



WORLD HEALTH ORGANIZATION

FIFTY-SEVENTH WORLD HEALTH ASSEMBLY
Provisional agenda item 15.1

A57/21
17 May 2004

Financial report on the accounts of WHO for 2002-2003; report of the External Auditor and comments thereon made on behalf of the Executive Board

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

1. The twenty-first meeting of the Administration, Budget and Finance Committee (ABFC) took place in Geneva on 14 May 2004 under the chairmanship of Dr A.A. Yoosuf (Maldives). The list of participants is annexed. The Committee adopted the provisional agenda,¹ and the Chairman welcomed the Chairman of the Audit Committee of the Executive Board.

FINANCIAL REPORT ON THE ACCOUNTS OF WHO FOR 2002-2003 AND THE REPORT OF THE EXTERNAL AUDITOR THEREON

2. The Committee noted the salient points of the financial report for 2002-2003.²
- Improving the transparency and presentation of financial information is a continuing process that reflects the changes taking place within and outside the Organization. The structure of the financial report is fully aligned with the programme budget for 2002-2003 approved by the Fifty-fourth World Health Assembly.
 - The financial period 2002-2003 is the first biennium when the revised Financial Regulations and Financial Rules were fully applicable; the biennium 2000-2001 was a transition period. The main change is the incorporation of all sources of funding into the programme budget.
 - The level of the regular budget has remained stable over several bienniums. A modest increase of US\$ 13 million from US\$ 843 million in 2000-2001 to US\$ 856 million in

¹ Document EBABFC21/1.

² Documents A57/20 and A57/20 Add.1.

2002-2003 was related to the inclusion of exchange rate hedging and the Real Estate Fund from Miscellaneous income to finance the regular budget.¹

- The implementation rate for the regular budget of 98% is the highest practicable rate given the need to withhold some of the budget as a contingency in view of the possibility of non-payment of assessed contributions by some Member States, in respect of which it was not prudent to increase internal borrowing. The implementation rate for all sources of funds was 99.8%.
- The Working Capital Fund of US\$ 31 million was fully utilized and was supplemented by a further US\$ 2 million of internal borrowing in order to enable implementation of the regular budget.
- Unpaid assessed contributions of US\$ 138 million remain disturbingly high, with virtually no change from the end of the previous biennium. Long-term arrears have slightly increased.
- Voluntary contributions have remained at a high level, both in absolute terms and relative to the regular budget, showing an increase since the 1998-1999 biennium of 33%. However, given that the regular budget has remained virtually the same over this period, the overall increase in financial resources is closer to 18%.
- During the biennium 2002-2003, headquarters accounted for 44% of total expenditure and regional and country offices for 56%, compared with respectively, 37% and 63% in 2000-2001. The Director-General is committed to achieving a target of 30% expended by headquarters and 70% by regional and country offices, and has expressed his determination to intensify efforts to reverse the rising proportion of expenditure for headquarters.
- Significant parts of WHO's income and expenditure are subject to foreign-currency fluctuations. The new exchange rate hedging mechanism implemented with effect from 2002-2003 provides a more stable basis to manage this risk. A budget appropriation provides funds to purchase protection against adverse consequences of currency fluctuations. Although these operations provide protection against currency fluctuations during a biennium, they do not, however, compensate the Organization for changes from one biennium to the next. The budget proposals for the next biennium will therefore contain assumptions on and analysis of the effect of exchange rates so that planning the use of technical resources can be improved.
- The External Auditor has issued a clean (unqualified) opinion on the financial statements of the Organization for the financial period 2002-2003.

3. The Committee expressed its appreciation to the Secretariat for the informative, clear and comprehensive financial report and to the External Auditor for his report. It noted the good collaboration between the Director-General and the External Auditor, and emphasized the importance of strengthening programme management to ensure that maximum value is achieved from the use of funds.

¹ Resolution WHA54.20.

4. In response to questions raised, the Committee noted that:

- the Director-General has renewed emphasis on prevention of fraud and is also determined to implement further preventive policies in this area and a code of staff ethics and conduct;
- although the implementation of the External Auditor's recommendation on security and management of assets has proved to be a challenge, the Secretariat is now improving the implementation of existing systems and is developing an integrated system for the future as part of its global management system;
- results-based budgeting is taken seriously in the Organization. The programme assessment report on the programme budget for 2002-2003 has been drafted, with a greater focus than before on monitoring results and the achievement of targets. The scope of the Office of Internal Oversight Services has been expanded to include programme evaluation and performance audits;
- the shift in the level of expenditure between headquarters and regional and country offices was linked to the Oil-for-food programme for Iraq and the cessation of the Onchocerciasis Control Programme in the African Region.

5. The Committee noted the salient points from the report of the tenth meeting of the Audit Committee.

- The Audit Committee had reviewed the report of the External Auditor and had thanked the outgoing External Auditor for the consistent value of his work and communication with the governing bodies and the Secretariat.
- The Audit Committee had emphasized the need to implement external audit recommendations so that management systems could be improved in order to increase the security of non-expendable equipment.
- The Audit Committee had requested information from the Secretariat on actions being taken to improve controls in the Regional Office for Africa. The Secretariat had reported that their actions included building additional controls into imprest systems in order to prevent over-expenditure, increasing training for administrative officers, and strengthening delegation of authority.
- The External Auditor had noted that, overall, the Organization was in a healthy financial position. However, concerns had been expressed over long-outstanding arrears in assessed contributions, and the Auditor had urged Member States concerned to propose arrangements for settlement. He had also urged Member States to submit financial reports in a timely fashion when required for local cost subsidies and fellowships, in which matter the Secretariat was increasing its follow-up efforts.
- The Audit Committee had supported the continued implementation of results-based planning and management. This also included linking the programme budget both to a human resources strategy, and to a strengthened framework for the delegation of authority. The Audit Committee had also recommended using the performance management development system to support increased staff development in line with organizational strategies.

- In reviewing the status of implementation of external audit recommendations the Audit Committee had recognized that the External Auditor was satisfied with both the Secretariat's acceptance of his recommendations and the high level of progress made in implementation.
- The development of a staff ethics framework had been noted and the Audit Committee had looked forward to seeing this broadly implemented and adhered to.
- The Audit Committee had reviewed the report of the Internal Auditor, covering the audit results for 2003. The Committee had welcomed the news that the Office of Internal Oversight Services was now responsible for evaluations, and had been strengthened by the addition of three posts.
- The Audit Committee had noted that two important measures had been taken to strengthen the capacity for handling cases of fraud. These included a clarification of roles and responsibilities, issued by the Director-General, and detailed fraud-prevention measures, issued by the Comptroller.
- In relation to fraud, the Internal Auditor had reported that the number of cases in 2004 was so far well below the level reached in 2003. The Audit Committee had expressed its appreciation for the efforts made to strengthen the control environment.
- As a result of decisions made by the Executive Board at its 113th session, the functions of the Audit Committee would be absorbed within a new committee whose terms of reference would be further discussed in the forthcoming session of the Executive Board. In this context, the report of the External Auditor had expressed the hope that the active dialogue with the governing bodies on external audit matters would continue in future structures. This dialogue was essential to fostering transparency and accountability.

RECOMMENDATION TO THE HEALTH ASSEMBLY

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

The Fifty-seventh World Health Assembly,

Having examined the Financial report and audited financial statements for the period 1 January 2002 – 31 December 2003 and Report of the External Auditor to the World Health Assembly;¹

Having noted the report of the Administration, Budget and Finance Committee of the Executive Board to the Fifty-seventh World Health Assembly,²

¹ Documents A57/20 and A57/20 Add.1.

² Document A57/21.

ACCEPTS the Director-General's Financial report and audited financial statements for the period 1 January 2002 – 31 December 2003 and Report of the External Auditor to the World Health Assembly.

ANNEX
LIST OF PARTICIPANTS

MEMBERS, ALTERNATES AND ADVISERS

Maldives

Dr A.A. Yoosuf Chairman)

China

Dr Yin Li

Mr Qi Qingdong (Adviser)

Guinea-Bissau

Dr J.C. Sá Nogueira

Iceland

Ms A. Knútsdóttir (Alternate to Mr D.Á. Gunnarsson)

United States of America

Mr D. Hohman (Alternate to Dr W.R. Steiger)

OTHER EXECUTIVE BOARD ALTERNATES OR ADVISERS

Mr D.R. MacPhee (Canada)

Mr M. Kochetkov (Russian Federation)

Mr N. Lozinskiy (Russian Federation)

MEMBER STATES NOT REPRESENTED ON THE EXECUTIVE BOARD

Mr Z. Mnatsakanian (Armenia)

Mr M. Sawers (Australia)

Ms S. Cullen (Ireland)

Mr V. Bielashov (Ukraine)

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