



WORLD HEALTH ORGANIZATION

FIFTY-SECOND WORLD HEALTH ASSEMBLY
Agenda item 15

A52/16
18 May 1999

Unaudited interim financial report on the accounts of WHO for 1998; report of the External Auditor; report of the Internal Auditor

First report of the Administration, Budget and Finance Committee of the Executive Board to the Fifty-second World Health Assembly

1. The eleventh meeting of the Administration, Budget and Finance Committee (ABFC) took place in Geneva on 14 May 1999 under the chairmanship of Mr H. Voigtländer (Germany).

UNAUDITED INTERIM FINANCIAL REPORT ON THE ACCOUNTS OF WHO FOR 1998

2. The Committee noted:

C that the interim financial report and its Annex cover the implementation of the first year of the programme budget 1998-1999;¹

C that the Secretariat is reviewing the presentation of its financial statements including the Annex, so that in future, while still following the United Nations Accounting Standards, they will give a clearer view of WHO's financial results. In addition, the Committee proposed that an executive summary should be prepared in future, which would provide information in a more user-friendly format for Members and donors;

C that since 31 December 1998 all internal borrowing had been fully repaid, and the Working Capital Fund of US\$ 31 million which had been fully drawn down at 31 December 1998 was still fully drawn at 30 April 1999. The Committee expressed its concern at the state of the Working Capital Fund and noted that its replenishment depended on some Members paying their arrears of outstanding assessed contributions. The Committee noted that the Secretariat is working on a revised incentive scheme to encourage more Members to pay on time and to address the arrears that are accumulating;

C that the Special Account for Servicing Costs receives income generated by charges (usually 13%) on voluntary contributions which enables WHO to cover the administrative costs incurred in handling these funds. The programme support costs are distributed to the regional offices and

¹ Documents A52/13 and Add.1.

headquarters according to where the programmes are financed. The Secretariat will review programme support costs during 1999 in order to ensure that the process is fair, transparent, efficient and appropriate to the new organizational and administrative arrangements;

C that balance of the regular budget at 31 December 1998 is negative by US\$ 240 million. However, the Committee noted that because a large proportion of the costs in a biennium, such as salaries and other staff costs, are predictable and in order to comply with the United Nations Accounting Standards, obligations for these items are raised in the first year of the biennium for the full 24-month period. This figure of US\$ 240 million includes US\$ 171 million of salary costs for 1999; the balance of US\$ 69 million corresponds to other time lags between the establishment of expenditures against the approved budget for the biennium and the receipt of Members' assessed contributions in 1998 and 1999. The Committee further noted that US\$ 92 million of the 1998 assessed contributions remain unpaid;

C that the total of deposits and securities stood at US\$ 802 million and that a significant part of these funds is represented by the Staff Health Insurance Fund, Terminal Payments, Voluntary Funds and Trust Funds, which enables the internal borrowing facility to operate.

REPORT OF THE EXTERNAL AUDITOR

3. The report of the External Auditor was introduced by Mr Shauket Fokie, Deputy Auditor-General of the Republic of South Africa.¹

4. In his introduction Mr Fokie highlighted in particular the decision by the Executive Board in January 1999 to establish an Audit Committee.² It was noteworthy that WHO was the first specialized agency in the United Nations system to establish such a committee - an initiative in line with best practice available internationally for major corporations and national governments. Separate from the Audit Committee established by the Board, the Director-General, at the request of the External Auditor, had also established an Audit Steering Committee as a means of strengthening cooperation and interface between the External Auditor and the Secretariat.

5. With regard to programme implementation, monitoring and evaluation, the External Auditor's work had identified important areas where improvements could be effected. The weaknesses in these areas had been quickly recognized by the new administration and the corrective measures taken since late 1998 were explained. As a matter of priority, standardized business rules and procedures for programme implementation, including monitoring through WHO's global management information system, were being developed, and would be submitted for review by the Cabinet in July 1999. Those business rules would include the linking of statements of intent in the strategic programme budget to annual plans of action.

6. The lack of common business rules had furthermore prevented the implementation of a unified evaluation system, which was also currently under development. Such a system would comprise the institutionalization of external evaluations of WHO's regular budget programme activities under the guidance of the Executive Board, and external reviews of the Organization's large voluntary funded programmes. Mechanisms for independent internal evaluations would also be covered. Again, a comprehensive framework

¹ Document A52/14.

² Resolution EB103.R8.

within which such external and internal evaluations would function in the future would be submitted to Cabinet in early autumn, with a view to full implementation as from early 2000.

7. In reply to a question, the External Auditor confirmed that clarity and transparency of financial reporting remained a key priority on his work agenda,

8. As far as budgetary, financial and related transactions were concerned, the External Auditor's review had revealed that although, overall, the records could be relied upon and were well maintained, controls could be strengthened with regard to a few areas such as uniformity of accounting and recording systems for imprest holders, consistency and method of valuation of nonexpendable equipment, and the system of monitoring of fellowships.

9. The Committee acknowledged the report of the External Auditor and his related comments thereon.

REPORT OF THE INTERNAL AUDITOR

10. In the report of the Internal Auditor reference was made to the new cluster structure implemented at headquarters.¹ The Internal Auditor confirmed his intention with regard to evaluating the efficiency of the management support units against predetermined criteria and benchmarks, with a view to preparing an independent report on the matter for the Executive Board in January 2000. In parallel, Internal Audit would also be assisting the clusters in establishing effective internal control structures.

11. Concern was expressed by the Committee on the effects of disruptions in the Regional Office for Africa, following the evacuation from Brazzaville in mid-1997. The Internal Auditor explained that the observations in his report referred to the situation as of a year earlier, and that since then substantial corrective progress had been achieved. Proper financial controls in all regional offices was a main concern of Internal Audit. A recent positive development was the filling of the long-standing vacancy for the post of Director of Administration and Finance in the Regional Office for Africa. A further audit was currently under way in the Regional Office, and the tentative indications so far were that the difficulties could be resolved by the end of the year.

12. Recalling its mandate "to assist the Board in its responsibilities relating to administrative, budgetary and financial matters of the Organization", the Committee, nevertheless, urged that the situation be kept under review.

RECOMMENDATION TO THE HEALTH ASSEMBLY

13. The Committee, after examination of the interim financial report on behalf of the Executive Board and having taken due account of the report of the External Auditor and the report of the Internal Auditor, recommends to the Fifty-second World Health Assembly adoption of the following resolution:

¹ Document A52/15.

The Fifty-second World Health Assembly,

Having examined the unaudited interim financial report for the year 1998 of the financial period 1998-1999;¹

Having noted the report of the Administration, Budget and Finance Committee of the Executive Board,

ACCEPTS the Director-General's unaudited interim financial report for the year 1998.

= = =

¹ Documents A52/13 and Add.1 (see also documents A52/14 and A52/15).