



Pan American  
Health  
Organization



REGIONAL OFFICE FOR THE

World Health  
Organization  
Americas

## 12th SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE

*Washington, D.C., USA, 21-23 March 2018*

---

*Provisional Agenda Item 4.4*

SPBA12/11  
23 January 2018  
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. Detailed guidance on implementation of the Financial Regulations of PAHO is set forth in the Organization's Financial Rules. 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 Rules of PAHO**

2. The basis for the performance of internal audits and evaluations in PAHO by the Office of Internal Oversight and Evaluation Services (IES) is set out in the Financial Regulations of PAHO. Financial Regulation 12.1 states that: "The Director shall establish and maintain an effective internal control structure with operating policies and procedures based on best industry practice, in order to: *a*) ensure efficient and effective financial administration, *b*) safeguard assets, *c*) accomplish the strategic objectives and goals in line with the mission of the Organization, and *d*) maintain an internal oversight function reporting to the Director."

3. The amendment to the Financial Rules is required to establish control and additional guidance in line with the Financial Regulations. The proposed amendment to the Financial Rules sets forth the basis under which Internal Audit activities are conducted.

4. The proposed text and explanation for the modification to the Financial Rules is set out in the Annex.

---

**Action by the Subcommittee on Program, Budget, and Administration**

5. The Subcommittee is invited to note the amendment to the Financial Rules and make any recommendations it deems pertinent to the Executive Committee.

Annex

## ANNEX

## PROPOSED AMENDMENTS TO THE FINANCIAL RULES OF PAHO

<i>Rule XII – Internal Control</i>		
Current Text	Proposed Text	Comment of the Technical Unit
112.1 In order to ensure effective internal control within the Organization, in accordance with Financial Regulation XII, the Director shall establish measures, including (i) an internal oversight and evaluation mechanism, (ii) appropriate delegations of authority, (iii) segregation of duties and (iv) other measures that are consistent with industry best practice.	No change.	
<p>112.2 The Director shall designate the officer responsible for establishing and maintaining an adequate internal control of the operations of the Organization as deemed necessary. The internal controls structure shall include:</p> <ul style="list-style-type: none"> <li>(a) The accomplishment of the strategic objectives and goals in line with the mission of the Organization,</li> <li>(b) The efficient and effective administration of resources,</li> <li>(c) The compliance with regulations and rules, policies and procedures, and decisions of the Governing Bodies,</li> <li>(d) The identification and management of organizational risks,</li> <li>(e) The appropriate designation of officers responsible and accountable for conducting the business of the Organization,</li> <li>(f) The integrity and reliability of information.</li> </ul>	No change.	

<i>Rule XII – Internal Control</i>		
Current Text	Proposed Text	Comment of the Technical Unit
	<b>112.3 The internal audit activity shall be determined by a formal internal audit charter as established by the Director.</b>	To establish the basis under which internal audit activities will be conducted.
112.3 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 in accordance with the terms of the contract, the amount is correct and services have been rendered or delivery has been completed.	112. <del>3</del> 4 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 in accordance with the terms of the contract, the amount is correct and services have been rendered or delivery has been completed.	Renumbered to keep the sequence.
112.4 Where operationally justified and only on an exceptional basis, contracts or purchase orders may be entered into which require partial payment in advance prior to the delivery of goods or performance of services. Such practice shall be fully documented.	112. <del>4</del> 5 Where operationally justified and only on an exceptional basis, contracts or purchase orders may be entered into which require partial payment in advance prior to the delivery of goods or performance of services. Such practice shall be fully documented.	Renumbered to keep the sequence.
112.5 In order for any contract or purchase order to be entered into requiring full payment in advance, the officer requesting such terms shall provide full justification and demonstrate why such payments terms are necessary in the interest of the Organization. All such payment terms shall be subject to approval of the designated officer.	112. <del>5</del> 6 In order for any contract or purchase order to be entered into requiring full payment in advance, the officer requesting such terms shall provide full justification and demonstrate why such payments terms are necessary in the interest of the Organization. All such payment terms shall be subject to approval of the designated officer.	Renumbered to keep the sequence.
112.6 Designated officials may authorize advances to staff members and other persons in connection with the execution of official duties for PAHO and staff entitlements.	112. <del>6</del> 7 Designated officials may authorize advances to staff members and other persons in connection with the execution of official duties for PAHO and staff entitlements.	Renumbered to keep the sequence.

<b>Rule XII – Internal Control</b>		
<b>Current Text</b>	<b>Proposed Text</b>	<b>Comment of the Technical Unit</b>
112.7 Designated officers are responsible and accountable for all resources under their control.	112. <del>7</del> <b>8</b> Designated officers are responsible and accountable for all resources under their control.	Renumbered to keep the sequence.
112.8 Panels of signatories shall be designated by officials authorized by the Director. All payments from the Organization's bank accounts shall be signed by two officials of the appropriate panels. Where deemed necessary, in exceptional circumstances, the 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.	112. <del>8</del> <b>9</b> Panels of signatories shall be designated by officials authorized by the Director. All payments from the Organization's bank accounts shall be signed by two officials of the appropriate panels. Where deemed necessary, in exceptional circumstances, the 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.	Renumbered to keep the sequence.
112.9 Comprehensive policies and procedures for core functions must be properly documented, maintained and disseminated across the Organization.	112. <del>9</del> <b>10</b> Comprehensive policies and procedures for core functions must be properly documented, maintained and disseminated across the Organization.	Renumbered to keep the sequence.
112.10 Fixed asset records will be maintained by the designated officer, however acquired and from whatever source, in accordance with applicable policies, procedures and accounting standards.	112. <del>10</del> <b>11</b> Fixed asset records will be maintained by the designated officer, however acquired and from whatever source, in accordance with applicable policies, procedures and accounting standards.	Renumbered to keep the sequence.
112.11 An annual physical inventory shall be taken of all fixed assets.	112. <del>11</del> <b>12</b> An annual physical inventory shall be taken of all fixed assets.	Renumbered to keep the sequence.
112.12 The designated officer may declare a fixed asset to be surplus or obsolete if it has no further future economic benefit to the Organization. The disposal of a fixed asset should result in the best possible outcome to the Organization, including the sale, donation or scrapping.	112. <del>12</del> <b>13</b> The designated officer may declare a fixed asset to be surplus or obsolete if it has no further future economic benefit to the Organization. The disposal of a fixed asset should result in the best possible outcome to the Organization, including the sale, donation or scrapping.	Renumbered to keep the sequence.

<b><i>Rule XII – Internal Control</i></b>		
<b>Current Text</b>	<b>Proposed Text</b>	<b>Comment of the Technical Unit</b>
112.13 The gain or loss from the disposal of a fixed asset shall be recognized in Other Revenue.	112. <del>13</del> <sup>14</sup> The gain or loss from the disposal of a fixed asset shall be recognized in Other Revenue.	Renumbered to keep the sequence.
112.14 Subject to the provisions of Financial Rule 104.1, 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 prescribed by the Director.	112. <del>14</del> <sup>15</sup> Subject to the provisions of Financial Rule 104.1, 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 prescribed by the Director.	Renumbered to keep the sequence.
112.15 Policies and procedures shall be established, documented, and disseminated for procurement and contracting activities.	112. <del>15</del> <sup>16</sup> Policies and procedures shall be established, documented, and disseminated for procurement and contracting activities.	Renumbered to keep the sequence.
112.16 Procurement and contracting activities shall be entered into for and on behalf of the Organization only by duly authorized officers.	112. <del>16</del> <sup>17</sup> Procurement and contracting activities shall be entered into for and on behalf of the Organization only by duly authorized officers.	Renumbered to keep the sequence.
112.17 All purchases and other contracts shall be made on the basis of competitive bids, except when otherwise authorized by the Chief of Administration.	112. <del>17</del> <sup>18</sup> All purchases and other contracts shall be made on the basis of competitive bids, except when otherwise authorized by the Chief of Administration.	Renumbered to keep the sequence.
112.18 Contracts are normally awarded to the lowest bidder. However, where it is considered to be in the interests of the Organization, the acceptance of a bid other than the lowest, or the rejection of all bids may be authorized by the designated officer.	112. <del>18</del> <sup>19</sup> Contracts are normally awarded to the lowest bidder. However, where it is considered to be in the interests of the Organization, the acceptance of a bid other than the lowest, or the rejection of all bids may be authorized by the designated officer.	Renumbered to keep the sequence.

- - -