors of voluntary extrabudgetary contributions or any other activities and for any Trust Funds so that relevant revenue income and expenses expenditures may be recorded and reported upon.	Amended to clarify the process of award accounting.

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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.	9.3 Other accounts shall be established as necessary as reserves or to meet the requirements of the administration of the Organization, including capital expenditure.	Amended to reflect the fact that accounts are established for all purposes not only reserves.
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.	9.4 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 revenue income and expenses expenditures charged against such funds, and the disposition of any surplus balance at the end of a financial period.	Amended as expenses are reported in the financial statements.
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.	No change.	
<i>Regulation X – Custody of Cash and Cash Equivalents</i>	<i>Regulation X – Custody of Cash, and Cash Equivalents <u>or Investments</u></i>	Updated to include “investments” in the title.
10.1 The Director-General shall designate the bank or banks or financial institutions in which cash and cash equivalents in the custody of the Organization shall be kept.	10.1 The Director-General shall designate the bank or banks or financial institutions in which cash and cash equivalents <u>funds</u> in the custody of the Organization shall be kept held .	Amended to reflect the fact that WHO operates with multiple banks.
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 cash and cash equivalents in its custody.	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 cash, and cash equivalents <u>or other investments</u> in its custody.	Updated to include “other investments”, as WHO’s investment policy permits investment in other categories of investments such as bonds.
<i>Regulation XI – Investment of Cash and Cash Equivalents</i>	<i>Regulation XI – Investments of Cash and Cash Equivalents</i>	Editorial update to title.
11.1 Any 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.	11.1 Any cash not required for immediate payment may be invested and may be pooled in so far as this <u>while ensuring that capital is preserved, liquidity is maintained, and returns</u> may be generated.	Amended to reflect WHO’s investment policy.
11.2 Income from investments shall be credited as income to the Special Account for Servicing Costs in accordance with Regulation 8.2, unless otherwise provided in the regulations, rules or resolutions relating to a specific fund or account.	11.2 Revenue Income from investments shall be credited as income to the Special Account for Servicing Costs <u>Programme Support Cost Fund</u> in accordance with Regulation 8.2, unless otherwise provided in the regulations, rules or resolutions relating to a specific fund or account .	Amended to include latest terminology and to update the fund name to “Programme Support Cost Fund”.

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11.3 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.	11.3 Investment policies and <u>procedures</u> shall be drawn up in accordance with best industry practice, having due regard for the preservation of capital, <u>the liquidity</u> and the return requirements of the Organization.	Amended to reflect WHO's investment policy and for consistency with administrative hierarchy.
<i>Regulation XII – Internal Control</i>		
12.1 The Director-General shall: <ul style="list-style-type: none"> (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; (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. 	No change.	
<i>Regulation XIII – Accounts and Financial Statements</i>		
13.1 The Director-General shall establish such accounts as are necessary and shall maintain them in accordance with International Public Sector Accounting Standards.	No change.	
13.2 Financial statements shall be prepared annually in accordance with International Public Sector Accounting Standards, together with such other information as may be necessary to indicate the current financial position of the Organization.	No change.	
13.3 The financial 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.	No change.	

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13.4 The financial statements shall be submitted to the External Auditor(s) not later than 31 March following the end of the year to which they relate.	No change.	
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.	No change.	
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.	No change.	
<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. The term of office shall be four years, covering two budgetary periods, and can be renewed once for an additional term of four years. External Auditor(s) appointed may be removed only by the Assembly.	No change.	
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.	No change.	
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.	No change.	
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.	No change.	
14.5 The Health Assembly may request the External Auditor(s) to perform certain specific examinations and issue separate reports on the results.	No change.	
14.6 The Director-General shall provide the External Auditor(s) with the facilities required for the performance of the audit.	No change.	

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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.	No change.	
14.8 The External Auditor(s) shall issue a report on the audit of the 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.	No change.	
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 year to which the final accounts relate. The Executive Board shall examine the annual financial statements and the audit report(s) and shall forward them to the Health Assembly with such comments as it deems necessary.	No change.	
<i>Regulation XV – Resolutions involving Expenditures</i>		
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.	No change.	
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.	15.2 Where, in the opinion of the Director-General, the proposed expenditure cannot be made from the existing appropriations approved programme budget , it shall not be incurred until the Health Assembly has made the necessary appropriations budget approval .	Amended to change “appropriations” to “approved budget” and “budget approval”.
<i>Regulation XVI – General Provisions</i>		
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.	No change.	
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.	No change.	

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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.	No change.	
	FINANCIAL RULES	
<i>Rule I – Applicability and Delegation of Authority</i>		
101.1 These Financial Rules are established in accordance with Financial Regulation 1.4.	No change.	
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.	No change.	
101.3 These Rules apply uniformly to all sources of funds, and all financial transactions of the Organization unless otherwise stated in these Rules.	No change.	
101.4 The Financial Rules established by the Director-General, and any amendments thereto, shall enter into force after confirmation by the Executive Board.	No change.	
101.5 In case of doubt as to the interpretation and application of any of the Financial Rules, the Director-General shall rule thereon.	No change.	
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.	No change.	
	<u>101.7 All staff are accountable to the Director-General and are obligated to comply with the Financial Regulations and Financial Rules and with policies and procedures established for the implementation of these Financial Regulations and Financial Rules under Financial Rule 101.4. Any staff member who contravenes such Financial Regulations</u>	A new rule to strengthen accountability and to align with other United Nations organizations in this context.

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	<u>and Financial Rules, policies or procedures may be held personally accountable and financially liable for her or his actions.</u>	
<i>Rule II – The Budget</i>		
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.	102.1 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. <u>are prepared by the Director-General.</u>	Amended to clarify current practice.
102.2 The biennial budget proposals may be submitted to the Regional Committees which shall comment and make recommendations thereon.	No change.	
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.	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.	Amended to delete Rule 102.3 since the exchange rate facility is no longer used and the relevant reference has been updated under Regulation 4.4.
<i>Rule III – Budget Approval</i>		
103.1 The budget approved by the Health Assembly constitutes an authority to issue awards up to the amount approved to enable expenditures to be incurred for the purposes for which the budget is approved. The Director-General may determine the maximum amount of the approved budget that it would be prudent to issue as awards taking into account the prospects for collection of contributions and the availability of both the Working Capital Fund and internal borrowing.	103.1 The <u>programme</u> budget approved by the Health Assembly constitutes an authority to issue awards up to the amount approved to enable expenditures to be incurred for the purposes for which the budget is approved. The Director-General may determine the maximum amount of the approved budget that it would be prudent to issue as awards taking into account the prospects for collection of contributions and the availability of both the Working Capital Fund and internal borrowing. <u>up to the approved budget and subject to available funding.</u>	Amended to align with current practice.
<i>Rule IV – Financing</i>		
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.	No change.	

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<p>104.2 In order that the Director-General may accept payment of Members' assessed contributions under Financial Regulation 6.7 in currencies that are not fully convertible, the following limits and guidelines shall apply:</p> <p>(a) the amount due shall be expressed in United States dollars;</p> <p>(b) payments to WHO shall be required to be made on a specified date to a specific bank account;</p> <p>(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;</p> <p>(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.</p>	<p>104.2 In order that the Director-General may accept payment of Members' assessed contributions under Financial Regulation 6.7 in currencies that are not fully convertible, the following terms and conditions shall apply:</p> <p>(a) the amount due shall be expressed in United States dollars;</p> <p>(b) payments to WHO shall be required to be made on a specified date to a specific bank account;</p> <p>(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;</p> <p>(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.</p>	Amended for clarity and consistency with Financial Regulation 6.7.
104.3 Any payments in currencies, other than those specified in Financial Regulation 6.6 (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.	No change.	
104.4 In order for 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 or other acceptable forms of financing in amounts determined by designated officials.	No change.	
104.5 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.	104.5 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.	Amended to delete Rule 104.5 since the functioning of the Working Capital Fund is covered under Regulation 7.1. No further information is required on this matter given the consolidated budget and considering Rule 104.4.
104.6 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 104.5.	104.6 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 104.5.	Amended to delete Rule 104.6 since the functioning of the Working Capital Fund is covered under Regulation 7.1. No further information is required on this matter given the consolidated budget and considering Rule 104.4.

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104.7 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.	104.7 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.	Amended to delete Rule 104.7 since the functioning of the Working Capital Fund is covered under Regulation 7.1. whereby the amount of the Working Capital Fund is approved by the Health Assembly.
	104.5 Subject to the provisions of Financial Rule 104.4, goods and services may be provided to governments, specialized agencies, and other international organizations and other organizations on a reimbursable or reciprocal basis on such terms and conditions as may be approved by designated officials.	Moved from Rule X – Property, Plant and Equipment (110.6) to Rule IV – Financing (104.5), with editorial update to specify WHO’s ability to provide services to other Organizations, including national entities such as non-State actors in official relations with WHO as granted by the Executive Board.
<i>Rule V – Funding from Awards for Approved Workplans</i>		
105.1 Funding from awards for approved workplans shall be issued to designated officials as authorization to incur expenditure.	No change.	
105.2 Designated officials to whom funding from awards is issued are accountable to the Director-General for the correct use of the resources made available.	No change.	
	105.3 The Director-General shall establish policies and procedures for cost-recovery. The Director-General may reduce or waive the cost recovery in circumstances where a reduction or waiver is warranted. Such a reduction or waiver should be made in writing and, where applicable, reported to the Executive Board.	Added to operationalize Regulation 8.1 and in conjunction with the proposed new Regulation 8.3 on cost recovery. Language is drawn from harmonized text recommended for United Nations entities. Note that cost recovery (PSC) waivers are presently reported to the Board (see document A75/39).
<i>Rule VI – Expenditure (Commitments)</i>		
106.1 In order to incur expenditure, commitments shall be made against award funding issued against approved workplans to designated officials.	No change.	
106.2 Commitments may only be made by designated officials and shall be supported by satisfactory documentation. All commitments or undertakings	No change.	

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that create liabilities against the resources of the Organization shall be represented by signed contracts or similar documentation that are prepared when the liability arises.		
106.3 Commitments may be made only for the purpose indicated in the workplan and may not exceed the amount available in the award.	No change.	
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) award funding is 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.	No change.	
106.5 Revisions to a commitment shall be subject to the same procedure as the original commitment.	No change.	
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.	No change.	
<i>Rule VII – Internal Control</i>		
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.	No change.	
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;	No change.	

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(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.	No change.	
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.	No change.	
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.	No change.	
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.	No change.	
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.	No change.	
107.8 Imprest account holders shall be accountable for all funds under their responsibility.	No change.	
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.	107.9 Panels of signatories shall be designated by officials authorized by the Director-General. All payments from the Organization's bank accounts shall be signed approved 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 approval 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.	Amended to reflect the use of electronic authorizations.
107.10 All securities shall be deposited in the custody of duly appointed banks or financial institutions designated by the Director-General.	No change.	

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107.11 Investment policies shall be drawn up in accordance with Financial Regulation 11.3. An advisory committee shall assist the Director-General in formulating these investment policies and in monitoring the performance of funds invested.	No change.	
<i>Rule VIII – The Accounts</i>		
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.	No change.	
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 periodically with the accounts of the Organization.	No change.	
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.	No change.	
108.4 All accounting transactions shall be recorded in the general and subsidiary ledgers in accordance with a uniform chart of accounts.	No change.	
108.5 Income and expenditure shall be recorded in accordance with a uniform system of classification.	108.5 Revenue income and expenses expenditure shall be recorded in accordance with a uniform system of classification.	Amended to align with the latest International Public Sector Accounting Standards terminology on finance revenue.
<i>Rule IX – Financial Statements</i>		
109.1 The Director-General shall submit annual financial 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 International Public Sector Accounting Standards (IPSAS), the Financial Regulations and	No change.	

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the present Rules and shall include such other information as may be necessary to indicate the financial position of the Organization.		
109.2 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.	109.2 The annual financial reports shall also disclose any ex gratia payments and any losses of cash, supplies, inventories, equipment and other assets that have occurred during the period, indicating their treatment in the accounts the amounts written off.	Amended to specify “inventories” and to update the wording for the required financial statement reporting.
<i>Rule X – Property, Plant and Equipment</i>	<i>Rule X – Property, Plant, Equipment and Inventory</i>	Updated to include “inventory” in the title.
110.1 The acquisition and related depreciation of land, buildings, plant and equipment shall be capitalized in the accounts in accordance with IPSAS. Property, plant or equipment acquired under lease shall be capitalized or charged as expenditure in accordance with IPSAS.	110.1 The acquisition and related depreciation of land, buildings, plant, and equipment and inventory shall be capitalized in the accounts with related depreciation, where relevant in accordance with International Public Sector Accounting Standards. Property, plant or equipment acquired under lease shall be capitalized or charged as expenses expenditure in accordance with International Public Sector Accounting Standards.	Amended to include “inventory” and updates to terminology.
110.2 Inventory records shall be maintained for all property, plant and equipment.	110.2 Inventory Records shall be maintained for all property, plant, and equipment and inventory.	Amended to include “inventory”.
110.3 Periodic physical inventories shall be taken of all property, plant and equipment.	110.3 Periodic physical inventories verification shall be made taken of all property, plant, and equipment and inventory.	Amended to include “inventory” and to remove reference to “physical inventories” of all items, to reflect technological advancements in asset/inventory management and risk-informed approaches to verification.
110.4 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.	110.4 All property, plant, and equipment and inventory may be declared to be surplus if it is of no further use to the Organization, and disposed of in accordance with WHO policies and procedures and in the best interest of the Organization. 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.	Amended to include “inventory” and to clarify the rule on disposal.
110.5 The gain or loss from the derecognition of an item of property, plant or equipment shall be included in surplus or deficit. However, if an item is being replaced, any gain on derecognition of the replaced article shall serve to contribute towards the expenditure incurred in replacing the item.	110.5 The gain or loss from the derecognition of an item of property, plant or equipment shall be included in surplus or deficit. However, if an item is being replaced, any gain proceeds on derecognition of the replaced	Amended to make editorial updates, and to provide discretion on the use of proceeds to contribute towards the replacement of the asset.

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	article shall may serve to contribute towards the expense incurred in replacing the item.	
110.6 Subject to the provisions of Financial Rule 104.4, 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.	110.6 Subject to the provisions of Financial Rule 104.4, 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.	Moved from Rule X – Property, Plant and Equipment (110.6) to Rule IV – Financing (104.5), with editorial update to specify WHO’s ability to provide services to other Organizations.
<i>Rule XI – Procurement of Goods and Services</i>		
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.	No change.	
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.	111.2 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. <u>The following general principles shall be given due consideration when undertaking the procurement functions of WHO:</u> <u>(a) best value for money;</u> <u>(b) fairness, integrity, transparency, and equal treatment;</u> <u>(c) effective competition;</u> <u>(d) the best interests of WHO;</u> <u>(e) sustainable procurement.</u>	Amended to include further information, together with the principles guiding and underpinning all WHO’s procurement activities, which are aligned with those of other United Nations entities.
111.3 All purchases and other contracts shall be made on the basis of competitive bids, except when otherwise authorized 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. <u>The competitive bidding process shall, where necessary, include:</u> <u>(a) planning for developing an overall procurement strategy and procurement methodologies;</u> <u>(b) market research to identify potential suppliers;</u> <u>(c) competition on as wide a geographical basis as practicable and suited to market circumstances;</u> <u>(d) consideration of prudent commercial practice; and</u>	Amended to include further information about the competitive bidding process.

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	<p><u>(e) formal methods of solicitation, such as invitations to bid or requests for proposals on the basis of advertisements or direct solicitation of invited suppliers; or informal methods of solicitation, such as requests for quotations.</u></p> <p><u>The Director-General shall establish policies and procedures concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used.</u></p>	
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.	111.4 Contracts are normally awarded to the lowest bidder <u>after giving consideration to the general principles outlined at Rule 111.2, to the qualified contractor who substantially conforms to the requirements and offers the lowest cost</u> . However, where it is considered to be in the interest of the Organization, <u>and taking into account value for money considerations</u> , the acceptance of a bid other than the lowest, or the rejection of all bids may be authorized by designated officials.	Amended to expand the reference to “lowest cost” as this suggests using only price as a reference point and does not take into account the total cost of ownership and other principles such as sustainability, economic impact, local development etc. Amended to include the concept of “value for money”.
	<p><u>111.5 A contract review committee shall be established to make recommendations to the Director-General or designated official as necessary, and regional contract review committees shall be established, as required, to make recommendations to such other officials as shall be authorized in that regard.</u></p> <p><u>Where a review by a contract review committee is required, no final action leading to the award or amendment of a procurement contract may be taken before the contract review committee’s recommendation to proceed is received. In cases where the designated official decides not to accept the recommendation of such a review committee, reasons for that decision shall be recorded in writing.</u></p>	A new rule to clarify that the contract review committee is one of WHO’s main procurement governance mechanisms and is considered a best practice in other United Nations entities.
<i>Rule XII – Internal Audit</i>		
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	No change.	

EXISTING TEXT AS OF 1 JANUARY 2014	PROPOSED REVISED TEXT	COMMENTS
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.	No change.	
<p>112.3 IOS shall function in accordance with the following provisions:</p> <ul style="list-style-type: none"> (a) the head of IOS shall report directly to the Director-General; (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, 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; (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. 	No change.	
112.4 The Director-General shall ensure that all IOS recommendations are responded to and implemented as appropriate.	No change.	