



**Financial report on the accounts of WHO for the
financial period 1996-1997
and
report of the External Auditor**

Comments of the Director-General

The Director-General presents herewith his comments and observations on the report of the External Auditor on the accounts of the World Health Organization for the financial period 1 January 1996 to 31 December 1997 as contained in document A51/11. He notes the Opinion of the External Auditor. The Director-General further notes that in the Auditor's examination of the accounts, as reflected in the observations in his report, there was no matter that was considered material to the accuracy, completeness and validity of the financial statements as a whole.

1. This is the second report of the External Auditor following his appointment by the Forty-eighth World Health Assembly in May 1995 for the financial periods 1996-1997 and 1998-1999. The first report was submitted in respect of his examination of the Organization's accounts for 1996, the first year of the biennium 1996-1997. The present report covers the full financial period.

2. The Director-General's views on the matters raised by the External Auditor on the audited financial statements for the financial period 1996-1997 are given below. Comments are made as appropriate, in the order of the references used in the report of the External Auditor.

ESTABLISHMENT OF AN AUDIT COMMITTEE (5.1)

3. This matter will be considered by the Administration, Budget and Finance Committee (ABFC) of the Executive Board at its ninth meeting on 8 May 1998. A report will be submitted to the Board at its 102nd session.

OFFICE OF INTERNAL AUDIT AND OVERSIGHT (5.2)

4. The authority, functions and responsibilities of the Office of Internal Audit and Oversight were established by the Director-General in December 1996 and widely disseminated throughout the Organization. The existing text of Article X of the Financial Regulations covers the overall internal audit function as part of the internal control mechanism of the Organization. Incorporation of a more detailed text into the Financial Regulations will be kept under review.

FINANCIAL STATEMENTS (6)

5. The further development and refinement of WHO financial statements are matters already under review. Taking into account the future enhancement of the United Nations System Accounting Standards in the concept of a "living document", the format and content of the Organization's financial statements will be subject to review and change.

AUDIT OPINION (7)

6. The Director-General supports the External Auditor's proposal and will therefore recommend changes to the Financial Regulations to the Executive Board, at its 103rd session in January 1999, for consideration of the Fifty-second World Health Assembly in May 1999.

PROGRAMME IMPLEMENTATION (10.1)

7. Line managers are responsible for monitoring the status of programme implementation and making appropriate adjustments to their plans of action. This is being done progressively throughout the Organization using the Activity Management System which is being adapted in response to guidance and comments received from the Health Assembly, the Executive Board and its subcommittees.

8. Following an assessment of the plans of action for 1996, training needs were identified and planning skills were further developed across the Organization at all levels to improve homogeneity. Any major shortcomings in the plans of action for 1997 were addressed in the guidelines for preparation of the programme budget for 2000-2001 and the guidance for preparation of plans of action for 1998.

PROGRAMME EVALUATION (10.2)

9. Standard guidelines for conducting policy and programme evaluation in WHO were prepared and field-tested in consultation with regions and distributed throughout the Organization in 1998. Guidelines on evaluation of programme budget implementation have been drawn up with input from the regional offices.

FINANCIAL SITUATION OF THE WORLD HEALTH ORGANIZATION (11)

10. The interim financial report at the end of the first year of future financial periods will be prepared in a format similar to the financial report for 1996-1997.

APPROPRIATION AND ALLOTMENT MANAGEMENT (12.1)

11. Because of programme requirements that call for the urgent obligation of funds, allotments may sometimes be exceeded temporarily, pending allotment revisions.

REVIEW AND ESTABLISHMENT OF OBLIGATIONS (12.2)

12. Regional offices have been reminded of the need for the regular review of obligations to ensure that these continue to represent actual liabilities of the Organization.

LOCAL COST SUBSIDIES (12.3)

13. This is a matter of continuing concern and is being followed up with the countries involved. Control mechanisms for the monitoring of local cost subsidies, the conditions under which they are made available and their accountability, are being updated.

PROCUREMENT (12.4)

14. As indicated in comments on the interim report of the External Auditor for 1996 concerning the suggested bulk purchase of computers for use at headquarters, procurement through negotiation with suppliers has resulted in satisfactory pricing arrangements.

15. In the matter of establishing a code of ethics and register of financial interests for WHO staff engaged in the procurement process, it is confirmed that this will be addressed appropriately at such time as the United Nations decides on a final version of its code of conduct, expected during 1998.

FELLOWSHIPS (12.5)

16. Measures to strengthen the postfellowship monitoring system in regional offices continue to be pursued through the technical office concerned. A review of future WHO requirements in this regard, including the reporting of individual postfellowship development and professional progress, is also being undertaken.

INVENTORY (12.6)

17. The note on nonexpendable equipment (Note 59) was included for the first time in the financial report for 1996-1997. The establishment of the total value, involving coordination with all WHO regional and other offices, resulted in a figure considered fair and reasonable, as reflected in the note. However, efforts will be strengthened and procedures refined in the next and future financial periods to enhance the recording of nonexpendable items throughout the Organization.

IMPREST ACCOUNTING (12.7)

18. Improvement in the quality and processing of imprest returns from field and other offices continues to receive high priority.

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