

## **Financial report and audited financial statements for the period 1 January 2012–31 December 2012**

### **Report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-sixth World Health Assembly**

1. The eighteenth meeting of the Programme, Budget and Administration Committee was held in Geneva on 16 and 17 May 2013 under the chairmanship of Dr Jamal Thabet Nasher (Yemen).<sup>1</sup> The Committee adopted its agenda.<sup>2</sup>
2. The Secretariat introduced the 2012 financial report, which summarizes income, expenditure, assets and liabilities for all WHO-managed activities, including those under the programme budget, as well as the Special Purpose, Enterprise and other Fiduciary funds.
3. The Annex to the financial report was also presented, as it provides detailed information on voluntary contributions revenue and receivables.<sup>3</sup> The Secretariat noted that although the overall financial situation of the Organization had improved, some concerns remained. An accounting surplus of US\$ 214 million was recorded for 2012, however, at the same time, some areas of the budget were not fully funded. The Secretariat explained that the surplus forms part of the overall financing for 2012–2013. It showed the total net assets/equity of WHO, amounting to US\$ 1159 million as at 31 December 2012. The Committee noted significant underfunding due to certain long-term liabilities, notably after service health costs, resulting in a net deficit of US\$ 715 million under “Member States – other”.
4. The year 2012 was the first in which the accounts were fully IPSAS compliant and a clean audit opinion had been received. There were significant challenges to ensuring IPSAS compliance, most notably the inclusion of inventory and property in the accounts and the recording of future liabilities. The Committee expressed its appreciation of the improved presentation and the increased financial transparency, which are key parts of the reform.
5. The Secretariat presented an overview of the programme budget financing as at March 2013, which showed that the programme budget for 2012–2013 is well financed but that much of the financing is specified with unfunded areas remaining. It was noted that, as at March 2013,

---

<sup>1</sup> The list of participants is available in document EBPBAC18/DIV./1.

<sup>2</sup> Document EBPBAC18/1.

<sup>3</sup> Document A66/29 Add.1.

US\$ 264 million of voluntary funds were available for 2014–2015, but that this amount was represented by over 150 specified agreements. The Committee requested receipt of more details on available funding by budget centre/programme in the future.

6. Key risks linked to financial management related to investments and long-term liabilities were highlighted. The Committee requested an explanation for the level of cash held by WHO and the increase in long-term investments. It raised concerns about the unfunded long-term liability of US\$ 823 million for staff health insurance and recommended that this issue be raised to the Executive Board. The Secretariat stated that this significant exposure is being closely tracked. This liability has to be funded by current staff in order to cover the future liability. Despite the increased premiums paid by current staff, this amount is expected to be covered only by 2042.

7. While recognizing that the financial report and audited financial statements are prepared in order to meet statutory requirements, it was recommended that these reports also be adapted and used as a communication tool through which to invite and attract new donors, especially considering that non-State actors account for nearly 50% of the contributions to WHO.

8. The Committee expressed concern about the significant shortfall in the level of highly flexible and medium flexible funds in comparison with the budget. In addition, there was an imbalance between earmarked and un-earmarked contributions, as un-earmarked contributions accounted for only 8% of the voluntary contributions under the programme budget.

9. The Committee emphasized the importance of showing meaningful budgetary comparisons against expenditure in Statement 5 of the financial report.

10. More detailed information was requested on travel expenditure. In clarification, the Secretariat reported that, due to the strict measures introduced in 2012, there had been a slight decrease in travel expenditure from US\$ 147 million to US\$ 145 million. The percentage of staff travel had been reduced from 48% in 2011 to 43% in 2012, leaving non-staff travel (meeting participants, temporary advisors and consultants) as the largest component of travel costs.

11. Of the total cash and cash equivalents of US\$ 2.8 billion, US\$ 1.0 billion was being held for other entities. Of the remaining US\$1.8 billion, these funds mainly related to specified contributions where funds had been received before activities had taken place. The Secretariat stressed the importance of having a healthy cash surplus, as WHO should be able to cover the estimated staff costs for a biennium – a figure estimated at US\$ 2 billion (US\$ 1.2 billion from voluntary contributions).

12. The Secretariat explained that for the biennium 2010–2011, total flexible funding was US\$ 249 million or 9% of the voluntary contributions under the programme budget and that the budget figures presented for 2012–2013 were optimistic. The Committee raised the fact that there were virtually no flexible contributions from non-State actors. This matter will be highlighted in the financing dialogue. Discussions were already taking place with non-Member States in order to encourage them to provide more flexible funding.

## RECOMMENDATION TO THE HEALTH ASSEMBLY

13. The Committee, on behalf of the Executive Board, recommends to the Sixty-sixth World Health Assembly adoption of the following draft resolution:

The Sixty-sixth World Health Assembly,

Having examined the financial report and audited financial statements for the period 1 January 2012–31 December 2012;<sup>1</sup>

Having noted the report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-sixth World Health Assembly;<sup>2</sup>

ACCEPTS the Director-General's Financial report and audited financial statements for the period 1 January 2012 – 31 December 2012.

= = =

---

<sup>1</sup> Document A66/29.

<sup>2</sup> Document A66/54.