

*executive committee of
the directing council*



PAN AMERICAN
HEALTH
ORGANIZATION

*working party of
the regional committee*

WORLD
HEALTH
ORGANIZATION



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Topic 15: FINANCIAL RULES OF THE PAN AMERICAN HEALTH ORGANIZATION

In accordance with Financial Regulation 10.1(a) of the Pan American Health Organization, the Director has established the following Financial Rules (ANNEX I).

These rules are presented for consideration and confirmation by the Executive Committee after which they will be reported to the Directing Council in accordance with paragraph 16.1 of Financial Regulations.

The Financial Rules provide procedures to insure effective financial administration within the policies established in the Financial Regulations. These rules are modeled closely on the Financial Rules of the World Health Organization, which have been used as a reference and guide by the Pan American Sanitary Bureau to the present time.

If consideration of these rules is favorable, the Executive Committee may wish to approve a resolution along the following lines:

Proposed Resolution

The Executive Committee,

Having examined the Financial Rules as set forth in Document CE43/3, ANNEX I,

RESOLVES:

To confirm the Financial Rules of the Pan American Health Organization as presented by the Director in Document CE43/3, ANNEX I, and to transmit them to the XIII Meeting of the Directing Council.

FINANCIAL RULES OF THE
PAN AMERICAN HEALTH ORGANIZATION

ARTICLE I - AUTHORITY AND APPLICABILITY

- 101.1 These Rules are established in accordance with the provisions of Financial Regulation 10.1(a) of the Pan American Health Organization.
- 101.2 The Financial Rules are applicable to all offices and, irrespective of the source of funds, to all financial transactions of the Organization.
- 101.3 The Financial Rules become effective as from 1 June 1961 and supersede all rules in force before that date. All subsequent modifications shall become effective as from date of issue by the Director subject to confirmation by the Executive Committee.
- 101.4 In case of doubt as to the meaning of any of the financial rules, the Director will rule thereon.
- 101.5 The Director is responsible for the implementation of the Financial Rules.
- 101.6 The Director may delegate, together with authorization for re-delegation, such of his powers as he deems necessary to secure effective administration of these Rules.

ARTICLE II - BUDGET

- 102.1 Appropriate officials shall submit annual programs of work and necessary estimates to the Division of Administration in such manner and at such times as may be requested.
- 102.2 The Division of Administration will consolidate into a single presentation the programs of work and necessary estimates as required by Financial Regulation 3.3.

ARTICLE III - APPROPRIATIONS

- 103.1 The appropriations voted by the Conference or the Directing Council constitute an authority to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted, but no obligations may be incurred or payments made until allotments have been issued in writing by the Director.
- 103.2 Appropriations shall remain available to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial year, and to liquidate any other outstanding legal obligations of the year. The Director is authorized to charge as an obligation against the annual appropriations:
- a) the costs, including transportation, of operational supplies and equipment and the cost of publications for which contracts have been entered into by 31 December of the financial year;
 - b) the full estimated cost of a fellowship.
- 103.3 Appropriations shall remain available to liquidate the obligations established under Rule 103.2 above for the periods specified in Financial Regulation 4.3. At the end of the twelve-month period specified all unliquidated obligations, excepting fellowships, shall be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations. Obligations established for fellowships shall remain available for expenditure until fully liquidated. The remaining balances of appropriations surrendered at these times shall be credited to Miscellaneous Income.
- 103.4 Any surplus of funds arising from an excess of income over obligations shall be transferred to the Working Capital Fund. Any deficit arising from excess of obligations over income will be met by an advance from the Working Capital Fund.

103.5 The assessments on Members, required to meet the appropriations voted by the Conference or the Directing Council, will be made in accordance with Article 60 of the Pan American Sanitary Code.

ARTICLE IV - ALLOTMENTS

104.1 Requests for allotments for specific purposes will be submitted in writing to the Director.

104.2 Allotments will be issued in writing by the Director.

104.3 Allotments will be issued for any expenditure to be incurred by the Organization irrespective of the source of funds.

104.4 The Division of Administration will ensure that allotments are issued in accordance with the appropriation resolution and the policies of the Directing Council and the Executive Committee.

104.5 Officials to whom allotments are issued are responsible to the Director for the correct use of such allotments.

ARTICLE V - OBLIGATIONS

105.1 Only the official designated in the allotment as allotment holder is authorized to incur obligations against the allotment.

105.2 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.

105.3 No obligation shall be incurred without prior certification by the Division of Administration that funds are available in the appropriate allotment to be charged.

- 105.4 Proposals to incur obligations must be made in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.
- 105.5 The Division of Administration will be responsible for examining the proposed obligations to ensure that:
- a) Funds are available;
 - b) The Rules and Regulations and 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.
- 105.6 The Division of Administration will reject any proposal for obligation or expenditure not complying with the provisions of paragraph 105.5.
- 105.7 Revisions to an obligation shall require the same treatment as the original obligation.

ARTICLE VI - CONTROL OF EXPENDITURE

- 106.1 Except where normal commercial practice so requires, no contract or purchase order shall be made on behalf of the Organization which requires payments in advance of the delivery of goods or performance of services.
- 106.2 The Director may, when he deems it in the interests of the Organization to do so, authorize progress payments.
- 106.3 Payments will not be made unless supporting documents are certified by the appropriate officials confirming that:

- (a) Services have been rendered or delivery has been completed in accordance with the terms of the contract;
- (b) The amount is correct and in accordance with the terms of the contract.

106.4 Should the Division of Administration feel there is any reason why payment of any claim should be withheld, such claims will be referred to the Director.

106.5 Claims submitted by staff members which are more than one year old will not normally be considered. This provision does not apply to claims for reimbursement of income tax or matters in connection with settlement of insurance or pension claims.

ARTICLE VII - IMPREST CASH

107.1 Imprest cash advances of an amount to be fixed in each case will be made where necessary to officials designated by the Director.

107.2 Officials to whom an imprest cash advance is issued are responsible for the advance and must at all times be in a position to account for it.

ARTICLE VIII - ADVANCES

108.1 Travel advances may be made upon request to officials to whom official travel authorizations have been issued. Such advances are to be used in accordance with the provisions of the travel rules and must be accounted for when the travel is completed.

108.2 Salary advances may be given to staff members in accordance with the provisions of the Staff Rules.

108.3 Advances other than those authorized in Rule 108.2 above may be made to staff members in exceptional circumstances, subject to the approval of the Director.

ARTICLE IX - MANAGEMENT OF FUNDS

109.1 The Division of Administration is responsible for the management, receipt and disbursement of all funds of the Organization.

109.2 Funds of the Organization will be deposited only in banks or institutions designated by the Director.

109.3 The Division of Administration will manage all banking accounts operated by the Organization including those opened for trust and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in chronological order. A separate cash account shall be kept for each bank account, as well as for sums deposited with other institutions.

109.4 Panels of signatories shall be designated by the Director and all checks drawn on the Organization's accounts will be signed by two officials of the appropriate panels; provided that the Director may, where he deems that adequate safe-guards of the funds of the Organization are provided, or in exceptional circumstances, authorize the signature of checks by one official only.

109.5 No interest will be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest will be paid only if so requested in advance and upon such conditions as may be agreed with the Director.

109.6 All securities shall be deposited either in the custody of duly appointed bankers or in safe deposit vaults maintained by a recognized financial institution designated by the Director.

ARTICLE X - THE ACCOUNTS

- 110.1 The Division of Administration is responsible for establishing and maintaining all official accounts of the Organization.
- 110.2 Obligations will be recorded in the accounts of the financial year for which they are incurred.
- 110.3 Receipts will be credited to the account of the financial year in which the remittance is received.
- 110.4 Expenditures will be recorded in the accounts of the financial year in which they are made.
- 110.5 The accounts will comprise the general accounts, budget accounts and treasury accounts from which the periodic financial statements will be prepared.
- 110.6 All accounts shall be supported by documentation to be retained as integral parts of the official accounts of the Organization.
- 110.7 The accounting and other financial records and all supporting documents shall be retained for such period or periods as may be agreed by the External Auditor after which, on the authority of the Director, such records and documents may be destroyed.

ARTICLE XI - GENERAL ACCOUNTS

- 111.1 The General Accounts will record classified income, and expenditure, cash in banks and on hand, investments, receivables and other assets, payables and other liabilities, the Working Capital Fund, and such other trust funds or special accounts as may be established.

ARTICLE XII - BUDGET ACCOUNTS

112.1 The Budget Accounts will show:

- a) Original appropriations voted by the Conference or the Directing Council;
- b) Appropriations after modification by any transfers;
- c) Credits, if any, other than appropriations made available by the Conference or the Directing Council;
- d) Allotments made;
- e) Obligations incurred, liquidated and outstanding;
- f) Expenditures;
- g) Unobligated balances of allotments.

112.2 Obligations and expenditures will be recorded in the accounts in accordance with a uniform system of classification established by the Director.

ARTICLE XIII- TREASURY ACCOUNTS

113.1 Treasury Accounts will comprise:

- a) Cash accounts, showing all receipts and disbursements of the Organization;
- b) Trust and other special cash accounts, the management of which is subject to special treatment;
- c) Members' contribution records showing the amounts assessed, received and uncollected;
- d) Investments ledger giving full details of each investment made by the Organization.

ARTICLE XIV - FINANCIAL STATEMENTS

114.1 The Division of Administration will furnish:

- a) Periodic statements of cash on hand;
- b) Periodic statements of budgetary status showing:
 - i) Allotments made;
 - ii) Obligations incurred and liquidated;
 - iii) Expenditures;
 - iv) Unobligated balances.

- c) Periodic special statements showing:
- i) Outstanding contributions;
 - ii) Status of the Emergency Procurement Revolving Fund;
 - iii) The operations and financial position of the Working Capital Fund;
 - iv) The position of other special funds.
- d) As early as possible each year a detailed balance sheet as of 31 December immediately preceding. In addition to this balance sheet there shall be produced:
- i) Summarized statement of income and expense;
 - ii) Budget statement showing appropriations voted and expenditure made;
 - iii) Statement of obligations as of 31 December for which reserves will be established in accordance with Rule 103.2;
 - iv) Statement of outstanding legal obligations as of 31 December which will be a charge to the appropriations of the succeeding year;
 - v) Statement of trust and other special funds;
 - vi) Statement of the Working Capital Fund;
 - vii) Statement of both stores and cash losses which have occurred during the year indicating how these have been dealt with in the accounts;
 - viii) Statement of ex-gratia payments;
 - ix) Statement of Procurement Services effected on behalf of government administrations, public institutions, and other organizations.

ARTICLE XV - PROPERTY

- 115.1 The cost of all property acquired other than real property will be immediately charged as an expense.
- 115.2 Property records will be maintained of all real property and non-expendable supplies and equipment of an acquisition cost of \$20.00 or more, however acquired and from whatever source, containing full details.
- 115.3 An annual physical inventory will be taken of all assets, supplies and materials on hand.

- 115.4 The Director may declare property to be surplus if it is of no further use to the Organization.
- 115.5 Surplus property shall be sold for the best possible return to the Organization except:
- a) When the exchange of surplus property in partial payment for new articles will afford an advantage to the Organization over the sale of surplus property and separate purchase of new articles;
 - b) When the destruction of the surplus or unserviceable material will be more economical, is required by law, or when the confidential nature of the material so warrants;
 - c) When the best interests of the Organization will be served by disposal by gift or at nominal prices to a non-profit organization.
- 115.6 The proceeds from the sale of surplus property shall be credited to Miscellaneous Income, except that in case an article is being replaced, the trade-in allowance or the proceeds from the sale of the replaced article will serve to reduce the charge to expense incurred under Rule 115.1.
- 115.7 Goods and services may be provided to Governments, specialized agencies, and other organizations on a reimbursable or reciprocal basis on such terms and conditions as may be prescribed by the Director.

ARTICLE XVI - PROCUREMENT

- 116.1 Contracts for the purchase of services, supplies, equipment or other requirements shall be entered into for and on behalf of the Organization only by duly authorized officials.
- 116.2 The Director shall establish suitable procedures which will ensure full and free competition in obtaining and processing bids from suppliers.
- 116.3 All purchases and contracts of over \$1,000 shall be made on the basis of competitive bids, except when otherwise authorized by the Director.

116.4 Contracts are normally awarded to the lowest bidder. The Director may, however, if he considers it to be in the interests of the Organization, authorize the acceptance of a bid other than the lowest, or the rejection of all bids.

ARTICLE XVII - INTERNAL CONTROL

117.1 The Division of Administration is responsible for establishing and maintaining an adequate internal control of the financial transactions and such other operations of the Organization as may be determined by the Director.

ARTICLE XVIII - WORKING CAPITAL FUND

118.1 The Financial Rules also govern credits made available from the Working Capital Fund for unforeseen and extraordinary expenses.

118.2 The term "Unforeseen Expenses" means expenses arising from, or incidental to, the carrying out of a program in accord with the policies approved by the Conference or the Directing Council, which expenses were not foreseen when the estimates were made.

118.3 The term "Extraordinary Expenses" means expenses for items or objects outside the scope of the budget estimates, that is to say, outside the program on which the estimates were based.

118.4 The Division of Administration shall be responsible for the preparation of information on the status of all commitments under the resolutions relating to unforeseen and extraordinary expenses to be submitted to the Executive Committee and shall prepare the supplementary estimates required in connection therewith for submission to the Conference or the Directing Council.