



# WORLD HEALTH ORGANIZATION

FIFTY-FIFTH WORLD HEALTH ASSEMBLY  
Provisional agenda item 15.1

A55/38  
10 May 2002

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## **Financial report on the accounts of WHO for 2000-2001; report of the External Auditor, and comments thereon made on behalf of the Executive Board; report of the Internal Auditor**

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

1. The seventeenth meeting of the Administration, Budget and Finance Committee (ABFC) took place in Geneva on 10 May 2002 under the chairmanship of Dr K. Karam (Lebanon). The list of participants is annexed.
2. The provisional agenda<sup>1</sup> was adopted, and the Chairman welcomed the Chairman of the Audit Committee of the Executive Board.

#### **FINANCIAL REPORT ON THE ACCOUNTS OF WHO FOR THE FINANCIAL PERIOD 2000-2001 AND THE REPORT OF THE EXTERNAL AUDITOR THEREON (Documents A55/25, A55/25 Add.1 and A55/25 Corr.1)**

3. The Committee noted the salient points of the financial report.
  - Financial performance is reported against the programme budget for 2000-2001 which was approved in 1999 by the Fifty-second World Health Assembly.
  - The presentation together of the Report of the External Auditor with the Financial report enables Member States and other readers of the Financial report to know that an independent audit has taken place and whether there are any significant issues that require attention.
  - The significant increase in extrabudgetary funds in 1998-1999 was sustained in 2000-2001, with resources reaching US\$ 1500 million.
  - Expenditure increased by a higher rate than income, which means that the rate of implementation increased.

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<sup>1</sup> Document EBABFC17/1.

- The higher level of payment of assessed contributions contributed to a 99% rate of implementation of the regular budget, which had remained static.
  - Expenditure for all other sources of funds was 141% of the originally budgeted amount; this surplus resulted from the significant increase in voluntary contributions.
  - The large increase in such contributions requires that the Organization continues to upgrade and improve its management and information systems.
  - The liquidity of the Organization remains strong.
4. The Committee stressed the importance of Member States paying their assessed contributions in good time.
5. The Committee noted that 2000-2001 was a transitional period moving towards results-based budgeting. The financial period 2002-2003 will be the first period for which the Organization will report on the basis of a fully developed, results-based budgeting system.
6. The Committee noted the salient points of the Report of the External Auditor.
- Changes had been made in the policy for imprest account recording at the end of the biennium. The change, which would be reviewed by the Organization to ensure a fully consistent presentation of the information in the future, did not affect the recording of expenditure.
  - On local cost subsidies steps had been taken to improve accountability and a comprehensive Organization-wide review has commenced.
  - An integrated asset-management system will be included in new global information-technology management systems, pending the introduction of which interim measures will be taken to improve the recording and control of assets, including non-expendable equipment.
  - The Organization has reviewed its policy on single signatories for imprest accounts and is implementing the requirement for dual signatories on all accounts except where this proves not possible, in which case appropriately strict limits are applicable for single signatories.
7. The Committee noted the following salient points from the sixth meeting of the Audit Committee on the Report of the External Auditor on the financial report on the accounts of WHO for the financial period 2000-2001.
- The External Auditor had issued an unqualified audit opinion for the financial period under review.
  - Appreciation had been expressed for the different recommendations for improvements proposed by the External Auditor, and note had been taken of the proposed corrective actions in this respect by the Secretariat.
  - The External Auditor had commended the exceptionally timely manner in which the financial report for the biennium under review had been prepared, and had expressed appreciation for

the close cooperation of the Secretariat, which had made it possible to respect the tight deadlines.

- Although the 92% collection rate of assessed contributions was to be noted with satisfaction, there was a need to remain concerned about the high level of long-outstanding assessed contributions from prior financial periods, which amounted to some US\$ 82 million by 31 December 2001.
- The sizeable increase in extrabudgetary funds received during the financial period was noted, but the disproportionate effect that the costs of administering them might have on the regular budget was highlighted. This trend necessitated WHO to ensure that these extrabudgetary funds were effectively managed, planned and reported on, within the framework of the approved strategic budget. The Committee had requested that this governance aspect be considered as part of its future agenda of work.
- Knowledge management was an interesting yet difficult area, which had also been reviewed by the External Auditor. The Committee had drawn particular attention to the need to focus on strengthening WHO's operations at country level. The increased global emphasis on health initiatives and action was inevitably placing more pressure on WHO's relatively small country offices, to respond to Member States' needs. It was important to have systems that could support those offices. The Committee had requested the External Auditor and the Office of Internal Audit to follow closely how systems were being designed within the Organization, especially bearing in mind the needs of the offices of WHO Representatives.
- The Committee recalled that the fellowship programme had been the subject of several reviews by the Executive Board over the past years. It had suggested that policies in this respect needed to be revisited in order to ensure that fellowships were being offered in major areas of public health that were clearly in line with WHO's corporate strategy, and not for specialization.
- A report on the implementation status of the recommendations of the External Auditor, possibly in an enhanced format, would be reviewed at the next meeting of the Audit Committee in January 2003, together with a strategic plan of work of the External Auditor for the current biennium. This plan would include areas for review where there was a value-added focus, taking into account the wishes of the Audit Committee to see this applied, in particular, to the WHO country offices.
- The Audit Committee, in the light of its review and discussions thereon, endorsed the report of the External Auditor on the financial period 2000-2001.

## **RECOMMENDATION TO THE HEALTH ASSEMBLY**

8. The Committee, after examination of the financial report on behalf of the Executive Board and having taken due account of the report of the sixth meeting of the Audit Committee and the report of the External Auditor, recommends to the Fifty-fifth World Health Assembly adoption of the following resolution:

The Fifty-fifth World Health Assembly,

Having examined the Financial report and audited financial statements for the period 1 January 2000 – 31 December 2001 and the Report of the External Auditor to the Health Assembly;<sup>1</sup>

Having noted the first report of the Administration, Budget and Finance Committee of the Executive Board to the Fifty-fifth World Health Assembly,<sup>2</sup>

ACCEPTS the Director-General's Financial report and audited financial statements for the financial period 1 January 2000 – 31 December 2001 and the Report of the External Auditor to the Health Assembly.

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<sup>1</sup> Documents A55/25, A55/25 Add.1 and A55/25 Corr.1.

<sup>2</sup> Document A55/38.

ANNEX

**LIST OF PARTICIPANTS**

**Democratic People's Republic of Korea**

Dr Kim Won Ho (Member)

Mr Han Tae Song (Adviser)

Mr Jang Chun Sik (Adviser)

**Equatorial Guinea**

Dr S. Abia Nseng (Member)

**Guatemala**

Dr I. Lemus Bojorquez (Member)

Ms S. Hochstetter Skinner-Klee (Adviser)

**Japan**

Mr O. Tasaka (Alternate to Dr H. Shinozaki)

Mr A. Beppu (Adviser)

Mr S. Hemmi (Adviser)

Dr M. Sakoi (Adviser)

Mr M. Watanabe (Adviser)

**Lebanon**

Dr K. Karam (Member, Chairman)

**United Kingdom of Great Britain and Northern Ireland**

Dr W. Thorne (Alternate to Sir Liam Donaldson)

Miss H. Nellthorp (Adviser)

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