



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



THIRD SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE

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CHANGES IN FINANCIAL REGULATIONS AND RULES

Proposed Amendments to the Financial Regulations and Financial Rules

Introduction

1. The 27th Pan American Sanitary Conference (PASC), through Resolution CSP27.R18, resolved to adopt the International Public Sector Accounting Standards (IPSAS) for recording and reporting financial activities of the Pan American Health Organization (PAHO) beginning with the 2010-2011 biennium. The Conference further noted that the Director shall submit to the Governing Bodies, for consideration at future sessions, proposals to amend the Financial Regulations and Financial Rules resulting from the adoption of IPSAS.

Background

2. The Financial Regulations govern the financial administration of the Organization and must be approved by the Directing Council or the Pan American Sanitary Conference. The Financial Rules provide more detailed guidance to the Financial Regulations and must be confirmed by the Executive Committee. Financial Regulation 13.1 stipulates that the Director shall maintain the accounts of the Organization in accordance with United Nations System Accounting Standards (UNSAS). In order to meet the deadline for the adoption of IPSAS in 2010, the Financial Regulations and accompanying Financial Rules must be aligned with these accounting standards in effect on 1 January 2010.

Analysis: Process for reviewing and recommending amendments to the Financial Regulations and Financial Rules

3. A cross-functional working group has been established to ensure that the impact of IPSAS on the current Financial Regulations and Financial Rules of the Organization is comprehensively reviewed. The working group will prepare draft amendments based on decisions made by the United Nations IPSAS Task Force regarding the individual accounting standards. The draft will be circulated for review to pertinent areas of the Organization, including the Office of Legal Counsel, and for final approval by Executive Management.

4. The implementation of IPSAS will result in the following changes for the Organization, with consequent revisions to the Financial Regulation and Financial Rules:

- (a) IPSAS shall replace UNSAS as the governing standards for financial accounting and reporting. Required financial statements will include:
 - i. Statement of Financial Position (replaces *Statement of Assets, Liabilities, and Reserves and Fund Balances*)
 - ii. Statement of Financial Performance (replaces *Statement of Income and Expenditure and Changes in Fund Balances*)
 - iii. Statement of Changes in Net Assets/Equity (new statement)
 - iv. Cash Flow Statement (replaces *Statement of Cash Flow*)
 - v. Comparison of Budgeted Amounts and Actual Amounts for the Reporting Period (replaces *Statement of Regular Budget Appropriation*)
- (b) Annual audited financial statements will require that Financial Regulations reflect an annual financial reporting period with a biennial Program Budget;
- (c) Income and expenditure will be recorded on an accrual basis, reflecting the implementation of activities during the financial period. However, the Program Budget will remain on a cash basis, requiring a reconciliation between the Statement of Financial Performance and the Statement of the Regular Budget Appropriation;
- (d) Property, plant, and equipment will be capitalized as assets on the Statement of Financial Position, and depreciation expense will be recognized on the Statement of Financial Performance. Depreciation expense is a non-cash expenditure and, therefore, will be reflected in the Program Budget reconciliation noted in item (c) above.

Conclusion

5. PAHO is an active member of the UN IPSAS Task Force, which is striving to ensure that these standards are implemented in a coordinated manner. In revising the Financial Regulations and Financial Rules, PAHO will take into account the Task Force deliberations and decisions, as well as the amendments to the WHO Financial Regulations and Financial Rules proposed in Executive Board document EB124/22. Proposed amendments to the Financial Regulations will be presented to the 144th Session of the Executive Committee in June 2009 and to the 49th Directing Council in September 2009. Proposed amendments to the Financial Rules will be presented to the 145th Session of the Executive Committee, contingent on the approval of the proposed amendments to the Financial Regulations at the 49th Directing Council.

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