A71/29
SEVENTY-FIRST WORLD HEALTH ASSEMBLY
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Audited Financial Statements

for the year ended 31 December 2017

World Health Organization

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2017 Statement of Internal Control

Scope of responsibility

As Director-General of the World Health Organization, I am accountable to the World Health Assembly for the administration of the Organization and the implementation of its programmes. Under Financial Regulations I and XII, I am accountable for maintaining a sound system of internal control, including internal audit and investigation, to ensure the effective and efficient use of the Organization's resources and the safeguarding of its assets. Pursuant to Financial Regulation I, I have delegated authority and accountability to Regional Directors, Deputy Directors-General, Assistant Directors-General, Directors, WHO Heads of Country Offices and other relevant staff. Every individual in the Organization has, to varying degrees of responsibility, a role to play in internal control.

Purpose of internal control

Internal control is designed to reduce and manage, rather than eliminate the risk of failure to achieve the Organization's aims, objectives and related policies. It therefore provides reasonable but not absolute assurance of effectiveness. It is an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks, and manage them efficiently, effectively and economically.

Internal control is a key role of management and an integral part of the overall process of managing operations. As such WHO management at all levels has the responsibility to:

- establish an environment and culture that promotes effective internal control;
- identify and assess risks that may affect the achievement of objectives, including the risk of fraud and corruption;
- specify and implement policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with any exposure identified;
- ensure an effective flow of information and communication so that all WHO personnel have the information they need to fulfil their responsibilities; and
- monitor the effectiveness of internal control.

From an operational perspective, WHO's internal control system operates continually at all levels of the Organization through internal control processes to ensure the above objectives.

This is WHO's second statement of internal control and applies for the year ended 31 December 2017, up to the date of the approval of the Organization's 2017 financial statements.

WHO's operating environment

WHO operates in more than 150 countries in some very challenging environments, and is therefore exposed to situations with a high level of inherent risk, including for the security of employees and its ability to maintain high standards of internal control. The security situation in each country in which WHO (and the United Nations in general) operates is closely monitored, and strategic decisions are taken where necessary to adapt WHO's operations and to manage and mitigate the risk exposure of its personnel. All risks at budget centre level are captured in a formal risk register, which is subject to regular review by managers and advanced to more senior levels for attention, as required.

The Internal Control Framework and risk management

The WHO Accountability Framework, along with the corporate risk management policy and the WHO Internal Control Framework, are critical systems and structures to ensure that the Organization fulfils its mandate and achieves its objectives. Well-grounded risk management and internal control policies, systems and processes help to better understand the risks that the Organization is exposed to, ensure that appropriate accountabilities and controls are in place to address those risks, and effectively pursue the Organization's operations.

For the third year, WHO has used internal control self-assessment checklists, completed by each of the Organization’s budget centres, as a key tool to assess the status and effectiveness of its internal controls and raise awareness of the importance of internal control issues. In 2017, following a recommendation from WHO’s external auditors, self-assessment data has been reviewed and validated systematically by the respective regional directors and assistant directors-general.

The WHO corporate risk management policy firmly embeds risk management in WHO’s strategic and operational planning and budgeting cycles, as well as in the accountability and internal control frameworks. The key objective is to ensure that all of the risks inherent to the Organization’s operations are fully understood, and the appropriate strategy chosen to manage them. In 2017, to increase staff awareness and build capacity in risk management, training in risk management was organized throughout the Organization.

During 2017, using a newly developed on-line risk management tool, budget centres have continued to identify risks related to their objectives, evaluate those risks according to likely impact and probability, and develop response plans to deal with them. This bottom-up risk management process is complemented by a top-down phase of validation and escalation. At the global level, the biggest challenges that WHO encounters in achieving its mandate are reflected in a corporate level risk register (“WHO Principal Risks”), which is discussed and reviewed by the Global Policy Group. An annual risk report is subsequently presented to Member States through the Executive Board.

As the Director-General of the Organization, I have the ultimate responsibility for assessing the risks associated with the implementation of programmes and projects and the overall operations of the Organization. I am assisted in this task by the Regional Directors, as well as the newly established WHO Risk Committee, led by the Deputy Director-General for Corporate Operations. The Committee plays a key role in ensuring that the most critical risks are identified and addressed in an efficient manner. Furthermore, I am supported by the Office of Compliance, Risk Management and Ethics, which facilitates and guides the Organization-wide risk management process. At the same time, as highlighted in the WHO corporate risk management policy, every WHO staff member has the responsibility to identify risks at his or her own level of work.

Review of the effectiveness of internal controls

My review of the effectiveness of WHO’s system of internal control is based on the following.

(a) An annual “letter of representation”. This is reviewed and approved by all Regional Directors, Deputy Directors-General and Assistant Directors-General, and confirms the importance of ensuring that adequate internal controls are in place, along with other assurances. All issues raised in the letter of representation feed into the annual audit and financial statements.

(b) The internal control self-assessment checklist. This is completed and submitted by all budget centre managers, including all WHO Representatives. The checklist is used by each budget centre manager to review all key controls and rate compliance. The results of the 2017 internal control framework self-assessment exercise concluded that Organization-wide internal controls are strong. Globally, the most room for improvement has been identified in the areas of travel planning, systematic monitoring of budget centres’ compliance with rules and regulations, and implementation of risk responses. The need for further improvement was also noted in the areas of procurement planning,

timeliness of recruitment processes, succession planning and asset management procedures. The results of the self-assessments are being shared with the relevant business owners to ensure that corrective action can be taken.

(c) Reports issued by the Office of Internal Oversight. These reports provide objective information on compliance and control effectiveness, together with recommendations for improvement. Critical findings from these reports were transmitted separately to Member States, through the audits conducted in 2017.

(d) Reports issued by the WHO External Auditor. The external audit provides independent oversight and reporting on WHO's compliance with financial rules and regulations. The Republic of the Philippines Commission on Audit presents an update of its work and key findings to the governing bodies. A key area reviewed in 2017 was the review of implementation of the transition provisions for property, plant and equipment in respect of the International Public Sector Accounting Standards (IPSAS). For further information, see the report of the External Auditor to the Seventy-first World Health Assembly (document A71/32).

(e) The work of the Independent Expert Oversight Advisory Committee. The Committee reviews all audit reports, risk reports, and financial reports, as well as other information relevant to the overall control framework. The Committee's reports are presented to the Executive Board, which identifies areas for potential improvement and advises how to address weaknesses with regard to risk management, and financial and internal control matters.

Significant risk issues noted

After each WHO budget centre completed the risk register in 2017, the consolidated findings were reviewed by the Office of Compliance, Risk Management and Ethics and presented to WHO senior management and the WHO Risk Committee. Having reviewed the findings, I have concluded that the most significant risks currently facing the Organization are as summarized in the table below.

Risk	Examples of ongoing and planned risk response actions
Financing of the 2018–2019 Programme budget (primary risk related to flexible funding due to reduction in core voluntary contributions and uncertainty regarding future funding prospects)	1. Targeted resource mobilization, including with potential new donors. 2. Running a financing campaign. 3. Creating a strong, integrated external relations function. 4. Taking internal measures to reduce expenditures. 5. Effective and timely implementation of funds according to donor agreements.
Financing and operational readiness of the WHO Health Emergencies Programme	1 The Independent Oversight and Advisory Committee for the Health Emergencies Programme reviewed and made recommendations on the Programme's overall progress, structure and risks.[1] 2. The report by the Director-General to the Seventieth World Health Assembly on Health Emergencies – WHO's response in severe, large-scale emergencies, provides an overview of WHO's operations in grade 3 emergencies.[2]
Polio transition, notably risks to programmes or offices most dependent on polio funds; financial liabilities associated with the fixed-term staff of those programmes; and potential delays to the timely eradication of polio	The latest update on the polio transition planning was presented to the Executive Board in January 2018.[3]

[1] See document A70/8.

[2] See document A70/9.

[3] See document EB142/11.

Risk	Examples of ongoing and planned risk response actions
Funding of long-term liabilities, notably the after-service health care costs	1. Introducing and implementing cost containment and efficiency measures (through governance of staff health insurance). 2. Increasing staff and WHO contribution levels.
Fraud/corruption/misconduct	1. Prevention: enhanced training in high-risk areas (such as ethics, fraud); strict enforcement of relevant policies and the Code of ethics and professional conduct; rapid resolution of audit recommendations. 2. Detection: Whistle-blower hotline; implementation of automated system controls (Global Management System) and exception reporting; enhanced monitoring. 3. Response: enhancement of investigation capacity; proactive and rapid action in case of fraud/corruption/misconduct.
Business continuity risks linked to major incidents affecting WHO operations (for example, natural disaster or major terrorist attack)	1. Updating business continuity plans across the Organization. 2. Conducting simulation exercises. 3. Implementing a United Nations-wide organizational resilience policy.
Security of WHO staff and premises	1. Prioritizing security in programme planning and financing decisions. 2. Developing a structured financing model that ensures security is budgeted and financed as an integral part of donor contributions.
Cyber security (such as hacking of digital assets)	1. Implementing the Organization-wide cyber security road map. 2. Global implementation of information technology projects with defined security standards. 3. Developing and implementing policies related to cyber security.

Each of the above risks has been discussed by the WHO Risk Committee, as well as with the relevant risk owners, to ensure that appropriate action is taken to address these risks.

Statement

Internal control, while operating effectively, has inherent limitations, including the possibility of circumvention, no matter how well designed, and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal controls that may be noted during the year and brought to my attention.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses that would prevent the external auditor from providing an unqualified opinion on the Organization's financial statements, nor are there other significant matters arising that would need to be raised in the present document for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Dr Tedros Adhanom Ghebreyesus

Director General

Geneva, 23 March 2018

Certification of financial statements for the year ended 31 December 2017

In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization, attached are the financial statements for the year ended 31 December 2017. The financial statements, accounting policies and notes to the financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS). The financial statements are also prepared according to the Financial Regulations of the World Health Organization and its Financial Rules. The financial statements and notes have been audited by the Organization's External Auditor, the Republic of the Philippines Commission on Audit, whose opinion is included in this report.

Although the Organization has adopted an annual financial reporting period as stipulated in the revised Financial Regulation XIII,[1] the budgetary period remains a biennium (Financial Regulation II). Therefore, for the purposes of making comparisons between the actual expenses and the planned budget, the biennium's budget is set against two years of annual expenses. The Statement of Comparison of Budget and Actual Amounts (Statement V) provides this comparison by category.

In addition to the General Fund (the programme budget), two other fund groups are included in WHO's financial statements: Member States – other and the Fiduciary Fund. Details of the revenue and expenses for each of these three main fund groups can be found in Schedule I of the report.

In 2017, the Organization provided services to five other entities: The Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS), the International Drug Purchase Facility (UNITAID), the International Agency for Research on Cancer (IARC), the International Computing Centre (ICC), and the Staff Health Insurance (SHI). Separate financial statements are prepared for each entity, and these are subject to separate external audits. The funds managed by WHO on behalf of these entities[2] are included within the Statement of Financial Position (Statement I).

The financial statements for the year ended 31 December 2017, together with the notes to the statements and supporting schedules I, II and III, have been reviewed and approved.

The audited financial statements should be viewed together with the WHO Results Report, Programme Budget 2016-2017 (A71/28).

Nicholas R. Jeffreys	Dr Tedros Adhanom Ghebreyesus
Comptroller	Director General

Geneva, 23 March 2018

[1] See resolution WHA62.6 (2009).
[2] Excludes IARC where funds are not managed by WHO.

Letter of transmittal

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

8 April 2018

Dear Dr. Ghebreyesus,

**REPORT OF THE EXTERNAL AUDITOR
TO THE SEVENTY-FIRSTWORLD HEALTH ASSEMBLY ON THE
FINANCIAL OPERATIONS OF THE WORLD HEALTH ORGANIZATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

I have the honour to present to you the above report which may kindly be transmitted to the Seventy-firstWorld Health Assembly. All matters contained in the report have been communicated to the appropriate staff and management of the Organization.

I express my appreciation for the cooperation and assistance that I have received in the performance of my audit mandate.

Yours sincerely,

Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
18-121402141412

Dr. Tedros Adhamon Ghebreyesus
Director-General
World Health Organization
20, Avenue Appia
CH -1211
Geneva 27, Switzerland

Opinion of the External Auditor

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

To the World Health Assembly

Opinion

We have audited the financial statements of the World Health Organization (WHO), which comprise the statement of financial position as at 31 December 2017, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the WHO as at 31 December 2017, and its financial performance,changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the WHO in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the WHO **Audited Financial Statements for 2017**, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise

appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the WHO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the WHO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the WHO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WHO's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the WHO's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the WHO that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WHO Financial Regulations.

In accordance with Regulation XIV of the WHO Financial Regulations, we have also issued a long-form report on our audit of the WHO.

Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
8 April 2018

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
18-121402141412

Financial statements

World Health Organization

Statement I. Statement of Financial Position

As at 31 December 2017
(In thousands of US dollars)

Description	Notes	31 December 2017	31 December 2016 (restated)
Current assets			
Cash and cash equivalents	4.1	540 652	436 890
Short-term investments	4.2	2 578 038	2 717 079
Receivables – current	4.3	1 214 410	871 808
Staff receivables	4.4	10 104	10 243
Inventories	4.5	43 641	39 554
Prepayments and deposits	4.6	20 312	9 615
Total current assets		4 407 157	4 085 189
Non-current assets			
Receivables – non-current	4.3	236 603	207 278
Long-term investments	4.2	118 745	95 846
Property, plant and equipment	4.7	103 545	89 213
Intangibles	4.8	3 807	4 788
Total non-current assets		462 700	397 125
TOTAL ASSETS		**4 869 857**	**4 482 314**
LIABILITIES			
Current liabilities			
Contributions received in advance	4.9	107 320	68 346
Accounts payable	4.10	65 662	41 129
Staff payable	4.11	2 339	2 005
Accrued staff benefits – current	4.12	50 058	46 648
Deferred revenue – current	4.13	431 320	379 908
Financial liabilities	4.2	72 857	24 668
Other current liabilities	4.14	101 142	63 348
Inter-entity liabilities	4.15	948 291	1 020 690
Long-term borrowings – current	4.16	611	583
Total current liabilities		**1 779 600**	**1 647 325**
Non-current liabilities			
Long-term borrowings – non-current	4.16	43 004	33 139
Accrued staff benefits – non-current	4.12	1 578 122	1 259 809
Deferred revenue – non-current	4.13	236 603	207 278
Other liabilities – non-current	4.17	804	
Total non-current liabilities		**1 858 533**	**1 500 226**
TOTAL LIABILITIES		**3 638 133**	**3 147 551**
NET ASSETS/EQUITY			
General Fund	6.1	2 293 877	2 168 181
Member States – other	6.2	(1 103 757)	(876 511)
Fiduciary fund	6.3	41 604	43 093
TOTAL NET ASSETS/EQUITY		**1 231 724**	**1 334 763**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**4 869 857**	**4 482 314**

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement II. Statement of Financial Performance

For the year ended 31 December 2017
(In thousands of US dollars)

Description	Notes	31 December 2017	31 December 2016 (restated)
REVENUE	5.1		
Assessed contributions		456 711	470 036
Voluntary contributions		2 139 305	1 751 811
Voluntary contributions in-kind and in-service		136 832	87 749
Reimbursable procurement		9 047	25 294
Other revenue		33 405	29 186
Total revenue		**2 775 300**	**2 364 076**
EXPENSES	5.2		
Staff costs		966 300	910 791
Medical supplies and materials		253 019	244 462
Contractual services		781 552	670 740
Transfers and grants		260 062	254 190
Travel		201 907	200 331
General operating expenses		167 685	131 785
Equipment, vehicles and furniture		35 843	55 762
Depreciation and amortization		14 167	2 836
Total expenses		**2 680 535**	**2 470 897**
Net Finance revenue	5.3	77 273	62 682
TOTAL SURPLUS / (DEFICIT) FOR THE YEAR		**172 038**	**(44 139)**

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement III. Statement of Changes in Net Assets/Equity

For the year ended 31 December 2017
(In thousands of US dollars)

Description	Notes	31 December 2017	Other adjustments (refer to Note 4.12)	Surplus/(deficit)	31 December 2016 (restated)
General Fund	6.1	2 293 877		125 696	2 168 181
Member States – other	6.2	(1 103 757)	(275 077)	47 831	(876 511)
Fiduciary Fund	6.3	41 604		(1 489)	43 093
TOTAL NET ASSETS/EQUITY		**1 231 724**	**(275 077)**	**172 038**	**1 334 763**

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement IV. Statement of Cash Flow

For the year ended 31 December 2017
(In thousands of US dollars)

Description	31 December 2017	31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	172 038	(44 139)
Depreciation and amortization	14 167	2 836
Unrealized (gains)/losses on investments	(27 096)	(989)
Unrealized (gains)/losses on revaluation of long-term borrowings	1 085	808
(Increase)/decrease in receivables – current	(342 602)	(5 792)
(Increase)/decrease in staff receivables	139	459
(Increase)/decrease in inventories	(4 087)	13 598
(Increase)/decrease in prepayments and deposits	(10 697)	2 859
(Increase)/decrease in receivables – non-current	(29 325)	(9 806)
Increase/(decrease) in contributions received in advance	38 974	11 267
Increase/(decrease) in accounts payable	24 533	(12 468)
Increase/(decrease) in staff payable	334	(151)
Increase/(decrease) in accrued staff benefits – current	3 410	(74)
Increase/(decrease) in deferred revenue – current	51 412	40 490
Increase/(decrease) in other current liabilities	37 794	(45 399)
Increase/(decrease) in inter-entity liabilities	(72 399)	11 779
Increase/(decrease) in accrued staff benefits – non-current	43 236	27 995
Increase/(decrease) in deferred revenue – non-current	29 325	9 806
Increase/(decrease) in other liabilities – non-current	804	
Net cash flows from operating activities	**(68 955)**	**3 079**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in short-term investments	156 315	36 702
(Increase)/decrease in long-term investments	(20 081)	1 475
Increase/(decrease) in financial liabilities	55 193	(30 463)
(Increase)/decrease in property, plant and equipment	(27 652)	(8 044)
(Increase)/decrease in intangibles	134	(2 614)
Net cash flows from investing activities	**163 909**	**(2 944)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long-term borrowings – current	28	583
Increase/(decrease) in long-term borrowings – non-current	8 780	4 854
Net cash flows from financing activities	**8 808**	**5 437**
Net increase/(decrease) in cash and cash equivalents	**103 762**	**5 572**
Cash and cash equivalents at beginning of the year	**436 890**	**431 318**
Cash and cash equivalents at end of the year	**540 652**	**436 890**

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement V. Statement of Comparison of Budget and Actual Amounts

For the year ended 31 December 2017
(In thousands of US dollars)

Description	Programme budget 2016-2017[1]	Revised Approved Programme budget 2016-2017[1]	Expenses 2016	Expenses 2017	Total expenses	Difference – Programme budget and expenses	Implementation (%)
Categories							
1 Communicable diseases	765 000	783 500	293 910	351 354	645 264	138 236	82%
2 Noncommunicable diseases	339 900	376 000	120 899	128 057	248 956	127 044	66%
3 Promoting health through the life-course	381 700	381 700	157 379	142 588	299 967	81 733	79%
4 Health systems	594 500	594 500	234 085	260 018	494 103	100 397	83%
5 Preparedness, surveillance and response	379 700						
Emergencies		485 100	139 597	190 388	329 985	155 115	68%
6 Corporate services/enabling functions	733 500	733 500	319 032	342 406	661 438	72 062	90%
Polio, Outbreak and Crisis Response and Special Programmes	1 190 600	1 190 600	917 283	975 254	1 892 537	(701 937)	159%
Total	**4 384 900**	**4 544 900**	**2 182 185**	**2 390 065**	**4 572 250**	**(27 350)**	**101%**

Description	Programme budget 2016-2017[1]	Revised Approved Programme budget 2016-2017[1]	Expenses 2016	Expenses 2017	Total expenses
Basis differences					
Tax Equalization Fund expenses			16 740	12 200	28 940
Special arrangements			46 100	66 987	113 087
Other non-programme budget expenses			(14 920)	50 417	35 497
Total basis differences			**47 920**	**129 604**	**177 524**
Timing differences					
Programme budget expenses for other periods			80 275	1 383	81 658
Total timing differences			**80 275**	**1 383**	**81 658**
Total expenses – General Fund			**2 310 380**	**2 521 052**	**4 831 432**
Entity differences					
Expenses under Common Fund, Enterprise Fund, Special Purpose Fund, and Fiduciary Fund			72 868	22 651	95 519
In-kind/in-service expenses			87 649	136 832	224 481
Total entity differences			**160 517**	**159 483**	**320 000**
Total expenses as per the Statement of Financial Performance (Statement II)			**2 470 897**	**2 680 535**	**5 151 432**

The section on significant accounting policies and the accompanying notes form part of the financial statements.

[1] See resolution WHA 68.1 (2015) and decision WHA69(9) (2016).

1. Notes to the financial statements

(a) Reporting Entity

The World Health Organization (WHO) is an intergovernmental organization and a specialized agency of the United Nations. In accordance with its Constitution (which came into force on 7 April 1948), WHO acts as the directing and coordinating authority on international health work. The Organization's headquarters are located in Geneva, Switzerland. WHO also has six regional offices and more than 150 country offices.

(b) Non-consolidated entities

WHO provides administrative services to the following non-consolidated entities:

– Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)
– Unitaid
– International Agency for Research on Cancer (IARC)
– International Computing Centre (ICC)
– Staff Health Insurance (SHI)

These entities are governed by their own constitutions, bylaws and governance structures. They prepare their own financial statements and undergo separate external audit and certification. WHO has the same voting rights (except in Unitaid) as any other member or partner and transactions with these organizations are at arm's length. Assets and liabilities are owned by the respective organization; in the event of dissolution, the division of all assets and liabilities amongst members and partner organizations shall be agreed by constitution, bylaws and governance structure on the basis of a formula to be defined at that time.

(c) Basis of preparation and presentation

The financial statements of the World Health Organization have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared using the historical cost convention. Investments and loans, however, are recorded at fair value or amortized cost. Where a specific matter is not covered by IPSAS, the appropriate International Financial Reporting Standards (IFRS) have been applied.

These financial statements have been prepared under the assumption that WHO is a going concern, and will meet its mandate for the foreseeable future (IPSAS 1 -Presentation of Financial Statements).

These financial statements and notes are presented in United States dollars and all values are rounded to the nearest thousand, also denoted as US$ thousands (US$ 000s).

Functional currency and translation of foreign currencies

Foreign currency transactions are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange, which approximates to the exchange rates at the date of the transactions. The Operational Rates of Exchange are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange year-end closing rate. The resulting gains or losses are accounted for in the Statement of Financial Performance.

The non-United States dollar denominated assets and liabilities in the investment portfolios are translated into United States dollars at the month-end closing rate used by the custodian.

Materiality and the use of judgments and estimates

Materiality[1] is central to WHO's financial statements. The Organization's process for reviewing accounting materiality provides a systematic approach to the identification, analysis, evaluation, endorsement and periodic review of decisions taken involving the materiality of information, spanning a number of accounting areas. The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

Financial statements

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flow;
- Statement of Comparison of Budget and Actual Amounts; and
- Notes to the financial statements, comprising a description of the basis of preparation and presentation of the statements, a summary of significant accounting policies, and other relevant information.

2. Significant accounting policies

2.1 Cash and cash equivalents

Cash and cash equivalents are held at nominal value and comprise cash on hand, cash at banks, collateral deposits, commercial paper, money market funds and short-term bills and notes. All investments that have a maturity of three months or less from the date of acquisition are included as cash and cash equivalents. This includes cash and cash equivalents held in the portfolios managed by external investment managers.

2.2 Investments and financial instruments

Financial instruments are recognized when WHO becomes a party to the contractual provisions of the instrument until such time as the rights to receive cash flows from those assets have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership. Investments can be classified as being: (i) financial assets or financial liabilities at fair value through surplus or deficit; (ii) held-to-maturity; or (iii) bank deposits and other receivables. All purchases and sales of investments are recognized on the basis of their trade date.

Financial assets or financial liabilities at fair value through surplus or deficit are financial instruments that meet either of the following conditions: (i) they are held-for-trading; or (ii) they are designated by the entity upon initial recognition at fair value through surplus or deficit.

Financial instruments in this category are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. All derivative instruments, such as swaps, currency forward

[1] Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

contracts or options are classified as held-for-trading except for designated and effective hedging instruments as defined under IPSAS 29 (Financial Instruments: Recognition and Measurement). Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as current assets or non-current assets according to the time horizon of the investment objectives of each portfolio. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that WHO has both the intention and the ability to hold to maturity. Held-to-maturity investments are stated at amortized cost using the effective interest rate method, with interest revenue being recognized on an effective yield basis in the Statement of Financial Performance. As at 31 December 2017, no held-to maturity investments were held by the Organization.

Bank deposits and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accrued revenue related to interest, dividends and pending cash to be received from investments are included herein. Bank deposits and other receivables are stated at amortized cost calculated using the effective interest rate method, less any impairments. Interest revenue is recognized on the effective interest rate basis, with the exception of short-term receivables for which the recognition of interest would be immaterial.

Other financial liabilities include payables and accruals relating to investments and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, with the exception of short-term liabilities for which the recognition of interest would be immaterial.

2.3 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current receivables are for amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements.

Voluntary contributions receivable are recognized based on the payment terms specified in a binding agreement between WHO and the contributor. Where no payment terms are specified, the full amount receivable is recognized as currently due. Assessed contributions receivable are recognized annually, at the beginning of the year as per the assessments approved by the Health Assembly. Receivables are recorded at their estimated net realizable value and not discounted as the effect of discounting is considered immaterial.

An allowance for doubtful accounts is recognized when there is a risk that the receivables may be impaired. Changes in the allowance for doubtful accounts are recognized in the Statement of Financial Performance (Statement II).

2.4 Inventories

WHO recognizes medicines, vaccines, humanitarian supplies, and publications as part of its inventory. Inventories are valued taking the lower amount of (i) cost or (ii) net realizable value, using a weighted average basis. A physical stock count is conducted once every year. Packaging, freight and insurance charges are allocated based on the total value of inventory purchases and added to the inventory value.

Where inventories have been acquired through a non-exchange transaction (i.e. inventories were donated as an in-kind contribution), the value of inventory is determined by reference to the donated goods' fair value at the date of acquisition.

When inventories are sold, exchanged or distributed, their carrying amount is recognized as an expense.

2.5 Prepayments and deposits

Prepayments relate to amounts paid to suppliers for goods or services not yet received. Deposits relate to amounts paid as security for the leasing of office space. Deposits and prepayments are recorded at cost.

2.6 Property, plant and equipment

Property, plant and equipment with a value greater than US$ 5000 are recognized as non-current assets in the Statement of Financial Position. Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment losses. Property, plant and equipment acquired through a non-exchange transaction are recognized at fair value at the date of acquisition. WHO considers all assets of this type to be non-cash generating.

Depreciation is calculated on a straight-line basis over the asset's useful life except for land, which is not subject to depreciation. Property, plant and equipment are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. The estimated useful lives of the asset classes that make up property, plant and equipment are provided in the table below.

Asset class	Estimated useful life (in years)
Land	N/A
Buildings – permanent	60–100
Buildings – mobile	5
Furniture, fixtures and fittings	5
Vehicles and transport	5
Office equipment	3
Communications equipment	3
Audio visual equipment	3
Computer equipment	3
Network equipment	3
Security equipment	3
Other equipment	3

Improvements are capitalized over the remaining life of the asset when the improvement results in an increase in the useful life of the asset or adds usable space. The residual value of the asset and the cost of the improvement will be amortized over the adjusted useful life (remaining life). Normal repair and maintenance costs are expensed in the year when the costs are incurred.

2.7 Intangibles

Intangible assets that are above the pre-established threshold of US$ 100 000 are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined over the estimated useful life of the assets using the straight-line method of amortization. The estimated useful life of "software acquired externally" is between two and six years.

WHO's intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life. Intangible assets are reviewed annually for impairment. Some intangible assets may have a shorter useful life.

2.8 Leases

A lease is an agreement whereby the lessor conveys to the lessee (the Organization), in return for a payment or series of payments, the right to use an asset for an agreed period of time. Every lease is reviewed to determine

whether it constitutes a financial or operating lease. Necessary accounting entries and disclosures are made accordingly.

Where WHO is the lessor, lease revenue from operating leases is recognized as revenue on a straight-line basis over the lease term. All costs associated with the asset incurred in earning the lease revenue, including depreciation, are recognized as an expense.

2.9 Contributions received in advance

Contributions received in advance arise from legally binding agreements between WHO and its contributors – including governments, international organizations and private and public institutions – whereby contributions are received in advance of the amounts concerned falling due to the Organization.

2.10 Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods or services that have been received by WHO and invoiced but not yet paid for.

Accrued liabilities are financial liabilities for goods or services that have been received by WHO and which have neither been paid for nor invoiced to WHO.

Accounts payable and accrued liabilities are recognized at cost, as the effect of discounting is considered immaterial.

2.11 Employee benefits

WHO recognizes the following categories of employee benefits:

- short-term employee benefits that fall due wholly within 12 months following the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits;
- termination benefits.

WHO is a member organization participating in the United Nations Joint Staff Pension Fund (the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with participation of current and former employees of other organizations in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WHO and the UNJSPF, in line with the other participating organizations in the Fund are not in a position to identify WHO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. WHO has therefore treated it as a defined contribution plan in line with the requirements of IPSAS 39 (Employee Benefits). WHO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (Statement II).

2.12 Inter-entity liabilities

Inter-entity liabilities are cash balance held by WHO on behalf of hosted entities (refer to Note 4.2 and 4.15).

2.13 Provisions and contingent liabilities

Provisions are recognized for future liabilities and charges where WHO has a present legal or constructive obligation as a result of past events and it is probable that the Organization will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of WHO.

2.14 Contingent assets

Contingent assets will be disclosed when an event gives rise to a probable inflow of economic benefits or service potential and there is sufficient information to assess the probability of the inflow of economic benefits or service potential.

2.15 Deferred revenue

Deferred revenue derives from legally binding agreements between WHO and its contributors, including governments, international organizations and private and public institutions. Deferred revenue is recognized when:

- a contractual agreement is confirmed in writing by both the Organization and the contributor; and
- the funds are earmarked and due in a future period.

Deferred revenue also includes advances from exchange transactions.

Deferred revenue is presented as non-current assets if the revenue is due one year or more after the reporting date.

2.16 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by WHO during the year, and represents an increase in net assets/equity. The Organization recognizes revenue following the established criteria of IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions).

The main sources of revenue for WHO include but are not limited to:

Non-exchange revenue

– **Assessed contributions.** Revenue from contributions from Member States and Associate Members is recorded annually at the beginning of the year as per the assessments approved by the Health Assembly.

– **Voluntary contributions.** Revenue from voluntary contributions is recorded when a binding agreement is signed by WHO and the contributor. Where there are “subject to” clauses in an agreement, WHO does not control the resource and does not record the revenue and amount receivable until the cash is received. Where there are no payment terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized in the current period. Where payment terms specify

payment after the year end, the amount is reported as deferred revenue. Where start date of the contract is after 31 December, revenue is recognized in the future accounting year.

– **Contributions in-kind and in-service.** Contributions in-kind and in-service are recorded at an amount equal to their fair market value as determined at the time of acquisition, based on an agreement between WHO and the contributor and upon confirmation from the receiving budget centre of the receipt of the goods or services. An entry corresponding to the expense is recorded in the same period that the contributions in-kind and in-service are recorded as revenue.

Exchange revenue

– **Reimbursable procurement, concessions, revolving sales and other exchange revenue.** Revenue from reimbursable procurement on behalf of Member States or from the sale of goods or services is recorded on an accrual basis at the fair value of the consideration received or receivable when it is probable that the future economic benefits and/or service potential will flow to WHO and those benefits can be measured reliably. The corresponding expense is recognized in the same year as the revenue.

2.17 Expenses

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows, consumption of assets, or incurrences of liabilities that result in decreases in net assets/equity. WHO recognizes expenses at the point where goods have been received or services rendered (delivery principle) and not when cash or its equivalent is paid.

2.18 Fund accounting

Fund accounting is a method of segregating resources into categories (i.e. funds) to identify both the source and the use of the funds. Establishing such funds helps to ensure better reporting of revenue and expenses. The General Fund, the Special Purpose Fund, the Enterprise Fund and the Fiduciary Fund serve to ensure the proper segregation of revenue and expenses. Any transfers between funds that would result in duplication of revenue and/or expenses are eliminated during consolidation. Intra-fund transfers such as programme support costs within the General Fund are also eliminated.

General Fund

The accounts contained under this fund support the implementation of the programme budget. The General Fund contains the following:

– **Assessed Contributions Fund.** This fund consolidates revenues and expenses arising from assessed contributions from Member States and includes interest and other miscellaneous income.

– **Tax Equalization Fund.** In accordance with resolution WHA21.10 (1968), in which the Health Assembly decided to establish the Tax Equalization Fund, the assessed contributions of all Member States are reduced by the revenue generated by the staff assessment plan. In determining the reduction of assessed contributions to be applied to the Member States concerned, the Tax Equalization Fund is credited with the revenue from the staff assessment plan, the credits being recorded in the name of individual Member States, in proportion to their assessments for the biennium. For those Member States that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes, the credit from the staff assessment plan is charged with the estimated amount to be levied by those Member States. Those amounts which have been charged are, in turn, used by the Organization to reimburse income tax paid by the staff concerned, as per resolution WHA21.10.

– **Working Capital Fund.** The Fund was established to implement the programme budget pending receipt of assessed contributions in arrears. In accordance with Financial Regulation VII, implementation of that part of the budget financed from assessed contributions may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of WHO, excluding trust funds. Amounts borrowed are repaid from the collection of arrears of assessed contributions and are credited first against any internal borrowing and then against any borrowing from the Working Capital Fund.

– **Voluntary funds (core, specified and partnerships).** This fund consolidates revenue and expenses arising from the following funds:

  – Voluntary Contributions Core Fund

  – Voluntary Contributions Specified Fund

  – Special Programme for Research and Training in Tropical Diseases (TDR Trust Fund)

  – Special Programme of Research, Development and Research Training in Human Reproduction (HRP Trust Fund)

  – Special Programmes and Collaborative Arrangements Fund, Special Account for Servicing Costs Fund

  – Outbreak and Crisis Response Fund and Contingency Fund for Emergencies.

  – Pre-qualification Fund - This fund was established to record and report fees charged to manufacturers for pre-qualification services to assess the quality, safety and efficacy of medical produces (vaccines, medicines or diagnostics).

Member States – other

The following accounts are contained in Member States – other:

– **Common Fund.** This fund reflects the movement in the asset and liability accounts of the Organization resulting from changes in items such as inventory, fixed assets adjustment, construction-in-progress adjustment, depreciation, investment gain and losses and exchange gains and losses.

– **Enterprise Fund.** This fund contains accounts that generate self-sustaining revenue. The revenue and expenses under this fund are not included in the reporting of the programme budget. The Enterprise Fund contains the following:

  – **Accident and Illness Insurance Fund.** This fund was established as a self-insurance mechanism to provide coverage for staff members in case of accident and illness.

  – **Concessions Fund.** This fund was established to manage activities for concessionaries. It is financed from amounts paid by the concessionaires for space, equipment utilities and use of facilities made available by the Organization.

  – **Garage Rental Fund.** This fund was established mainly to record and report activities for the maintenance of a garage facility in Geneva. It is financed by way of a charge towards usage of the garage facility by applicable staff members.

  – **Insurance Policies Fund.** This fund was established to manage activities for commercial insurance policies. It is financed from benefits received from the applicable commercial insurance policies.

  – **In-kind Contributions Fund.**[1] This fund was established to record and report in-kind contributions.

[1] Transactions under the In-kind Contributions Fund are from non-exchange transactions. Total revenue equals total expenses; hence there is no fund balance at year-end (refer to note 2.16).

- **Revolving Sales Fund**.[1] This fund was established to record and report activities for publications.
- **Reimbursable Procurement Fund**.[2] This fund was established to record and report procurement activities undertaken on behalf of Member States or other UN Organizations.

- **Special Purpose Fund.** The accounts contained under this fund represent transfers from the General Fund or appropriations by the Health Assembly. The revenue and expenses under this fund are not included in the reporting of the programme budget. The Special Purpose Fund contains the following:

  - **Building Loan Fund.** This fund was established to record and report on a loan from the Swiss Government in support of expenses towards the construction of new building in Geneva. It is funded by the Swiss Government loan.
  - **Internal Service Cost Recovery Fund.** This fund was established to record and report services provided between departments within the Organization.
  - **Infrastructure Fund.** This fund was established by the Seventieth World Health Assembly through decision WHA70(16) to consolidate reporting for Real Estate Fund and Information Technology Fund.
  - **Information Technology Fund.** This fund was established to meet current and future administrative requirements of the Organization. It may be financed by way of appropriation from the regular budget and from voluntary contributions including the Special Account for Servicing Costs.
  - **Real Estate Fund.** This fund was established by the Twenty-third World Health Assembly through resolution WHA23.14 (1970). It is funded mainly by appropriation from the regular budget. The Real Estate Fund is also credited with receipts from rentals relating to real estate operations (other than garage rentals and income from the operation of concessions at headquarters), by way of a charge on salary cost of staff members and interest earned.

    The fund was established to meet the costs of the construction of new buildings or extensions to existing buildings, the acquisition of land that may be required and major maintenance and repairs of real estate assets owned by the Organization. Specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions.
  - **Mobility Fund.** This fund was established to provide financing towards staff mobility entitlements such as assignment grant and reassignment grant. It is financed by way of a charge on salary cost of staff members.
  - **Non-Payroll Staff Entitlements Fund.** This fund was established to provide financing towards staff entitlements such as home leave, education grant etc. It is financed by way of a charge on salary cost of staff members.
  - **Post Occupancy Charge Fund.** This fund was established to finance corporate and administrative expenses of the Organization. It is financed by way of a charge on salary cost of staff members.
  - **Polio Staff Fund.** This fund was established to manage staff liabilities due to the closure of the polio programme.
  - **Staff Health Insurance Fund.** This fund was established to record and report after service health liability of the Organization. It is financed by way of a charge on salary cost of staff members.

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[1] In accordance with Health Assembly resolution WHA22.8 (1969) and resolution WHA55.9 (2002), the Revolving Sales Fund is credited with proceeds from the sale of publications, international certificates of vaccination, films, videos, DVDs and other information material. The related costs of production and printing are charged to the Fund.

[2] Transactions under the Reimbursable Procurement Fund are from exchange transactions. Total revenue equals total expenses; hence there is no fund balance at year-end (refer to note 2.16).

- **Security Fund.** This fund was established to record and report security expenses. It may be financed by way of appropriation from the regular budget and from voluntary contributions including the Special Account for Servicing Costs.
- **Special Fund for Compensation.** This fund was established by the Director-General for the payment of periodic benefits awarded to staff members under WHO compensation rules for service-incurred accidents and illnesses. It may be financed by funds allocated to cover the cost of employing the staff member, benefits received from the commercial accident and illness insurance policies established for this purpose, and by way of any interest earned.
- **Stockpiles Replenishment Fund.** This fund was established to support emergency procurement needs, mainly for the Eastern Mediterranean Region.
- **Terminal Payments Fund.** This fund was established to finance the terminal emoluments of staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation. It is financed by way of a charge on salary cost of staff members and any interest earned.

Fiduciary Fund

This fund accounts for assets that are held by WHO in a trustee or agent capacity for others and that cannot be used to support the Organization's own programmes. The Fund includes the assets of the partnerships that are administered by the Organization and whose budgets are not approved by the Health Assembly. The Fund is not available for operations and did not contribute to the Programme budget 2016–2017, and at 31 December 2017 contained the following:

- WHO Framework Convention on Tobacco Control (FCTC)
- Partnership for Maternal, Newborn and Child Health Fund
- Alliance for Health Policy and System Research Fund
- Global Health Workforce Alliance Fund
- European Observatory on Health Systems and Policies
- Expanded Special Project for Elimination of Neglected Tropical Diseases (ESPEN) Fund

2.19 Segment reporting

As required under IPSAS, WHO reports on segments based on its regional structure. Revenue, expenses, assets and liabilities are reported for each major office (region). The use of major offices is in line with the decision making practices of the Member States and the Secretariat, with respect to the allocation of resources. WHO's programme budget is presented by major office, which supports using major offices as the segments. Furthermore, the accountability for results and management of assets and liabilities lies with the heads of each regional office.

2.20 Statement of Cash Flow

The Statement of Cash Flow (Statement IV) is prepared using the indirect method.

2.21 Budget comparison

WHO's budget and accounting basis differ. Budgets within the Organization are approved on a modified cash basis rather than the full accrual basis of IPSAS. In addition, budgets are prepared on a biennial basis.

Although WHO's financial statement covers all the activities of the Organization, budgets are approved only for the General Fund. There are no approved budgets for other funds. All funds are administered in accordance with the Financial Regulations and Financial Rules.

As required under IPSAS 24 (Presentation of Budget Information in Financial Statements), the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, presentation and entity differences. There may also be differences in formats and classification schemes adopted for the presentation of financial statements and the budget.

The Health Assembly approved the Programme budget 2016–2017 through resolution WHA68.1 (2015) and amended it through decision WHA69(9) (2016). The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the basis used to prepare the budget and financial statements differ, Note 7 reconciles the actual amounts presented in Statement V to the actual amounts presented in the Statement of Cash Flow (Statement IV).

3. Note on the restatement of balances

(a) The transition provision as allowed under IPSAS 17 (Property, Plant and Equipment) expired at the end of 2016. On 1 January 2017, the Organization recognized all the capital assets that were not fully depreciated and a piece of land in Brazzaville where ownership was cleared. As a result, the opening balance for Property, Plant and Equipment increased from US$ 71 million to US$ 89.2 million and total net assets/equity correspondingly increased from US$ 1316.5 million to US$ 1334.7 million (an increase of US$ 18.2 million).

Capitalized assets, by category are summarized below:

Asset category	**(US$ thousands)**
Vehicles and transport equipment	14 040
Computer and communications equipment	3 181
Machinery and specialized equipment	861
Furniture	135
Land	32
Total property, plant and equipment	**18 249**

(b) To better present expenses by their nature, mapping for "fellowship expenses" of US$ 5 million for 2016 was reclassified from Contractual services to Transfers and grants.

4. Supporting information to the Statement of Financial Position

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, investments in money market funds, collateral deposits, bank deposits, and short-term highly liquid investments with original maturity dates of three months or less from the date of acquisition.

Cash and cash equivalents are held for the purpose of meeting the short-term cash requirements of the Organization, rather than for longer-term investment purposes. They are held on behalf of the Organization, including the General Fund, the Special Purpose Fund, the Enterprise Fund, the Fiduciary Fund and non-WHO

entities administered by the Organization. The figures include cash and cash equivalents held in the portfolios managed by external investment managers. The table below shows cash and cash equivalents by major office.

Description	31 December 2017	31 December 2016
	US$ thousands	
Major office		
Headquarters	148 085	115 149
Regional Office for Africa	14 965	26 108
Regional Office for the Eastern Mediterranean	8 943	12 015
Regional Office for Europe	1 563	1 489
Regional Office for South-East Asia	6 884	3 163
Regional Office for the Western Pacific	3 441	3 893
Cash at banks, investment accounts, in transit and on hand	**183 881**	**161 817**
Headquarters	356 771	275 073
Cash and cash equivalents held by investment portfolios	**356 771**	**275 073**
Total cash and cash equivalents	**540 652**	**436 890**

4.2 Investments and financial instruments

Details of the accounting policies for investments and financial instruments are described in Note 2.2.

WHO's principal investment objectives in descending order of priority are:

- the preservation of capital;
- the maintenance of sufficient liquidity to meet the payment of liabilities on time; and
- the optimization of investment returns.

The Organization's investment policy reflects the nature of its funds, which may be held either short-term pending implementation of programmes, or for a longer term to meet its long-term liabilities.

WHO's investments include funds managed for other entities (refer to Note 4.15).

An analysis of the Organization's investments is provided in the following table.

Investments and financial instruments (in US$ thousands)

Description	Internally managed funds			Externally managed funds					Foreign Exchange Hedging contracts	Grand total as at 31 December 2017	Grand total as at 31 December 2016
	Time Deposits and cash	Long term portfolio	Total	Short term portfolio A	Short term portfolio B	Short term portfolio C	Short term portfolio D	Total			
Investments under current Assets											
Cash and cash equivalent held by investment portfolio	**200 256**	**97**	**200 353**	**106 038**	**8 081**	**27 504**	**14 795**	**156 418**		**356 771**	**275 073**
Short-term investments											
Financial assets at fair value through surplus or deficit – held for trading				302	187		3	492	7 486	7 978	4 720
Financial assets at fair value through surplus or deficit – upon initial recognition				350 732	306 949	533 595	532 748	1 724 024		1 724 024	1 777 808
Bank deposits and other receivables	829 809	29	829 838	3 425	8 618	2 173	1 982	16 198		846 036	934 551
Total short-term investments	**829 809**	**29**	**829 838**	**354 459**	**315 754**	**535 768**	**534 733**	**1 740 714**	**7 486**	**2 578 038**	**2 717 079**
Total investments under current assets	**1 030 065**	**126**	**1 030 191**	**460 497**	**323 835**	**563 272**	**549 528**	**1 897 132**	**7 486**	**2 934 809**	**2 992 152**
Investments under non-current assets											
Long-term Investments											
Financial assets at fair value through surplus or deficit – upon initial recognition		118 745	118 745							118 745	95 846
Total long-term investments under non-current assets		**118 745**	**118 745**							**118 745**	**95 846**
Financial liabilities under current liabilities											
Financial liabilities at fair value through surplus or deficit held for trading				(1 472)			(828)	(2 300)	(4 163)	(6 463)	(13 467)
Payables and accruals				(50 908)	(15 486)			(66 394)		(66 394)	(11 201)
Total financial liabilities under current liabilities				**(52 380)**	**(15 486)**		**(828)**	**(68 694)**	**(4 163)**	**(72 857)**	**(24 668)**
Total investments – net	**1 030 065**	**118 871**	**1 148 936**	**408 117**	**308 349**	**563 272**	**548 700**	**1 828 438**	**3 323**	**2 980 697**	**3 063 330**

Short-term investments

Short-term investments relating to funds held pending the implementation of programmes are invested in cash and high-quality short-term government, agency, corporate bonds and time deposits as defined in the approved investment policy. Investments included within "financial assets at fair value through surplus or deficit" include fixed-income securities and derivative instruments held to cover projected liabilities and any unexpected cash requirements. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as short-term investments where the investment time horizon objective of these portfolios is less than or equal to one year. For short-term tactical investment reasons, the external managers of these portfolios may from time to time decide to lengthen temporarily the average duration of these portfolios to slightly longer than one year. This will not change the short-term classification of these financial assets unless the investment time horizon objective of the portfolio and the duration of its benchmark have been changed to more than one year. At the end of 2017, there were no investments in the held-to-maturity portfolio. Other receivables include accrued revenue on investments and receivables from investments that were sold before 31 December 2017 and settled after that date.

Description	31 December 2017	31 December 2016
	US$ thousands	
Financial assets at fair value through surplus or deficit – held-for-trading	7 978	4 720
Financial assets at fair value through surplus or deficit – upon initial recognition	1 724 024	1 777 808
Bank deposits and other receivables	846 036	934 551
Total short-term investments	**2 578 038**	**2 717 079**

Long-term investments

Long-term investments for the Terminal Payments Fund are placed in line with the approved investment policy and are invested in high-quality, medium-dated and long-dated, government, agency and corporate bonds. The financial assets at fair value through surplus or deficit upon initial recognition in the Terminal Payments Fund investment portfolio are classified as long-term investments in accordance with the investment time horizon objective of the portfolio and the duration of its benchmark, which are both greater than one year.

Description	31 December 2017	31 December 2016
	US$ thousands	
Financial assets at fair value through surplus or deficit – upon initial recognition	118 745	95 846
Total long-term investments	**118 745**	**95 846**

Financial liabilities

Financial liabilities disclosed under "financial liabilities at fair value through surplus or deficit – held-for-trading" include derivative transactions such as foreign exchange forward contracts and interest rate swaps. Financial liabilities disclosed under "payables and accruals" relate to other financial liabilities from investments, including assets purchased before 31 December 2017 and settled after that date.

Description	31 December 2017	31 December 2016
	US$ thousands	
Financial liabilities at fair value through surplus or deficit – held-for-trading	6 463	13 467
Payables and accruals	66 394	11 201
Total financial liabilities	**72 857**	**24 668**

The fair value hierarchy

The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held by WHO can be realized.

The majority of the financial instruments held by WHO have quoted prices in active markets which are classified as Level 1. Derivative instruments that are "over-the-counter" are classified as Level 2 because their fair value is observable – either directly as a price, or indirectly after being derived from prices. The instruments shown under the Level 2 fair value measurement category consist of foreign currency hedging forward contracts and derivative contracts in the externally managed portfolios.

Description	Level 1	Level 2	Total
	US$ thousands		
Cash and cash equivalents	**119 467**		**119 467**
Short-term investments			
Financial assets at fair value through surplus or deficit – held-for-trading		7 727	7 727
Financial assets at fair value through surplus or deficit – upon initial	1 723 704		1 723 704
Total short-term investments	**1 723 704**	**7 727**	**1 731 431**
Long-term investments			
Financial assets at fair value through surplus or deficit – upon initial	118 745		118 745
Financial liabilities			
Financial liabilities at fair value through surplus or deficit – held-for-trading	0	(6 463)	(6 463)
Total	**1 961 916**	**1 264**	**1 963 180**

Risk management

WHO is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. The Organization uses derivative financial instruments to hedge some of its risk exposures. In accordance with WHO's Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of the investment policy approved by the Director-General. Some portfolios are managed by external managers appointed by the Organization to manage funds in accordance with a defined mandate. The Advisory Investment Committee reviews regularly the investment policies, the investment performance and the investment risk for each investment portfolio. The Committee is composed of external investment specialists who can make investment recommendations to the Director-General.

Nature of financial instruments

Investments are categorized as follows.

Investments with short-term maturities. These investments are invested in cash and high-quality short-dated government, agency, and corporate bonds as defined in the approved investment policy.

Investments with long-term maturities. These investments comprise funds managed for the Terminal Payments Fund as defined in the approved investment policy. They are invested in high-quality medium-dated and long-dated, government, agency, corporate bonds and an externally managed global bond index fund.

Credit risk

WHO's investments are widely diversified in order to limit its credit risk exposure to any individual investment counterparty. Investments are placed with a wide range of counterparties using minimum credit quality limits

and maximum exposure limits by counterparty established in investment mandates. These limits are applied both to the portfolios managed internally by the Organization’s Treasury Unit, and to the portfolios managed by external investment managers. The Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios.

The credit risk and liquidity risk for cash and cash equivalents are minimized by investing only in major financial institutions that have received strong investment grade credit ratings from primary credit rating agencies. The Treasury Unit regularly reviews the credit ratings of the approved financial counterparties and takes prompt action whenever a credit rating is downgraded. The investments with long-term credit ratings are summarized as follows.

Minimum rating category	Total asset value US$ thousands
AAA	309 622
AA+	505 540
AA	114 945
AA-	254 065
A+	111 538
A	98 447
A-	75 879
Not rated	434 510
Total	**1 904 546**

Where the investments and securities are not rated for credit worthiness by the major credit ratings agencies (for example, fixed income securities issued by sovereigns, collateralized mortgage obligations issued by sovereign backed agencies and investment funds), the Treasury Unit ensures that the deposits and securities and the constituent securities in the investment funds are issued by issuers whose credit ratings are equal to or better than the single A minimum credit rating requirement for WHO investments as set out in the investment guidelines for the external portfolio managers which are agreed with the Advisory Investment Committee, and the investment grade minimum credit rating requirement for investments for the Terminal Payments fund, which is also agreed with the Advisory Investment Committee.

Interest rate risk

WHO is exposed to interest rate risk through its short-term and long-term fixed-income investments. The investment duration is a measure of sensitivity to changes in market interest rates, and the effective average duration of the Organization’s investments as at 31 December 2017 was 0.5 years for the short-term investments and 6.9 years for the long-term investments. The duration of the long-term investments was lengthened by purchasing longer term fixed income products to better match the duration of the liabilities which are funded by these investments.

Fixed-income derivative instruments may be used by external investment managers to manage interest rate risk under strict investment guidelines. Interest rate instruments of this type are used for portfolio duration management and for strategic interest rate positioning.

Foreign exchange currency risk

WHO receives contributions and makes payments in currencies other than the United States dollar. The Organization is thus exposed to foreign exchange currency risk arising from fluctuations in currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. The translation of transactions expressed in other currencies into the United States dollar is performed at the United Nations Operational Rates of Exchange prevailing at the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at the United Nations Operational Rates of Exchange year-end closing rate. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows. Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance (Statement II).

With effect from 2014, 50% of assessed contributions are calculated in Swiss francs to reduce the currency risk of headquarters expenses in that currency.[1]

Hedging foreign exchange exposures on future payroll costs: The United States dollar value of non-dollar expenses in 2018 has been protected from the impact of movements in foreign exchange rates through the transaction of forward currency contracts during 2017. As at 31 December 2017 these forward foreign currency exchange hedging contracts by currency are summarized as follows.

Currency forward bought	(in thousands)	Net amount sold (US$ thousands)	Net unrealized gain/(loss) (US$ thousands)
Swiss franc	122 040	127 785	(853)
Euro	98 400	114 268	5306
Indian rupee	908 400	13 396	586
Malaysian ringgit	36 000	8 309	525
Philippine peso	748 800	14 506	393
Total		**278 264**	**5 957**

There was a net unrealized gain on these contracts of US$ 6 million as at 31 December 2017 (unrealized loss of US$ 10.2 million as at 31 December 2016). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2018.

Hedging foreign exchange exposures on receivables and payables: Currency exchange risk arises as a result of differences in the exchange rates at which foreign currency receivables or payables are recorded, and the exchange rates at which the cash receipt or payment is subsequently recorded. A monthly programme of currency hedging is in place to protect against this foreign currency risk. On a monthly basis, the exposures in respect of receivables and accounts payable are netted by currency and each significant net foreign currency exposure is bought or sold forward using a forward foreign exchange contract equal and opposite to the net currency exposure.

These exposures are re-balanced at each month-end to coincide with the setting of the monthly United Nations Operational Rates of Exchange. Through this process the exchange gains or losses realized on the forward foreign currency contracts match the corresponding unrealized exchange losses and gains on the movements in net receivables and accounts payable. As at 31 December 2017, the total forward foreign currency exchange hedging contracts by currency were as follows.

[1] See resolution WHA66.16 (2013).

Currency forward sold	(in thousands)	Currency forward bought (US$ thousands)	Net unrealized gain/(loss) (US$ thousands)
Australian dollar	1 500	1 169	(2)
Canadian dollar	24 700	19 617	(82)
Swiss franc	700	717	(4)
Euro	91 850	109 927	(534)
Pound sterling	186 600	251 154	(1 297)
Swedish Kroner	199 000	24 192	(141)
Total		**406 776**	**(2 060)**

There was a net unrealized loss on these contracts of US$ 2.1 million as at 31 December 2017 (unrealized net loss of US$ 2.5 million as at 31 December 2016). Realized gains or losses on these contracts will be recorded on the maturity of the contracts and applied during 2018.

Forward foreign exchange contracts to manage operational cash flows: Forward foreign exchange contracts are also used to manage short-term cash flows of foreign currency balances to minimize foreign currency transaction risk. At 31 December 2017 a total net amount of 65.7 million Swiss francs was forward sold against the United States dollar. The maturity dates of these forward foreign exchange contracts were in January 2018. Net unrealized losses on these contracts amounted to US$ 0.6 million as at 31 December 2017 (unrealized net gains of US$ 0.3 million as at 31 December 2016).

Sensitivity of forward foreign exchange contracts to movements in the relative value of the United States dollar: A 1% appreciation in the relative value of the United States dollar against the forward foreign exchange hedging contracts mentioned above would result in an increase in the net unrealized gain of US$ 1.9 million. A 1% depreciation in the relative value of the United States dollar would result in an increase in the net unrealized loss of US$ 1.9 million.

Forward and spot foreign exchange contracts and other derivative financial instruments are held within the externally managed investment portfolios: In accordance with the investment guidelines set up for each externally managed portfolio, the external investment managers use forward and spot foreign exchange contracts, futures contracts and interest rate swap contracts to manage the currency and interest rate risk of groups of securities within each portfolio. The net values of these instruments as at 31 December 2017, as evaluated by the Organization's investment custodian, are recorded by portfolio under "financial assets/liabilities at fair value through surplus or deficit – held-for-trading". The outstanding forward and spot foreign exchange contracts are summarized hereafter.

Net sold amount	(in thousands)	US dollar equivalent (in thousands)
Australian dollar	8 022	6 259
Canadian dollar	14 563	11 625
Danish kroner	68 330	11 020
Euro	49 949	60 019
Japanese yen	6 768 800	60 151
Pound sterling	49 828	67 425
Total		**216 499**

A 1% appreciation in the relative value of the United States dollar against the above-mentioned forward foreign exchange hedging contracts would result in an increase in the unrealized gain of US$ 2.1 million. A 1% depreciation in the relative value of the United States dollar would result in an increase in the unrealized loss of US$ 2.2 million.

The net outstanding interest rate and bond futures contracts are summarized below.

Long positions

Products	Exchange[a]	No. of contracts
Canadian Bankers' Acceptances 3-month MAR 2019	Montreal	106
Eurodollar JUN 2018	CME	405
Eurodollar SEP 2018	CME	9
Eurodollar DEC 2018	CME	412
Eurodollar MAR 2020	CME	41
US 2- year T-Note MAR 2018	CBOT	12

Short positions

Products	Exchange[a]	No. of contracts
30-day Fed Funds Dec 2017	CBOT	22
Eurodollar MAR 2018	CME	20
Eurodollar JUN 2018	CME	5
Eurodollar DEC 2018	CME	9
Eurodollar MAR 2019	CME	41
Eurodollar JUN 2019	CME	425
Eurodollar SEP 2019	CME	38
Eurodollar DEC 2019	CME	445
Eurodollar DEC 2020	CME	10
3 month GBP Mar 2020	ICE	606
US-5year T-Note MAR 2018	CBOT	40
US5year T-Note MAR 2019	CBOT	299

[a] ASX refers to Australian Securities Exchange. CBOT refers to Chicago Board of Trade. CBOT is part of the Chicago Mercantile Exchange Group (CME). ICE refers to Inter continental Exchange.

4.3 Receivables

As at 31 December 2017, total receivables (current and non-current) amounted to US$ 1451 million (US$ 1079 million as at 31 December 2016). The receivables balance includes outstanding amounts for both assessed and voluntary contributions. Receivables are split between current and non-current based on the payment terms of when the amounts become due.

Description	31 December 2017	31 December 2016
	US$ thousands	
Receivables – current		
Assessed contributions receivable[a]	187 015	77 381
Voluntary contributions receivable	1 054 697	818 960
Revolving sales receivable	333	155
Other receivables	10 197	5 281
Allowance for doubtful accounts	(37 832)	(29 969)
Total receivables – current	**1 214 410**	**871 808**
Receivables – non-current		
Outstanding rescheduled assessments receivable[a]	14 923	19 027
Voluntary contributions receivable	236 603	207 278
Allowance for doubtful accounts	(14 923)	(19 027)
Total receivables – non-current	**236 603**	**207 278**
Total receivables	**1 451 013**	**1 079 086**

[a] See document A71/31 for details of the status of collection of assessed contributions.

As at 31 December 2017, the total allowance for doubtful accounts was US$ 52.8 million (US$ 48.9 million at 31 December 2016). This figure comprises an allowance of US$ 49.5 million for assessed contributions and an allowance of US$ 3.3 million for voluntary contributions.

The allowance for assessed contributions receivable includes amounts receivable from prior years, all rescheduled amounts receivable and any current amounts receivable from Member States in arrears less any subsequent payments received before the preparation of the financial statements. The allowance for voluntary contributions receivable is based on a detailed review of all amounts receivable more than one year overdue and a review of amounts less than one year overdue where there is evidence that the amount is unlikely to be received.

With certain contributors, WHO signs agreements that may span many years of implementation. These agreements do not state the payment terms for the transfer of instalments; instead, they are reimbursed based on quarterly expenses incurred. WHO records the full amount of revenue in the financial year in which the agreement is signed and recognizes the full receivable as currently due. As at 31 December 2017, the total receivable shown as currently due under this arrangement was US$ 432.3 million outstanding, of which US$ 187.5 million outstanding was due on agreements ending in 2019 and beyond (US$ 356.4 million outstanding as currently due at 31 December 2016, of which US$ 148.6 million outstanding was due on agreements ending in 2018 and beyond).

Description	31 December 2017	31 December 2016
	US$ thousands	
Opening balance – assessed contributions	45 990	48 301
(Decrease)/increase in allowance for doubtful accounts (refer to Note 5.1)	3 487	(2 311)
Ending balance – assessed contributions	49 477	45 990
Opening balance – voluntary contributions	3 006	3 179
(Decrease)/increase in allowance for doubtful accounts (refer to Note 5.1)	272	(173)
Ending balance – voluntary contributions	3 278	3 006
Total allowance for doubtful accounts	**52 755**	**48 996**
Allowance for doubtful accounts		
Allowance – current	37 832	29 969
Allowance – non-current	14 923	19 027
Total allowance for doubtful accounts	**52 755**	**48 996**

4.4 Staff receivables

In accordance with WHO's Staff Regulations and Staff Rules, staff members are entitled to certain advances including those for salary, education, rent and travel.

The total balance of staff receivables amounted to US$ 10.1 million as at 31 December 2017 (US$ 10.2 million as at December 2016). The largest balance relates to education grant which represents advances made to staff for the 2018 portion of the 2017–2018 school year.

Description	31 December 2017	31 December 2016
	US$ thousands	
Education grant advances	7 680	7 878
Rental advances	1 178	1 157
Salary advances	752	697
Travel receivables	527	495
Other staff receivables	(33)	16
Total staff receivables	**10 104**	**10 243**

4.5 Inventories

The total value of inventory as at 31 December 2017 was US$ 43.6 million (US$ 39.5 million as at 31 December 2016). The movement of inventory items during the year is shown in the table below:

Description	31 December 2016	Net additions	Net shipments	Net disposals and expired items	Net inventory in-transit	31 December 2017
			US$ thousands			
Medicines, vaccines and humanitarian supplies	34 255	45 069	41 916	3 473	4 085	38 020
Publications	5 299	4 595	3 474	799		5 621
Total inventory	**39 554**	**49 664**	**45 390**	**4 272**	**4 085**	**43 641**

Total expenses relating to inventories during the period (net shipments, net disposals and expired items) amounted to US$ 49.6 million (US$ 82.9 million as at 31 December 2016). The expenses relating to inventories are reported in the Statement of Financial Performance (Statement II) under "Medical Supplies and materials". The year-end inventory balance includes shipping cost of 15%.

4.6 Prepayments and deposits

The total value of prepayments as at 31 December 2017 was US$ 20.3 million (US$ 9.6 million in 2016). These represent payments to suppliers in advance of the receipt of goods or services. It is common practice for technical service contractors to request payments in advance to support project work. When goods or services are delivered, prepayments are applied to the appropriate expense account.

Prepayments include US$ 4.1 million of deposits (US$ 0.3 million as at 31 December 2016). Deposits represent amounts given to landlords as a security to rent office space.

4.7 Property, plant and equipment

As at 31 December 2017, the total value of recognized property, plant and equipment (net of accumulated depreciation) was US$ 103.5 million (US$ 89.2 million as at 31 December 2016, restated). The increase includes US$ 15.8 million in new additions, ongoing construction projects and US$ 20 million recognized as other property, plant and equipment.

In locations where WHO does not own the land, surface rights were granted at no cost. No value has been recognized as the Organization does not have the ability to dispose of these rights in a commercial transaction.

Major office	31 December 2016 (restated)	Additions	Disposals Transfers	Impairments	Depreciation	31 December 2017
	US$ thousands					
Headquarters						
Land	1 000					1 000
Buildings	35 650				(1 270)	34 380
CIP	8 384	14 660				23 044
Total property – Headquarters	**45 034**	**14 660**			**(1 270)**	**58 424**
Regional Office for Africa						
Land	103					103
Buildings	4 031	753	(250)		(268)	4 266
CIP	1 314		(625)			689
Total property – Regional Office for Africa	**5 448**	**753**	**(875)**		**(268)**	**5 058**
Regional Office for South East Asia						
Buildings	144				(29)	115
CIP						
Total property – Regional Office for South East Asia	**144**				**(29)**	**115**
Regional Office for the Eastern Mediterranean						
Buildings	19 500				(403)	19 097
CIP						
Total property – Regional Office for the Eastern Mediterranean	**19 500**				**(403)**	**19 097**
Regional Office for the Western Pacific						
Buildings	871	350			(535)	686
CIP						
Total property – Regional Office for the Western Pacific	**871**	**350**			**(535)**	**686**
Total WHO						
Land	1 103					1 103
Buildings	60 196	1 103	(250)		(2 505)	58 544
CIP	9 698	14 660	(625)			23 733
Total property – WHO	**70 997**	**15 763**	**(875)**		**(2 505)**	**83 380**

In 2017, new equipment to the amount of US$ 13.3 million (US$ 9.2 million as at 31 December 2016) was recognized in the assets register. The transition period expired on 31 December 2016. From 1 January 2017, all eligible assets are capitalized based on the remaining useful life. The opening balance for property, plant, and equipment was restated accordingly, resulting in an increase of US$ 18.2 million (refer to Note 3). In addition, a plot of land in Brazzaville was recognized at a value of US$ 32 248 and the opening balance was restated (refer to Note 3). The details of the property, plant, and equipment are as follows.

Asset category	01 January 2017	Additions	Depreciation	Disposals Transfers	31 December 2017
	US$ thousands				
Vehicles and transport equipment	14 040	9 527	(7 101)	(549)	15 917
Computer and communications equipment	3 181	2 423	(2 621)	(12)	2 971
Machinery and specialized equipment	861	1 373	(1 040)	(8)	1 186
Furniture	135	9	(53)	-	91
Total equipment – WHO	**18 217**	**13 332**	**(10 815)**	**(569)**	**20 165**

The Organization also continues to use the fully depreciated assets, the total purchase cost of which was US$ 65.4 million. The details of property, plant, and equipment are as follows.

Asset category	Equipment in service as at 31 December 2017
	units
Vehicles and transport equipment	1 270
Computer and communications equipment	1 580
Machinery and specialized equipment	443
Furniture	31
Total Equipment	**3 324**

4.8 Intangibles

Intangible assets held as at 31 December 2017 amounted to US$ 3.8 million (US$ 4.8 million as at 31 December 2016), most of which relates to new purchases.

Asset category	31 December 2016	Additions	Disposals/ Transfers	Impairments	Amortization (refer to Note 5.2)	31 December 2017
	US$ thousands					
Software acquired	2 996	1 658			(847)	3 807
Software under development	1 792	723	(2 515)			-
Total intangible assets (net)	**4 788**	**2 381**	**(2 515)**		**(847)**	**3 807**

4.9 Contributions received in advance

The amount for contributions received in advance mainly concerns payments received from Member States in 2017 for their 2018 assessed contributions. The balance for advance payments for voluntary contributions reflects funds received for agreements starting in 2018. Unapplied and unidentified receipts are amounts received in 2017 but not yet matched as at 31 December 2017.

Description	31 December 2017	31 December 2016
	US$ thousands	
Assessed contribution advances	51 793	50 405
Advances for voluntary contributions	52 090	9 512
Unapplied and unidentified receipts	2 566	8 372
Other advances	871	57
Total contributions received in advance	**107 320**	**68 346**

4.10 Accounts payable

Accounts payable represents the total amount due to suppliers by major office as at 31 December 2017.

Description	31 December 2017	31 December 2016
	US$ thousands	
Headquarters	19 671	12 048
Regional Office for Africa	8 161	9 244
Regional Office for the Eastern Mediterranean	21 916	11 547
Regional Office for Europe	5 077	2 311
Regional Office for South-East Asia	7 888	3 905
Regional Office for the Western Pacific	2 949	2 074
Total accounts payable	**65 662**	**41 129**

4.11 Staff payable

The balance of staff payable represents the total amount outstanding to staff as at 31 December 2017. Salaries payable consist of balances due to staff pending the finalization of clearance certificates. Bank returns are balances due to staff for which the payment is pending the receipt of updated bank account information.

Description	31 December 2017	31 December 2016
	US$ thousands	
Salaries payable	2 001	1 808
Bank returns	338	197
Total staff payable	**2 339**	**2 005**

4.12 Accrued staff benefits

Accrued staff benefits include terminal payments, staff health insurance, group accident and illness insurance and liabilities due to service-incurred death or disability (Special Fund for Compensation).

Description	31 December 2017	31 December 2016
	US$ thousands	
Accrued staff benefits – current		
Terminal payments	47 534	44 339
Special Fund for Compensation	612	582
Accident and Illness Insurance	1 912	1 727
Total accrued staff benefits – current	**50 058**	**46 648**
Accrued staff benefits – non-current		
Terminal payments	59 378	60 072
Special Fund for Compensation	17 004	13 589
Accident and Illness Insurance	1 262	637
Staff health insurance	1 500 478	1 185 511
Total accrued staff benefits – non-current	**1 578 122**	**1 259 809**
Accrued staff benefits		
Terminal payments	106 912	104 411
Special Fund for Compensation	17 616	14 171
Accident and Illness Insurance	3 174	2 364
Staff health insurance	1 500 478	1 185 511
Total accrued staff benefits	**1 628 180**	**1 306 457**

Terminal payments

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. It is funded by a charge made to salary.

Liabilities arising from repatriation benefits and annual leave are determined by independent consulting actuaries. However, the accrued leave is calculated on a walk-away basis – that is, as if all staff separated immediately – and, therefore, is not discounted.

The latest actuarial study (as at 31 December 2017) estimated the full terminal payment liability to be US$ 106.9 million (short-term liability, US$ 47.5 million; long-term liability, US$ 59.4 million) compared to US$ 104.4 million as at 31 December 2016, a net increase of US$ 2.5 million, which is recognized by nature of expense, in the Statement of Financial Performance (Statement II). This calculation does not include costs for the end-of-service grant, separation by mutual agreement or abolishment of posts. The defined benefit obligation amounted to US$ 68 million (US$ 67.6 million as at 31 December 2016) for terminal entitlements, and US$ 38.9 million (US$ 36.8 million as at 31 December 2016) for annual leave which is included in the terminal payments current balance.

Special Fund for Compensation

In the event of a death or disablement attributable to the performance of official duties of an eligible staff member, the Special Fund for Compensation covers all reasonable medical, hospital, and other directly related costs, as well as funeral expenses. In addition, the Fund provides compensation to disabled staff members (for the duration of the disability) or to the surviving family members.

WHO accounts for the Special Fund for Compensation as a post-employment benefit. Actuarial gains and losses are recognized in the net assets/equity (Statement III), in accordance with IPSAS 39 (Employee Benefits).

As per the actuarial study, the total liability was US$ 17.6 million at 31 December 2017 (US$ 14.2 million as at 31 December 2016). In accordance with IPSAS 39, the actuarial loss of US$ 3.3 million (gain of US$ 2 million in 2016) was charged directly to net assets/equity (Statement III) in 2017, US$0.2 million (US$ 0.6 million in 2016) was charged by nature of expense in the Statement of Financial Performance (Statement II).

Accident and Illness Insurance

The Accident and Illness Insurance Fund was established to cover benefit payments in the event of death, permanent disability, loss of function and sick leave (SLIC) to staff members of WHO, PAHO, IARC, ICC, Unitaid and UNAIDS. It is funded by contributions from staff and their organizations.

Liabilities for these benefits are determined by professional consulting actuaries and recorded as other long-term benefits. Actuarial gains and losses are recognized by nature of expense, in the Statement of Financial Performance (Statement II).

As per the actuarial study, the total liability was US$ 3.2 million at 31 December 2017 (US$ 2.4 million at 31 December 2016).

Staff Health Insurance

The Secretariat manages its own health insurance scheme as a separate entity. The Staff Health Insurance has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by staff members, retired staff members and their eligible family members. The Staff Health Insurance is financed by the contributions made by the participants (one third) and the Organization (two thirds) and from investment income.

The Organization accounts for after-service staff health insurance as a post-employment benefit. Actuarial gains and losses are recognized in the net assets/equity in accordance with IPSAS 39 (Employee Benefits).

Professional actuaries determined the 2017 defined benefit obligation for the Staff Health Insurance based on personnel data and payment experience provided by WHO. As at 31 December 2017, the unfunded defined benefit obligation amounted to US$ 1500 million (US$ 1186 million in 2016). In accordance with IPSAS 39, the actuarial loss of US$ 272 million (US$ 90 million in 2016) was charged directly to net assets/equity (Statement III) in 2017, US$ 43 million (US$ 23 million in 2016) was charged by nature of expense in the Statement of Financial Performance (Statement II) – refer to Note 5.2.

Further details on Staff Health Insurance liability can be found in the annual report of the Staff Health Insurance scheme.

Actuarial summary of terminal payments, the Staff Health Insurance and the Special Fund for Compensation (US$ thousands)

Description	Terminal Payments (other than accrued leave)	Special Fund For Compensation	Accident and Illness Insurance	Staff Health Insurance
Reconciliation of Defined Benefit Obligation				
Defined Benefit Obligation as at 31 December 2016	67 604	14 171	2 364	1 855 896
Service cost	8 085	741	4 963	81 135
Interest on Defined Benefit Obligation	1 787	472	9	49 324
Actual Gross Benefit Payments	(6 750)	(1 048)	(1 674)	(39 105)
Actual Administrative Expenses			(1 008)	(2 589)
Actual Contributions by Participants				11 122
Plan Amendments	(177)			
(Gain)/Loss on DBO Due to Financial Assumption Changes	(3 653)	311	(5)	130 891
(Gain)/Loss on DBO Due to Other Assumption Changes	1 117	2 969	(1 475)	191 965
Defined Benefit Obligation as at 31 December 2017	**68 013**	**17 616**	**3 174**	**2 278 639**
Reconciliation of Assets				
Assets as at 31 December 2016				670 385
Actual Gross Benefit Payments for 2017	(6 750)	(1 048)	(1 674)	(64 309)
Actual Administrative Expenses			(1 008)	(4 428)
Organization Contributions during 2017	6 750	1 048	2 682	72 589
Participant Contributions during 2017				36 454
Net Transfer to/from WHO-PAHO/PAHO for 2017				(394)
Interest On Incurred-but-Not-Paid Reserve for 2017				(469)
Gain/(Loss) on Incurred-But-Not-Paid Reserve				(1 929)
Interest on SHI Assets for 2017				19 439
Gain/(Loss) on Plan Assets				50 823
Assets as at 31 December 2017				**778 161**
Reconciliation of Unfunded Status				
Defined Benefit Obligation				
Active	68 013	3 546		1 253 285
Inactive		14 070	3 174	1 025 354
Total Defined Benefit Obligation	68 013	17 616	3 174	2 278 639
Plan Assets				
Gross Plan Assets				801 073
Offset for Incurred-but-Not-Paid Reserve for 2017				(22 912)
Total Plan Assets				778 161
Net Liability (Asset) Recognized in Statement of Financial Position	68 013	17 616	3 174	1 500 478
(Gain)/Loss on Defined Benefit Obligation	(2 536)	3 280	(1 480)	322 856
Current	8 635	612	1 912	
Noncurrent	59 378	17 004	1 262	1 500 478
Net Liability (Asset) Recognized in Statement of Financial Position	68 013	17 616	3 174	1 500 478
Annual Expense for 2017				
Service Cost	8 085	741	4 963	81 135
Interest on (Surplus)/Deficit	1 787	472	9	30 354
Past Service (Credit)/Cost	(177)			
Remeasurements	(2 536)	Not Applicable	(1 480)	Not Applicable
Total Expense Recognized in Statement of Financial Performance	**7 159**	**1 213**	**3 492**	**111 489**
Actuarial (Gain)/Loss Recognized in Net Assets/Equity	Not Applicable	3 280	Not Applicable	271 795
Expected Contributions during 2018				
Contributions by WHO	8 784	622	4 546	52 396
Contributions by Participants				26 198
Total expected contributions for 2018	**8 784**	**622**	**4 546**	**78 594**

Staff health insurance sensitivity analysis

2017 discount rate	US$ (thousands)
Current discount rate assumption minus 1%	1 847 819
Current discount rate assumption	2 278 639
Current discount rate assumption plus 1%	2 852 696
31 December 2017 defined benefit obligation	**US$ (thousands)**
Current medical inflation assumption minus 1%	2 899 437
Current medical inflation assumption	2 278 639
Current medical inflation assumption plus 1%	1 827 414
Approximate duration of Defined Benefit Obligation	26 years

Actuarial methods and assumptions

Each year the Organization identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's employee benefits. Actuarial assumptions are required to be disclosed in the financial statements, in accordance with IPSAS 39 (Employee Benefits). In addition, each actuarial assumption is required to be disclosed in absolute terms.

The actuaries used the roll-forward method to estimate the liabilities in 2017. Normally, a full revaluation is done every three years.

Measurement date	
All plans:	31 December 2017
Discount rate	
Terminal payments (other than accrued leave):	The weighted-average discount rate used is 3.5% (increase from 2.8% in the prior valuation). Based on the projected benefit payments with weights of 100% on the Aon AA Above Median Curve outside of Switzerland. The resulting discount rate is rounded to the nearest 0.1%.
Staff health insurance:	Europe, 1.1% (1.1% in prior valuation); the Americas, 3.8% (decrease from 4.3% in prior valuation); Other Countries, 4% (decrease from 4.6% in prior valuation. Discount rates are based on the yields of high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposure—specific to the ASHI—for each grouping of offices. The liability is assumed to be incurred in Swiss francs, euros, and U.S. dollars, based on the approximate liability mix for each grouping of offices and the following yield curves. These curves were prescribed by the United Nations. for use in its retiree medical valuations, based on consultations with Aon: Switzerland—SIX Swiss Exchange curve, Euro Zone—iBoxx Euro Zone curve, and the United States— Aon Hewitt AA Above Median curve. The discount rates for the 31 December 2017 valuation are based on the geographic locations of the offices, as described in the "Regional groupings for all purposes except claims costs" below. The resulting rate is rounded to the nearest 0.1%.

Special Fund for Compensation:	The weighted-average discount rate used is 3.1% (decrease from 3.4% in the prior valuation). Based on the combined projected benefit payments with weights of 75% on the Aon AA Above Median Curve outside of Switzerland and 25% on the SIX Swiss Exchange yield curve for Switzerland. The resulting discount rate is rounded to the nearest 0.1%.
Accident and Illness Insurance:	The weighted-average discount rate used is 0.7% (increase from 0.6% in the prior valuation). Based on the combined projected benefit payments with weights of 30% on the Aon AA Above Median Curve outside of Switzerland and 70% on the SIX Swiss Exchange yield curve for Switzerland. The resulting discount rate is rounded to the nearest 0.1%.
Annual general inflation	
Terminal payments (other than accrued leave):	The weighted-average inflation rate used is 2.2%. The regional weightings used are 100% on non-Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
Staff health insurance:	Europe 1.5%, the Americas 2.2%, Other Countries 2.2%. The rates are based on the United Nations common assumptions (for long-duration plans) as directed by the United Nations System Task Force on Accounting Standards. Specifically, the rate for Europe is a weighted average of the rates for Switzerland (1.3%) and the rest of Europe (1.8%), with the result rounded to the nearest 0.1%.
Special Fund for Compensation:	The weighted-average inflation rate used is 2%. The regional weightings used are 75% on non-Swiss rate and 25% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
Accident and Illness Insurance:	The weighted-average inflation rate used is 1.4%. The regional weightings used are 30% on non-Swiss rate and 70% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
Annual salary scale	
All plans:	Includes merit/promotional increases, plus 3.5% static increases for general inflation, plus productivity growth.
Regional groupings for all purposes except claims costs	
Terminal payments (other than accrued leave):	Not applicable
Staff health insurance:	Based on: the Regional Office for Europe, headquarters, which are grouped as Europe; the Regional Office for the Americas constitutes the Americas; and the African Region, the Eastern Mediterranean Region, the South-East Asia Region, and the Western Pacific Region, which are grouped as Other Countries.
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable
Repatriation travel and removal on repatriation	
Terminal payments (other than accrued leave):	Calculated using the projected unit credit method with service prorated, and an attribution period from the "entry on duty date" to separation. A 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable
Repatriation grant, termination indemnity, and grant in case of death	
Terminal payments (other than accrued leave):	Using the projected unit credit method with accrual rate proration. A 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

Accrued leave	
Terminal payments (other than accrued leave):	The liability is set equal to the walk-away liability – that is, as if all staff separated immediately. Plus 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable
Abolition of post, end-of-service grant, and separation by mutual agreement	
Terminal payments (other than accrued leave):	These benefits are considered termination benefits under IPSAS 39 and, therefore, are excluded from the valuation.
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

United Nations Joint Staff Pension Fund

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The Agency's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biannual cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 financial statements. An actuarial valuation as of 31 December 2017 is currently being performed.

The roll forward of the participation data as of 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1% (127.5% in the 2013 valuation). The funded ratio was 101.4% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

During 2017, WHO paid US$ 170.8 million (US$ 162.3 million in 2016) as a contribution to the UNJSPF. Expected contributions due in 2018 are US$ 170 million.

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Fund Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website at www.unjspf.org.

4.13 Deferred revenue

Deferred revenue on voluntary contributions represents multi-year agreements signed in 2017 or prior years but for which the revenue recognition has been deferred to future financial periods. The balance on voluntary contributions is split into current and non-current deferred revenue, depending on when the funds are available to the Organization to spend. Further details of voluntary contributions by fund and by contributor are available on the WHO Programme Budget Web Portal and the WHO Internet.[1]

Deferred revenue on reimbursable procurement relates to revenue recognized where supplies or services have not been delivered to requesting parties at year end. As reimbursable procurement is an exchange transaction, revenue is recorded on an accrual basis. The entire amount of deferred revenue for reimbursable procurement is current.

Description	31 December 2017	31 December 2016
	US$ thousands	
Voluntary contributions	415 518	364 297
Reimbursable procurement	15 802	15 611
Total deferred revenue – current	**431 320**	**379 908**
Voluntary contributions	236 603	207 278
Total deferred revenue – non-current	**236 603**	**207 278**
Total deferred revenue	**667 923**	**587 186**

4.14 Other current liabilities

The total balance for other current liabilities as at 31 December 2017 was US$ 101.1 million (US$ 63.3 million as at 31 December 2016). The largest component is composed of the various year-end accruals totalling US$ 81.1 million.

Description	31 December 2017	31 December 2016
	US$ thousands	
Accrual for uninvoiced goods and services	59 506	21 269
Accrual for restructuring cost	1 642	661
Accrued staff liability	14 424	12 520
Accrual for refunds payable	5 489	7 890
Pension payable	748	775
Insurance payable	3 630	4 632
Foundations	3 565	3 505
Other liabilities	12 138	12 096
Total other current liabilities	**101 142**	**63 348**

The balance for foundations concerns funds that WHO holds in trust and for whose financial and administrative management the Organization is responsible. As at 31 December 2017, the foundations with funds in trust were as follows.

[1] WHO Programme Budget Web Portal – http://extranet.who.int/programmebudget/ and details of voluntary contributions by fund and by contributor, 2017 (document A71/INF./2) on the WHO website – http://www.who.int/about/finances-accountability/reports/en/ (accessed 20 March 2018).

- Down Syndrome Research Prize Foundation in the Eastern Mediterranean Region
- Dr A.T. Shousha Foundation
- Dr Comlan A.A. Quenum Prize for Public Health
- Ihsan Doğramacı Family Health Foundation
- Jacques Parisot Foundation
- Léon Bernard Foundation
- Francesco Pocchiari Fellowship
- Foundation for the State of Kuwait Prize for the Control of Cancer, Cardiovascular Diseases and Diabetes in the Eastern Mediterranean Region
- State of Kuwait Health Promotion Foundation
- United Arab Emirates Health Foundation
- Dr Lee Jong-Wook Memorial Prize for Public Health

4.15 Inter-entity liabilities

WHO hosts a number of entities through administrative service agreements. As cash for all entities is managed by the Organization, liabilities exist with these entities for funds held on their behalf. The total amounts due per entity are as follows (refer to Note 4.2).

Description	31 December 2017	31 December 2016
	US$ thousands	
Staff Health Insurance (SHI)	16 391	53 953
International Computing Centre (ICC)	33 268	22 035
Unitaid	753 210	791 148
Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)	145 422	153 554
Total inter-entity liabilities	**948 291**	**1 020 690**

4.16 Long-term borrowings

Resolution WHA55.8 (2002) and resolution WHA56.13 (2003), authorized construction of a new building at headquarters for WHO and UNAIDS at an estimated cost of CHF 66 million, of which WHO's share was estimated at CHF 33 million. The Swiss Confederation agreed to provide an interest-free loan to WHO and UNAIDS of CHF 59.8 million, of which WHO's share is CHF 29.9 million. In the resolutions mentioned above, the World Health Assembly also approved the use of the Real Estate Fund for the repayment over a 50-year period of the Organization's share of the interest-free loan provided by the Swiss Confederation with effect from the first year of the completion of the building.

The outstanding amount of US$ 22.3 million for the UNAIDS building loan is reflected at an amortized cost using the effective interest rate of 0.36% (0.35% for 2016) applicable for Swiss Confederation 30-year bonds. Of the total amount outstanding on the loan, US$ 0.6 million will be due in the next 12 months and is shown as current liability, which is separately disclosed.

In 2015, following decision WHA 67(12), the Organization signed a new loan agreement for the planning and construction of a new WHO building in Geneva. A total of US$ 21.3 million had been received as of 31 December 2017 (US$ 11.9 million as at 31 December 2016).

The outstanding balance of the loan at 31 December 2017 was US$ 43.6 million (US$ 33.7 million at 31 December 2016) and is made up as follows:

Description	31 December 2017	31 December 2016
	US$ thousands	
Current liabilities		
WHO/UNAIDS building	611	583
Total current liabilities	**611**	**583**
Non-current liabilities		
WHO/UNAIDS building	21 680	21 234
WHO HQ building	21 324	11 905
Total non-current liabilities	**43 004**	**33 139**
Total long-term borrowings	**43 615**	**33 722**

4.17 Other liabilities – non-current

The total balance for other liabilities non-current as at 31 December 2017 was US$ 0.8 million (nil as at 31 December 2016). The balance represents retention money from various suppliers for the new Geneva building project.

5. Supporting information to the Statement of Financial Performance

5.1 Revenue

Assessed contributions

Assessed contributions for 2017 were US$ 457 million[1] (US$ 470 million for 2016).

Description	31 December 2017	31 December 2016
	US$ thousands	
Assessed contributions	460 199	467 725
Decrease/(Increase) in allowance for doubtful accounts (refer to Note 4.3)	(3 487)	2 311
Assessed contributions net of allowance	**456 712**	**470 036**

In May 2015, the Sixty-eighth World Health Assembly adopted the resolution for the financial period 2016–2017,[2] in which it approved a total effective budget of US$ 4385 million which was later revised to US$ 4545 million through the adoption of decision WHA69(9) (2016). In resolution WHA68.1, the Health Assembly further resolved that the total assessment on Member States in respect of the financial period 2016–2017 would be US$ 929 million.

Following resolution WHA66.16 (2013), since 2014 the assessed contributions have been invoiced in Swiss francs and United States dollars. Where the total annual assessed contribution for a Member State is US$ 200 000 or more, the contribution is assessed half in United States dollars and half in Swiss francs. Where the annual assessed contribution for a Member State is less than US$ 200 000, the contribution is assessed in United States dollars only. The annual assessment for 2017 amounted to US$ 478 million or US$ 241 million

[1] See document A71/31 for details of the status of collection of assessed contributions.

[2] Resolution WHA68.1

and CHF 224 million per year using the May 2015 exchange rate. Contributions are due from 1 January so the Swiss franc portion of the assessment was recorded at the January 2017 exchange rate, which resulted in an exchange loss on recording of US$ 18 million. As a result, the total accounted assessed contributions were US$ 460 million.

Voluntary contributions

Voluntary contributions for 2017 were US$ 2139 million (US$ 1752 million for 2016).

Description	31 December 2017	31 December 2016
	US$ thousands	
Voluntary contributions	2 139 577	1 751 639
Decrease/(increase) in allowance for doubtful accounts	(272)	172
Voluntary contributions net of allowance	**2 139 305**	**1 751 811**

These contributions represent revenue recognized from governments, intergovernmental organizations, institutions, other United Nations organizations as well as non-government organizations. Much of the revenue reported in 2017 relates to agreements that continue in future years. Further details of voluntary contributions by fund and by contributor are contained in the Annex to the Financial Report.[1]

The figure for total voluntary contributions reported of US$ 2139 million is after the deduction of (i) refunds to contributors – these amounted to US$ 14.5 million (US$ 17.8 million for 2016); (ii) reductions in revenue recognized in prior years due to evidence arising in the current year that amounts will no longer be collected – these amounted to US$ 8.2 million (US$ 11.8 million for 2016); and (iii) the adjustment of payment terms with the effect of increasing deferred revenue and decreasing current revenue for revenue recognized in previous years – these amounted to nil (US$ 13.6 million for 2016).

Voluntary contributions in-kind and in-service

WHO receives non-cash contributions from Member States and other contributors. In 2017, the Organization received in-kind and in-service contributions amounting to US$ 136.8 million (US$ 87.7 million as at 31 December 2016).[2] Further details of in-kind and in-service contributions are available on the WHO Programme Budget Web Portal and on the WHO Internet.[3]

Description	31 December 2017	31 December 2016
	US$ thousands	
In-kind – Medical supplies and materials	112 482	62 127
In-kind – Office space	10 256	9 090
In-service	14 094	16 532
Total voluntary contributions in-kind and in-service	**136 832**	**87 749**

In addition, WHO also benefits from land made available from the host governments either at no cost or at a token rent. As the title to the land remains with the government, the use of the land is not recognized in the

[1] Document A71/INF./2, the Annex to the Financial Report, is also available at: http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/.

[2] Further details of in-kind and in-service contributions is available on the WHO Programme Budget Web Portal and on the WHO Internet: http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/.

[3] See http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/.

financial statements. The table below indicates the locations where land has been made available to WHO to construct or purchase premises.

Region	Country	City
Headquarters	Switzerland	Geneva
Africa	Equatorial Guinea	Malabo
Africa	Republic of South Sudan	Juba
Africa	Nigeria	Maiduguri, Borno State
Eastern Mediterranean	Egypt	Cairo
Eastern Mediterranean	Afghanistan	Kabul
Eastern Mediterranean	Pakistan	Islamabad
Eastern Mediterranean	Jordan	Amman
Eastern Mediterranean	Tunisia	Tunis
Eastern Mediterranean	Somalia	Garowe
South-East Asia	India	New Delhi
Western Pacific	Philippines	Manila
Western Pacific	Solomon Islands	Honiara

Reimbursable procurement

WHO procures medicines, vaccines, equipment and other supplies on behalf of Member States and other United Nations agencies. The total revenue and expenses recognized for 2017 for reimbursable procurement was US$ 9 million (US$ 25.3 million for 2016) after the deduction of refunds to contributors of US$ 1.7 million (US$ 2.7 million for 2016). The balance of funds received in advance for reimbursable procurement is reported as deferred revenue. The revenue and expenses related to reimbursable procurement form part of the Enterprise Fund and are not reported against the programme budget.

Other revenue

In 2017, other revenue totalled US$ 33.4 million (US$ 29.1 million as at 31 December 2016). This mainly represents earnings generated for hosting entities such as UNAIDS, Unitaid, and International Computing Centre and staff contributions for accident and illness insurance. Other sources of earnings also included rental income and sale of publications and royalties.

5.2 Expenses

Staff costs

Staff and other personnel costs reflect the total cost of employing staff at all locations and include charges for base salary, post adjustment and any other types of entitlements (such as pensions and insurances) paid by the Organization. Staff costs also include the movement in the staff health insurance actuarial, special fund for compensation, terminal payments and accident and illness insurance (refer to Note 4.12) liability that is recognized in the Statement of Financial Performance (Statement II).

Description	31 December 2017	31 December 2016
	US$ thousands	
Salary cost	839 986	811 855
Actuarial cost	43 173	23 067
Other personnel costs	83 141	75 869
Total staff costs	**966 300**	**910 791**

Medical supplies and materials

Medical supplies and materials are mainly purchased and distributed by WHO to support programmatic activities in countries. These include hospital supplies, vaccines, medicines as well as related shipping costs. The medical supplies expense includes the cost of reimbursable procurement – refer to Note 5.1 (Reimbursable procurement).

Description	31 December 2017	31 December 2016
	US$ thousands	
Medical supplies	140 537	182 805
Medical supplies – in-kind	112 482	61 657
Total medical supplies and materials	**253 019**	**244 462**

Contractual services

Contractual services represent expenses incurred for suppliers engaged by WHO to provide services in support of the Organization's programmatic activities. The main components within contractual services are direct implementation (implemented by WHO such as vaccination campaigns directly in collaboration with national governments), agreements for performance of work, consulting contracts including special service agreements (SSA) given to individuals to perform activities on behalf of the Organization. Medical research activities and security expenses are also included in contractual services.

Description	31 December 2017	31 December 2016 (restated)
	US$ thousands	
Direct implementation	257 599	233 042
Contractual services	451 561	361 627
SSA	48 783	56 202
Security and other costs	23 609	19 869
Total contractual services (refer to Note 3)	**781 552**	**670 740**

Transfers and grants

Transfers and grants to counterparts include non-exchange contracts signed with national counterparts (mainly health ministries), letters of agreement signed with other counterparts to perform activities that are in line with the Organization's objectives, fellowship expenses and equipment purchased for third parties. Transfers and grants to government ministries are referred to as "direct financial cooperation" (DFCs). Funds are normally expensed at the time of transfer to the contractual partner. Counterparts are required to report back on the use of funds to ensure that they are used according to the agreement, and WHO performs on-site monitoring and spot checks of ongoing activities on DFCs and post-facto review of selected DFCs based on risk assessments. WHO may withhold further funding to recipients of transfers and grants on the basis of performed assurance activities if the requirements of the agreement have not been met.

Description	31 December 2017	31 December 2016 (restated)
	US$ thousands	
Direct financial cooperation	151 585	203 695
Grant letters of agreement	68 399	45 515
Equipment procured for third parties	35 462	
Fellowships (refer to Note 3)	4 616	4 980
Total transfers and grants	**260 062**	**254 190**

Travel

The cost of travel includes both WHO staff and non-staff participants in meetings, consultants and representatives of Member States paid by the Organization. Travel expenses include airfare, per diem and other travel-related costs.

Description	31 December 2017	31 December 2016
	US$ thousands	
Travel	**201 907**	**200 331**

General operating expenses

General operating expenses reflect the cost of general running costs incurred to maintain country offices, regional offices and headquarters including utilities, telecommunications (fixed telephone, mobile phone, Internet and global network expenses), office rents etc. Hospitality and courtesy expenses that are mainly incurred during workshops, meetings and training are included here, as well as the catastrophic accident and illness insurance premium.

"Other in-kind" pertains to the computers, vehicles, office rent, supplies and other items that were received as in-kind contributions.

Description	31 December 2017	31 December 2016
	US$ thousands	
General operating costs	152 448	118 668
Courtesy and hospitality	4 981	3 652
Other in-kind	10 256	9 465
Total general operating expenses	**167 685**	**131 785**

Equipment, vehicles and furniture

Until 2016, the Organization benefited from the transitional provision under IPSAS 17 (Property, Plant, and Equipment), (refer to Note 3). As from 2017, only items below the capitalization threshold were expensed; remaining were capitalized and depreciated as per policy. Total expenses for 2017 was US$ 35.9 million (US$ 55.8 million for 2016).

Depreciation and amortization

Depreciation is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment over their useful lives. From 2017, all capitalized items above threshold were depreciated as per policy.

Amortization is the expense resulting from the systematic allocation of the amortizable amount of intangible assets over their useful lives. As of 2017, it relates to purchased software.

Description	31 December 2017	31 December 2016
	US$ thousands	
Depreciation	13 320	2 204
Amortization (refer to Note 4.8)	847	632
Total depreciation and amortization	**14 167**	**2 836**

5.3 Finance revenue

Finance revenue includes the following:

Description	31 December 2017	31 December 2016
	US$ thousands	
Investment revenue	44 037	34 308
Bank charges and investment management fees	(2 800)	(3 279)
Net realized foreign exchange gains or (losses)[a]	(1 937)	50 056
Net unrealized foreign exchange gains or (losses)	53 951	(4 120)
Actuarial revaluation gains or (losses) on Terminal Payments Fund and Accident and Illness Insurance Fund	4 016	(1 889)
Actuarial interest cost related to valuation of Terminal Payments Fund and Accident and Illness Insurance Fund	(2 268)	(2 465)
Net total finance revenue (WHO and other entities)	**94 999**	**72 611**
Investment revenue and foreign exchange gains and losses apportioned to other entities	(17 726)	(9 929)
Total net finance revenue WHO	**77 273**	**62 682**

[a] Includes differences due to rounding of the financial statements to the nearest thousand US dollars.

Total finance revenue includes amounts related to funds administered by WHO on behalf of other entities (refer to Note 4.15). The investment income relating to other entities is allocated to those entities. Certain funds earned investment income; in addition, interest is apportioned based on average fund balance and reported as finance revenue for the fund.

6. Supporting information to the Statement of Changes in Net Assets/Equity

6.1 General Fund

This note provides fund balance details for the General Fund.

Description	31 December 2017	31 December 2016
	US$ thousands	
Regular budget	34 340	3 838
Voluntary funds	2 259 537	2 164 343
Total General Fund	**2 293 877**	**2 168 181**

6.1.a Regular budget

This note provides details of revenue and expenses of the regular budget.

Description	Member States AC Fund	Tax Equalization Fund	Working Capital Fund	Total
	in US$ thousands			
Balance as at 1 January 2017	(18 349)	(8 813)	31 000	3 838
Net Member States' assessed contributions (refer to Note 5.1)	456 712			456 712
Appropriation to Tax Equalization Fund	(13 489)	13 489		-
Appropriation to Infrastructure Fund	(15 000)			(15 000)
Finance Revenue	8 266			8 266
Miscellaneous expenses	(479)			(479)
Programmatic expenses	(406 797)			(406 797)
Tax reimbursements to staff members		(12 200)		(12 200)
Balance as at 31 December 2017	10 864	(7 524)	31 000	34 340

For details regarding assessed contributions revenue, see Note 5.1.

Under resolution WHA68.1, US$ 13.5 million was transferred to the Tax Equalization Fund.

Under resolution WHA63.7, US$ 10 million was transferred to the Infrastructure Fund (Real Estate fund) and decision WHA70(16), US$ 5 million was transferred to the Infrastructure Fund (Information Technology Fund).

Under resolution WHA68.1, the Health Assembly decided that the Working Capital Fund should be maintained at its existing level of US$ 31 million.

6.1.b Voluntary Funds

This note provides fund balance details for the core, specified and partnerships of the Voluntary Fund.

Description	Notes	31 December 2017	31 December 2016
		in US$ thousands	
Voluntary Contributions Core Fund		105 874	190 285
Voluntary Contributions Specified Fund		1 201 310	1 145 431
Special Programme for Research and Training in Tropical Diseases (TDR Trust Fund)		18 717	19 277
Special Programme of Research, Development and Research Training in Human Reproduction (HRP Trust Fund)		34 431	44 291
Special Programmes and Collaborative Arrangements Fund		200 523	193 359
Special Account for Servicing Costs Fund	6.1.b.i	366 462	415 062
Outbreak and Crisis Response Fund		299 889	139 561
Contingency Fund for Emergencies	6.1.b.ii	18 294	17 077
Fee for service fund – exchange transactions		14 037	
Total Voluntary funds		**2 259 537**	**2 164 343**

6.1.b.i Special Account for Servicing Costs Fund

The Special Account for Servicing Costs Fund (AS Fund) was established in order to support the costs of servicing activities financed from sources other than the assessed contribution budget (i.e. from voluntary contributions).

The Fund is credited with revenue from the following sources:

- under resolution WHA34.17 (1981), funds are received for programme support costs from voluntary sources and are calculated by applying a fixed percentage rate to total expenses
- administrative service agreements with other entities
- interest earned on voluntary funds is described in document EB122/3

A summary of the Fund is provided below.

Description	31 December 2017	31 December 2016
	US$ thousands	
Balance as at 1 January	**415 062**	**302 775**
Revenue		
Programme support costs	161 784	148 667
Finance revenue	48 078	67 134
Administrative service agreements with other entities	5 552	6 144
Other revenue	1 363	1 310
Total revenue	**216 777**	**223 255**
Expenses		
Staff and other personnel costs	150 630	68 487
Medical supplies and materials	4 048	289
Contractual services	25 620	19 841
Transfers and grants to counterparts	1 099	(38)
Travel	7 896	2 676
General operating expenses	25 551	16 711
Equipment, vehicles and furniture	4 701	3 174
Total expenses	**219 545**	**111 140**
Less:		
Increase/(decrease) in allowance for doubtful accounts – voluntary contributions Note (a) – refer to Note 4.3	272	(172)
Transfer to Special Purpose Fund Note (b)	45 560	
Balance as at 31 December	**366 462**	**415 062**

(a) In 2017, there was an increase (decrease in 2016) in the allowance for doubtful accounts under voluntary contributions, refer to Note 4.3.

(b) In 2017, the following transfers were made:
i. US$ 30 million to Polio Staff Liability Fund
ii. US$ 15.56 million to Infrastructure Fund (US$ 14.9 million was transferred to Information Technology Fund and US$ 0.66 million was transferred to Real Estate Fund).

Expenses under the Fund by major office are as follows:

Expenses by major office	31 December 2017	31 December 2016
	US$ thousands	
Global and interregional activities	98 467	44 140
Regional Office for Africa	37 989	20 811
Regional Office for the Americas	12 035	9 043
Regional Office for the Eastern Mediterranean	20 933	14 047
Regional Office for Europe	12 991	6 219
Regional Office for South-East Asia	22 957	9 414
Regional Office for the Western Pacific	14 173	7 466
Total expenses by major office	**219 545**	**111 140**

6.1.b.ii Contingency Fund for Emergencies

This fund was established by the Sixty-eighth World Health Assembly in decision WHA68(10) (2015). The purpose of the fund is to provide temporary financing for the emergency field operations with a target capitalization of US$ 100 million. It will be funded by voluntary contributions. A summary of the Fund is as follows.

Description	31 December 2017	31 December 2016
	US$ thousands	
Balance as at 1 January	**17 077**	**14 265**
Revenue		
Contributions	12 988	18 090
Total revenue	**12 988**	**18 090**
Expenses		
Staff costs	742	867
Medical supplies and materials	1 232	1 556
Contractual services	3 600	3 615
Transfers and grants	545	565
Travel	1 903	5 517
General operating expenses	2 954	2 795
Equipment, vehicles and furniture	795	363
Total expenses	**11 771**	**15 278**
Balance as at 31 December	**18 294**	**17 077**

6.2 Member States – other

This note provides fund balance details for the Member States – other.

Description	31 December 2017	31 December 2016 (restated)
	US$ thousands	
Common Fund	135 999	104 271
Enterprise Fund (refer to Note 6.2.a)	22 706	17 483
Special Purpose Fund (refer to Note 6.2.b)	(1 262 462)	(998 265)
Total Member States – other	**(1 103 757)**	**(876 511)**

6.2.a Enterprise Fund

This note provides fund balance details for the Enterprise Fund.

Description	31 December 2017	31 December 2016
	US$ thousands	
Enterprise Fund		
Revolving Sales Fund	4 442	3 848
Concessions Fund	4 551	3 724
Insurance Policies Fund	1 966	1 063
Garage Rental Fund	3 652	2 873
Accident and Illness Insurance Fund	8 095	5 975
Total Enterprise Fund	**22 706**	**17 483**

6.2.b Special Purpose Fund

This note provides fund balance details for the Special Purpose Fund.

Description	31 December 2017	31 December 2016
	US$ thousands	
Special Purpose Fund		
Infrastructure Fund (refer to Note 6.2.b.i)	134 546	99 866
Building Loan Fund	(19 515)	(7 891)
Security Fund	2 794	2 794
Special Fund for Compensation	(8 693)	(4 859)
Terminal Payments Fund	15 855	6 479
Non-Payroll Staff Entitlements Fund	12 928	16 624
Post Occupancy Charge Fund	12 431	26 243
Mobility Fund	18 592	10 073
Internal Service Cost Recovery Fund	3 534	4 413
Staff Health Insurance Fund (refer to Note 4.12)	(1497 478)	(1182 510)
Stockpiles Replenishment Fund	12 544	10 503
Polio Staff Liability Fund	50 000	20 000
Total Special Purpose Fund	**(1262 462)**	**(998 265)**

6.2.b.i Infrastructure Fund

This fund was established by the Health Assembly in decision WHA70 (16). The summary of the fund is as follows:

Description	31 December 2017	31 December 2016
	in US$ thousands	
Real Estate Fund (refer to Note 6.2.b.i.a))	111 458	95 725
IT Fund (refer to Note 6.2.b.i (b))	23 088	4 141
Total Infrastructure Fund	**134 546**	**99 866**

6.2.b. i.(a) Real Estate Fund

This fund was established by the Health Assembly in resolution WHA23.14 (1970). The Fund is used to meet the costs of: the construction of buildings or extensions to existing buildings; the acquisition of land that may be required; and major repairs and alterations to WHO's existing office buildings and to residences leased to staff by the Organization. Specific Health Assembly authorization is required for the acquisition of land and the construction of buildings or extensions to existing buildings.

The summary of the fund is as follows:

Description	31 December 2017	31 December 2016
	US$ thousands	
Balance as at 1 January	**95 725**	**90 980**
Revenue		
Appropriation received in accordance with resolution WHA63.7	10 000	
Transfer for special projects Note (a)	4 231	
Rents collected	2 252	2 073
Other revenue	10 632	8 886
Total revenue	**27 115**	**10 959**
Expenses		
Staff and other personnel costs	17	9
Medical supplies and materials		22
Contractual services	7 849	4 173
Travel	(2)	34
General operating expenses	2 547	1 063
Equipment, vehicles and furniture	971	913
Total expenses	**11 382**	**6 214**
Balance as at 31 December	**111 458**	**95 725**

(a) In 2017, US$ 2.6 million by AFRO, US$ 1.7 million by headquarters and US$ 1.0 million by WPRO was transferred to the Real Estate Fund.US$ 1.2 million was transferred back to AS Fund.

Expenses under the Real Estate Fund are as follows:

Description	31 December 2017	31 December 2016
	US$ thousands	
Expenses by major office		
Headquarters	6 286	1 692
Regional Office for Africa	4 624	3 825
Regional Office for the Eastern Mediterranean	442	326
Regional Office for South-East Asia	30	
Regional Office for the Western Pacific		371
Total expenses	11 382	6 214

6.2.b.i (b) Information Technology Fund

This Fund was established to meet the Organization's current and future administrative requirements . It may be financed by way of appropriation from the regular budget and from voluntary contributions including the Special Account for Servicing Costs. The summary of the Fund is as follows:

Description	31 December 2017	31 December 2016
	US$ thousands	
Balance as at 1 January	**4 141**	**12 009**
Revenue		
Appropriation received in accordance with decision WHA70(16)	15 000	
Transfer for special projects	14 900	
Total revenue	**29 900**	
Expenses		
Staff and other personnel costs	3 016	2 921
Contractual services	6 595	3 506
Travel	167	260
General operating expenses	760	465
Equipment, vehicles and furniture	415	716
Total expenses	**10 953**	**7 868**
Balance as at 31 December	**23 088**	**4 141**

6.3 Fiduciary Fund

This note provides fund balance details for the Fiduciary Fund.

Description	31 December 2017	31 December 2016
	US$ thousands	
Fiduciary Fund		
WHO Framework Convention on Tobacco Control	8 459	10 707
Roll Back Malaria Partnership Fund	(481)	964
Partnership for Maternal, Newborn and Child Health Fund	4 291	2 255
Alliance for Health Policy and System Research Fund	14 040	14 851
Global Health Workforce Alliance Fund	1 089	1 515
European Observatory on Health Systems and Policies	7 223	5 074
ESPEN Fund	6 983	7 727
Total Fiduciary Fund	**41 604**	**43 093**

6.4 Changes to funds under Statement III (Statement of Changes in Net Assets/Equity)

As at 31 December 2017, the following new funds were established:

Infrastructure Fund. This Fund was established by the Seventieth World Health Assembly through decision WHA70(16) to consolidate reporting for the Real Estate Fund and the Information Technology Fund.

Pre-qualification Fund. This Fund was established to record and report fees charged to manufacturers for pre-qualification services to assess the quality, safety and efficacy of medical produces (vaccines, medicines or diagnostics).

7. Supporting information to the Statement of Comparison of Budget and Actual Amounts

In May 2015, the Health Assembly adopted resolution WHA68.1 on the Programme budget 2016–2017, in which it approved the budget for the financial period 2016–2017, under all sources of funds, namely, assessed and voluntary contributions of US$ 4385 million. WHO's budget is adopted on a biennial basis by the Health Assembly. In May 2016, the Health Assembly adopted decision WHA69(9) to revise

the Programme budget 2016-2017 to US$ 4545 million (an increase of US$ 160 million compared to the figure originally approved).

WHO's budget and financial statements are prepared using a different accounting basis. The Statement of Financial Position (Statement I), Statement of Financial Performance (Statement II), Statement of Changes in Net Assets/Equity (Statement III), and Statement of Cash Flow (Statement IV) are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is established on a modified cash basis (i.e. actual expenses are used to measure the budget utilization).

As per the requirements of IPSAS 24 (Presentation of Budget Information in Financial Statements), the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any differences in terms of basis, timing, entity and presentation. The General Fund, as per Note 2.18, represents the programme budget results, except for the Tax Equalization Fund expenses, other non-programme budget utilization and all in-kind/in-service expenses which are not included in the programme budget results.

As required by IPSAS 24 (Presentation of Budget Information in Financial Statements), reconciliation is provided on a comparable basis between the actual amounts as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing, entity and presentation differences.

Basis differences occur when the components of the approved programme budget are used for activities other than the implementation of technical programmes. Examples of this include Tax Equalization Fund expenses, other non-programme budget utilization and special arrangements.

Timing differences represent the inclusion in WHO's financial accounts of programme budget expenses in other financial periods.

Entity differences represent the inclusion in WHO's financial accounts of the amounts against two funds: Member States – other and the Fiduciary Fund. These funds do not form part of the Organization's programme budget.

Presentation differences concern differences in the format and classification schemes in the Statement of Cash Flow (Statement IV) and the Statement of Comparison of Budget and Actual Amounts (Statement V).

A reconciliation between the actual amounts on a comparable basis in Statement V and the actual amounts in Statement IV for December 2017 is presented below.

Description	2017			
	Operating	**Investing**	**Financing**	**Total**
	US$ thousands			
Actual amount on a comparable basis (Statement V)	(2 390 065)			(2 390 065)
Basis differences	129 604	214 328	8 808	352 740
Timing differences	1 383			1 383
Entity differences	159 483	(22 901)		136 582
Presentation differences	2 030 640	(27 518)		2 003 122
Actual amount in the Statement of Cash Flow (Statement IV)	**(68 955)**	**163 909**	**8 808**	**103 762**

8. Segment reporting

8.1 Statement of Financial Position by segments

As at 31 December 2017 (In thousands of US dollars)

Description	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
ASSETS								
Current assets								
Cash and cash equivalents	504 856	14 965	0	8 943	1 563	6 884	3 441	540 652
Short-term investments	2 578 038	0	0	0	0	0	0	2 578 038
Receivables – current	1 787 198	1 823	(577 354)	602	389	1 508	244	1 214 410
Staff receivables	4 728	2 179	0	947	329	757	1 164	10 104
Inventories	27 417	1 494	0	13 979	0	362	389	43 641
Prepayments and deposits	9 542	512	0	1 071	161	8 632	394	20 312
Total current assets	**4 911 779**	**20 973**	**(577 354)**	**25 542**	**2 442**	**18 143**	**5 632**	**4 407 157**
Non-current assets								
Receivables – non-current	236 603	0	0	0	0	0	0	236 603
Long-term investments	118 745	0	0	0	0	0	0	118 745
Property, plant and equipment	59 357	15 847	0	24 202	1 200	1 557	1 382	103 545
Intangibles	3 807	0	0	0	0	0	0	3 807
Total non-current assets	**418 512**	**15 847**	**0**	**24 202**	**1 200**	**1 557**	**1 382**	**462 700**
TOTAL ASSETS	**5 330 291**	**36 820**	**(577 354)**	**49 744**	**3 642**	**19 700**	**7 014**	**4 869 857**
LIABILITIES								
Current liabilities								
Contributions received in advance	107 255	0	0	56	0	9	0	107 320
Accounts payable	19 671	8 161	0	21 916	5 077	7 888	2 949	65 662
Staff payable	647	1 056	0	292	80	171	93	2 339
Accrued staff benefits – current	22 979	12 717	0	4 403	3 544	3 312	3 103	50 058
Deferred revenue – current	431 320	0	0	0	0	0	0	431 320
Financial liabilities	72 857	0	0	0	0	0	0	72 857
Other current liabilities	(13 887 933)	6 109 330	141 286	3 579 525	1 109 877	1 767 030	1 282 027	101 142
Inter-entity liabilities	948 291	0	0	0	0	0	0	948 291
Long-term borrowings – current	611	0	0	0	0	0	0	611
Total current liabilities	**(12 284 302)**	**6 131 264**	**141 286**	**3 606 192**	**1 118 578**	**1 778 410**	**1 288 172**	**1 779 600**
Non-current liabilities								
Long-term borrowings – non-current	43 004	0	0	0	0	0	0	43 004
Accrued staff benefits – non-current	1 005 042	242 563	0	74 448	113 407	82 656	60 006	1 578 122
Deferred revenue – non-current	236 603	0	0	0	0	0	0	236 603
Other liabilities – non-current	804	0	0	0	0	0	0	804
Total non-current liabilities	**1 285 453**	**242 563**	**0**	**74 448**	**113 407**	**82 656**	**60 006**	**1 858 533**
TOTAL LIABILITIES	**(10 998 849)**	**6 373 827**	**141 286**	**3 680 640**	**1 231 985**	**1 861 066**	**1 348 178**	**3 638 133**
NET ASSETS/EQUITY								
General Fund	16 448 508	(6 000 885)	(703 996)	(3 417 723)	(1 074 932)	(1 723 255)	(1 233 840)	2 293 877
Member States – other	(185 225)	(330 473)	(14 431)	(212 905)	(135 745)	(117 807)	(107 171)	(1 103 757)
Fiduciary funds	65 857	(5 649)	(213)	(268)	(17 666)	(304)	(153)	41 604
TOTAL NET ASSETS/EQUITY	**16 329 140**	**(6 337 007)**	**(718 640)**	**(3 630 896)**	**(1 228 343)**	**(1 841 366)**	**(1 341 164)**	**1 231 724**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**5 330 291**	**36 820**	**(577 354)**	**49 744**	**3 642**	**19 700**	**7 014**	**4 869 857**

8.2 Statement of Financial Performance by segments

For the year ended 31 December 2017 (In thousands of US dollars)

Description	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
Revenue								
Assessed contributions	456 712						(1)	456 711
Voluntary contributions	2 139 272				33			2 139 305
Voluntary contributions in-kind and in-service	136 832							136 832
Reimbursable procurement	9 047							9 047
Other revenue	41 506	(4 168)		306	(1 888)	(1 940)	(411)	33 405
Total revenue	**2 783 369**	**(4 168)**		**306**	**(1 855)**	**(1 940)**	**(412)**	**2 775 300**
Expenses								
Staff costs	448 830	225 404	26 780	88 063	69 656	53 029	54 538	966 300
Medical supplies and materials	34 771	83 232	2 040	78 975	7 148	38 663	8 190	253 019
Contractual services	185 238	189 803	19 309	255 786	48 117	57 840	25 459	781 552
Transfers and grants	23 141	101 110	3 023	87 307	4 179	25 056	16 246	260 062
Travel	88 763	51 072	13 614	16 353	13 379	9 158	9 568	201 907
General operating expenses	39 529	48 416	10 998	36 948	12 357	13 770	5 667	167 685
Equipment, vehicles and furniture	4 115	8 366		16 160	2 362	2 792	2 048	35 843
Depreciation and amortization	2 776	6 471		2 644	511	843	922	14 167
Total expenses	**827 163**	**713 874**	**75 764**	**582 236**	**157 709**	**201 151**	**122 638**	**2 680 535**
Finance revenue	**74 241**	**(195)**	**(4)**	**1 228**	**249**	**1 623**	**131**	**77 273**
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR[a]	**2 030 447**	**(718 237)**	**(75 768)**	**(580 702)**	**(159 315)**	**(201 468)**	**(122 919)**	**172 038**

[a] The revenue balance shows a high surplus for headquarters and deficits for other offices. This is a consequence of the policy of centralized accounting for revenue and decentralized accounting for expenses.

9. Amounts written-off and ex-gratia payments

During 2017, a total of US$ 453 915 was approved as write-off (US$ 328 434 in 2016). This amount is comprised of: US$ 388 620 relating to travel advances from former staff members, meeting participants and old cases with staff members where recovery was deemed impossible; US$ 40 478 relating to supplier advances and credit memos where the balance was deemed impossible to recover; and US$ 24 917 relating to salary advances or missing pension contributions from former staff members where the balance was deemed impossible to recover.

No ex-gratia payment was approved in 2017(US$ nil in 2016).

10. Related party and other senior management disclosures

Staff members considered to be "key management personnel" are the Director-General, regional directors and all other ungraded staff.

The number of key management personnel who held these positions over the course of the year was 32. The table below details their aggregate remuneration.

Description	US$ thousands
Compensation and post adjustment	4 592
Entitlements	1 200
Pension and health plans	1 229
Total remuneration	**7 021**
Outstanding advances against entitlements	**167**
Outstanding loans (in addition to normal entitlements, if any)	**–**

The aggregate remuneration of key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. Key management personnel are ordinary members of the UNJSPF.

The Regional Director for the Americas is included among the key management personnel. However, as the Regional Director is receiving all entitlements and benefits from PAHO, the entitlements and benefits concerned are disclosed in PAHO's financial statements and not in WHO's financial statements.

During the year, no loans were granted to key management personnel beyond those widely available to staff outside this grouping.

11. Events after the reporting date

WHO's reporting date is 31 December 2017. The financial statements were authorised for issue on 23 March 2018, the date at which they were submitted to the External Auditor by the Director-General. On the date of the signing of these accounts, no material events, favourable or unfavourable, had arisen between the balance sheet date and the date when the financial statements were authorized for issue that would have had an impact on the financial statements.

12. Contingent liabilities, commitments and contingent assets

Contingent liabilities

As at 31 December 2017, WHO had a number of legal cases pending. Most involve disputes that are not recorded because the likelihood of repayment has been determined to be remote. However, there are three cases involving contractual disputes that are to be considered contingent liabilities. The total potential cost to the Organization is estimated at US$ 288 407 (US$ 16 150 as at 31 December 2016).

Operating lease commitments

WHO enters into operating lease arrangements for renting office space in various country offices. Future minimum lease rental payments for the following periods are as follows.

Description	Total	
	US$ thousands	
	Year 2017	**Year 2016**
Under 1 Year	7 292	7 139
1 to 5 years	6 656	9 046
5 years +	1 258	1 107
Total operating lease commitments	**15 206**	**17 292**

The Organization has no outstanding leases qualifying as finance leases at the reporting date.

WHO leased office space to six tenants. As at 31 December 2017, total revenue from the leasing activities was US$ 0.8 million (US$ 0.8 million as at 31 December 2016).

Contingent assets

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2017, there are no material contingent assets to disclose.

Schedule I. Statement of Financial Performance by major funds

For the year ended 31 December 2017
(In thousands of US dollars)

Description	General Fund				Member States – other			Fiduciary Fund	Subtotal	Eliminations[a]	Total	Percentage
	Regular budget	Voluntary funds	Eliminations[a]	Subtotal	Common Fund	Enterprise Fund	Special Purpose Fund					
Revenue												
Assessed contributions	456 712			456 712	(1)				(1)		456 711	16%
Voluntary contributions		2 110 565		2 110 565				30 701	30 701	(1 961)	2 139 305	77%
Voluntary contributions in-kind and in-service						136 832			136 832		136 832	5%
Reimbursable procurement						9 047			9 047		9 047	0%
Other revenue	(479)	181 198	(158 649)	22 070	1	10 857	261 869	1 538	274 265	(262 930)	33 405	1%
Total operating revenue	**456 233**	**2 291 763**	**(158 649)**	**2 589 347**		**156 736**	**261 869**	**32 239**	**450 844**	**(264 891)**	**2 775 300**	**100%**
Expenses												
Staff costs	291 343	657 829		949 172		20 137	156 173	14 994	191 304	(174 176)	966 300	36%
Medical supplies and materials	6 080	137 917		143 997	(4 496)	116 347	4 591	26	116 468	(7 446)	253 019	9%
Contractual services	52 042	688 462		740 504	(12 548)	249	54 826	7 709	50 236	(9 188)	781 552	29%
Transfers and grants	14 214	239 710		253 924	483	3 640	662	3 845	8 630	(2 492)	260 062	10%
Travel	25 972	170 606		196 578		102	1 904	3 475	5 481	(152)	201 907	8%
General operating expenses	37 384	314 566	(158 649)	193 301	(2 106)	11 362	31 462	3 617	44 335	(69 951)	167 685	6%
Equipment, vehicles and furniture	6 962	36 614		43 576	(14 363)	1 356	6 698	62	(6 247)	(1 486)	35 843	1%
Depreciation and amortization					14 167				14 167		14 167	1%
Total expenses	**433 997**	**2 245 704**	**(158 649)**	**2 521 052**	**(18 863)**	**153 193**	**256 316**	**33 728**	**424 374**	**(264 891)**	**2 680 535**	**100%**
Finance revenue	**8 266**	**49 135**		**57 401**	**12 865**	**1 680**	**5 327**		**19 872**		**77 273**	
TOTAL SURPLUS/ (DEFICIT) FOR THE YEAR	**30 502**	**95 194**		**125 696**	**31 728**	**5 223**	**10 880**	**(1 489)**	**46 342**		**172 038**	
Fund balance – 1 January 2017	**3 838**	**2 164 343**		**2 168 181**	**104 271**	**17 483**	**(998 265)**	**43 093**	**(833 418)**		**1 334 763**	
Direct adjustments to net assets/ equity							**(275 077)**		**(275 077)**		**(275 077)**	
Fund balance – 31 December 2017	**34 340**	**2 259 537**		**2 293 877**	**135 999**	**22 706**	**(1262 462)**	**41 604**	**(787 076)**		**1 231 724**	

[a] Eliminations as reported in the "Statement of financial performance by major fund (Schedule 1)" are accounting adjustments made to remove the effect of inter-fund transfers that would otherwise overstate revenue and expenses of the Organization. These accounting adjustments are done through a separate elimination fund established for this purpose.

Schedule II. Expenses by major office – General Fund only

For the year ended 31 December 2017
(In thousands of US dollars)

Description	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
Expenses								
Staff costs	446 172	221 129	26 780	87 075	60 869	53 106	54 041	949 172
Medical supplies and materials	23 153	26 308	2 040	69 119	7 872	12 616	2 889	143 997
Contractual services	152 294	181 825	19 309	255 808	47 254	58 421	25 593	740 504
Transfers and grants	22 546	99 822	3 023	85 729	4 201	22 441	16 162	253 924
Travel	85 299	49 699	13 614	16 160	13 072	9 140	9 594	196 578
General operating expenses	78 133	44 515	10 998	35 243	7 111	13 052	4 249	193 301
Equipment, vehicles and furniture	3 574	13 760		17 949	2 359	3 236	2 698	43 576
Total expenses	**811 171**	**637 058**	**75 764**	**567 083**	**142 738**	**172 012**	**115 226**	**2 521 052**
Percentage of expenses by expense type across major office								
Staff and other personnel costs	47%	23%	3%	9%	6%	6%	6%	100%
Medical supplies and materials	16%	18%	1%	48%	5%	9%	2%	100%
Contractual services	21%	25%	3%	35%	6%	8%	3%	100%
Transfers and grants to counterparts	9%	39%	1%	34%	2%	9%	6%	100%
Travel	43%	25%	7%	8%	7%	5%	5%	100%
General operating expenses	40%	23%	6%	18%	4%	7%	2%	100%
Equipment, vehicles and furniture	8%	32%	0%	41%	5%	7%	6%	100%
Total percentage	**32%**	**25%**	**3%**	**22%**	**6%**	**7%**	**5%**	**100%**
Percentage of expenses by expense type within each major office								
Staff and other personnel costs	55%	35%	35%	15%	43%	31%	47%	38%
Medical supplies and materials	3%	4%	3%	12%	6%	7%	3%	6%
Contractual services	19%	29%	25%	45%	33%	34%	22%	29%
Transfers and grants to counterparts	3%	16%	4%	15%	3%	13%	14%	10%
Travel	11%	8%	18%	3%	9%	5%	8%	8%
General operating expenses	10%	7%	15%	6%	5%	8%	4%	8%
Equipment, vehicles and furniture	0%	2%	0%	3%	2%	2%	2%	2%
Total percentage	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Schedule III. Financial overview – all funds, 2016–2017 and 2014-2015

For the year ended 31 December 2017
(In millions of US dollars)

Description	Total 2017	Total 2016	Total 2016–2017	Total 2014–2015
Assessed contributions	457	470	927	955
Voluntary contributions – programme budget	2 111	1 717	3 828	3 839
Total contributions – programme budget	**2 568**	**2 187**	**4 755**	**4 794**
Non-programme budget revenue	70	89	159	123
Voluntary contributions in-kind and in-service (refer to Note 5.1)	137	88	225	180
Total revenue (all sources)	**2 775**	**2 364**	**5 139**	**5 097**
Expenses – programme budget	2 390	2 182	4 572	4 357
Expenses – non-programme budget and other	153	201	354	511
Expenses – in-kind and in-service	137	88	225	175
Total expenses (all sources)	**2 680**	**2 471**	**5 151**	**5 043**
Finance revenue	**77**	**63**	**140**	**28**
Total surplus/(deficit)	**172**	**(44)**	**128**	**82**

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