



WORLD HEALTH ORGANIZATION

FIFTY-THIRD WORLD HEALTH ASSEMBLY
Provisional agenda item 14.1

A53/18
12 May 2000

Financial report on the accounts of WHO for 1998-1999, report of the External Auditor, and comments thereon made on behalf of the Executive Board; report of the Internal Auditor

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

1. The thirteenth meeting of the Administration, Budget and Finance Committee (ABFC) took place in Geneva on 12 May 2000 under the chairmanship of Professor T. Zeltner (Switzerland). The list of participants is attached (Annex).
2. An adviser to a member of the Executive Board drew the attention of the Chairman to the fact that there was no interpretation facility for the Russian language and that some documents were not available in Russian. He queried whether the meeting should be adjourned.
3. The Secretariat confirmed that all documents for the meeting were currently available in Russian and apologized for a misunderstanding which created the situation whereby interpretation facilities were available only from Russian to English.
4. The Committee, with the acquiescence of the person who raised the issue, decided to proceed with the meeting on the understanding that full interpretation facilities would be made available at all future meetings.
5. The provisional agenda was adopted¹ and the Chairman welcomed the Chairman of the Executive Board and the Chairman of the Audit Committee.

FINANCIAL REPORT ON THE ACCOUNTS OF WHO FOR THE FINANCIAL PERIOD 1998-1999 (Documents A53/17 and A53/17 Add.1)

6. The Committee noted that in order to discuss with due consideration a document as important as the financial report and audited financial statements, sufficient time was needed for prior evaluation. In this respect, a number of members expressed concern over late receipt of documents. One member said that the 117-page, substantive document was received on 8 May 2000, allowing only four days for evaluation. There was no time for consultation with other interested parties at national level. The

¹ Document EBABFC13/1.

Committee also noted that although documents were now posted on the Internet they were not always available for downloading on the dates indicated.

7. The Secretariat apologized to those members who had not received their documents on time despite dispatch on 25 April, and acknowledged there had been previous concern over delays in document distribution. Three months were required to close the accounts of the Organization at the end of a biennium, to prepare the financial report, and to have the external audit completed. Further consideration would be given to improving electronic accessibility and to reviewing the time it took for members to receive documents after they are dispatched by the Organization. In response to a specific request, it was agreed that in future all members would receive documents relating to agenda items at least two weeks before the date of the relevant meeting in either the electronic version or hard copy by special delivery, and that the financial report and audited financial statements would be provided at least three weeks in advance.

8. The Committee noted the salient points of the financial report.

- The report includes significant changes in presentation compared with the previous financial report and complies fully with the United Nations System Accounting Standards.
- Compared with the previous biennium, income from all sources, that is, regular budget, extrabudgetary and trust funds, increased by 13%, and expenditure for WHO programme activities increased by 11%. Although the regular budget for 1998-1999 remained at the same level as the previous biennium, extrabudgetary resources increased significantly, by 42%.
- A provision of US\$ 93.8 million was made for delays in the collection of assessed contributions, in accordance with established accounting policies, representing the amount of assessed contributions for the 1998-1999 biennium not paid by Member States as at 31 December 1999.
- The final regular budget balance at 31 December 1999 was negative US\$ 63.1 million; the Organization had borrowed this amount internally to support implementation of the regular budget. The Working Capital Fund of US\$ 31 million was also fully drawn down.
- After taking into account the favourable effect of the exchange rate facility, the final effective appropriations for the biennium amounted to US\$ 837.4 million. Total obligations or expenditure amounted to US\$ 812.1 million, which left US\$ 25.3 million of the approved effective working budget unspent. However, in order to implement the remaining balance of the approved budget (US\$ 25.3 million) it would have been necessary to increase internal borrowing.

9. The Committee observed that from the standpoint of financial overview, the Organization was moving in the right direction. The level of internal borrowing was falling, as was the level of arrears of assessed contributions; the rate of collections of assessed contributions was improving and the amount of regular budget unliquidated obligations was decreasing.

REPORT OF THE AUDIT COMMITTEE OF THE EXECUTIVE BOARD (Document EBAC2/2)

10. The Committee noted the salient points of the first report of the second meeting of the Audit Committee of the Executive Board.

- The External Auditor had issued an unqualified audit opinion for the financial period under review.
- There had been concern at the level of unliquidated obligations. The External Auditor had indicated that audit procedures had been carried out in this regard, but stressed that the issue had not been considered material to the overall audit opinion on WHO's accounts. That matter had also been the subject of research in the United Nations system as a whole by the Panel of United Nations Auditors and would be followed up and discussed at the next Panel meeting. Attention had been drawn to the fact that the accounting standards and WHO policies were based on accrual accounting, and a conservative approach had been followed to recording financial commitments.
- The interlinked issues of the unimplemented regular budget, internal borrowing, and the very low level of WHO's Working Capital Fund had been considered. The positive trend in collection of assessed contributions had been noted with satisfaction, thus reducing the need to resort to internal borrowing. It had been noted that the effectiveness of the financial incentive scheme warranted further examination.
- Satisfaction had been expressed with the transparency and clarity of the financial report, which had also been commended by the External Auditor.
- Many practical recommendations had been made by the External Auditor. The Audit Committee had requested that a tabular inventory of recommendations should be drawn up, which would include an "age profile" of such recommendations, the status of their implementation, and comments by the Secretariat, if any.
- The progress made in operational planning for 2000-2001 had been noted, as well as the initiative under way to develop an integrated system of planning, monitoring, evaluation and reporting, to be in place as from the 2002-2003 biennium.
- The detailed recommendations of the External Auditor on computer audit of the general controls within the administration and finance information support at WHO, Geneva, relating to treasury and cash management and to environmental management, had been noted.
- The report on internal audit matters had been considered, and the Internal Auditors had confirmed that WHO's overall system of internal controls was adequate.
- The Audit Committee had recommended approval of the Director-General's Financial report and audited financial statements for the financial period 1 January 1998 – 31 December 1999 and the report of the External Auditor to the Health Assembly.

11. The Chairman invited the representative of the External Auditor and the Internal Auditor to comment; both confirmed their agreement with the first report of the second meeting of the Audit Committee.

12. The Committee welcomed the financial report and the detailed findings of the External Auditor. It urged the Secretariat to review the mandate of the Advisory Investment Committee; to look into the recommendations of the External Auditor on controls in the computerized environment; to review the number of bank accounts; and to further develop procedures for improving the number of fellows who submitted the required reports during and at the end of their fellowships.

RECOMMENDATION TO THE HEALTH ASSEMBLY

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

The Fifty-third World Health Assembly,

Having examined the Financial report and audited financial statements for the period 1 January 1998 – 31 December 1999 and the Report of the External Auditor to the Health Assembly;¹

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

ACCEPTS the Director-General's Financial report and audited financial statements for the financial period 1 January 1998 – 31 December 1999 and the Report of the External Auditor to the Health Assembly.

¹ Documents A53/17 and A53/17 Add.1.

² Document A53/18.

ANNEX

LIST OF PARTICIPANTS

Bangladesh

Professor S.M. Ali (Member)

China

Mr Liu Peilong (Member)

Mr Xu Nanshan (Adviser)

Dr Qi Qingdong (Adviser)

Comoros

Dr M. Toyb (Member)

Cyprus

Dr C. Komodikis (Alternate)

Germany

Mr H. Voigtländer (Member)

Mr K. Botzet (Adviser)

Switzerland

Mr T. Zeltner (Member)

Mr F. Gruber (Adviser)

United States America

Mr T. Novotny (Member)

Ms A. Blackwood (Adviser)

Ms K. Johnson (Adviser)

Mr E.M. Southwick (Adviser)

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