

**14th SESSION OF THE SUBCOMMITTEE
ON PROGRAM, BUDGET, AND ADMINISTRATION
OF THE EXECUTIVE COMMITTEE**

Washington, D.C., USA, 25-27 March 2020

Provisional Agenda Item 4.5

SPBA14/10, Rev. 1
5 March 2020
Original: English

**AMENDMENTS TO THE FINANCIAL REGULATIONS
AND FINANCIAL RULES OF PAHO**

Introduction

1. The Financial Regulations govern the financial administration of the Pan American Health Organization (PAHO). Amendments to the Regulations must be approved by either the Pan American Sanitary Conference or the Directing Council of PAHO. Detailed guidance on implementation of the Financial Regulations of PAHO is set forth in the Organization's Financial Rules. In accordance with Financial Regulation 16.3, amendments to the Financial Rules require confirmation by the Executive Committee and are reported to the Conference or the Directing Council.

Proposed Amendments to the Financial Regulations of PAHO

2. The proposed amendments to the Financial Regulations of PAHO reflect International Public Sector Accounting Standards (IPSAS), which require a review of all assets for indications of impairment, and where such conditions exist, to ensure the assets are reported at a fair value. The proposed amendment to Financial Regulation 13.6 would align the Organization with IPSAS 29, *Financial Instruments: Recognition and Measurement*,¹ and provide the Director with the authority to impair any receivable, other than assessed contributions, by establishing a reserve for doubtful accounts in order to report the asset at a fair value in the Financial Statements. The proposed amendment to Financial Regulation 13.7 establishes the criteria for PAHO Member States to impair outstanding assessed contributions considered to be at risk.

3. The proposed text, as well as specific comments and explanations, for Regulations 13.6 and 13.7 is set out in the Annex to this document. Any amendments to the Financial Rules as a result of the approval of amendments to the Financial Regulations by the

¹ Handbook of International Public Sector Accounting Pronouncements, 2018. Available from: <https://www.ifac.org/system/files/publications/files/IPSASB-HandBook-2018-Volume-2.pdf>

58th Directing Council will be presented to the 167th Session of the Executive Committee for confirmation.

Action by the Subcommittee on Program, Budget, and Administration

4. The Subcommittee is invited to review the proposed amendments to the Financial Regulations of PAHO and provide recommendations to the Executive Committee.

Annex

ANNEX

PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS OF PAHO

<i>Regulation XIII – Accounts and Financial Statements</i>		
Current Text	Proposed Text	Comments
13.6 The Director may authorize, after full investigation, the write-off of any asset other than assessed contributions. Write-offs will be disclosed in the financial statements.	13.6 The Director may stipulate a reserve for doubtful accounts or authorize, after full investigation, the write-off of any asset other than assessed contributions. The reserve for doubtful accounts and the write-offs will be disclosed in the financial statements.	To ensure that financial statements accurately reflect the financial situation of the organization, IPSAS requires that all assets are reviewed for indications of impairment, and where such conditions exist, ensure that the assets are reported at a fair value.
13.7 The Conference or Directing Council may stipulate a reserve for doubtful accounts, representing all or a portion of the outstanding assessed contributions due from a Member State subject to the restrictions of Article 6.B of the Constitution.	13.7 The Conference or Directing Council may stipulate shall establish a reserve for doubtful accounts considered to be at risk , representing all or a portion of the outstanding assessed contributions due from a Member State subject to the restrictions of Article 6.B of the Constitution, unless the Member State has a deferred payment plan approved by the Conference or Directing Council and is in full compliance with that plan. The Director shall submit to the Conference or Directing Council a report on the outstanding assessed contributions considered to be at risk as part of the report on the collection of assessed contributions submitted in accordance with Financial Regulation 5.9.	Under IPSAS 29, impairment is recognized in the Financial Statements if there is “objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss” event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.” ¹ While the impaired receivable would remain outstanding and a legal obligation, for financial reporting purposes, the impairment would be reported as a reduction in the overall value of the receivables, as well as a reduction in the associated revenue.

¹ Handbook of International Public Sector Accounting Pronouncements, 2018. Available from: <https://www.ifac.org/system/files/publications/files/IPSASB-HandBook-2018-Volume-2.pdf>