

# Audited Financial Statements

for the year ended 31 December 2018



World Health  
Organization



## Table of Contents

<b>2018 Statement of Internal Control .....</b>	<b>4</b>
<b>Certification of financial statements for the year ended 31 December 2018 .....</b>	<b>9</b>
<b>Letter of transmittal .....</b>	<b>10</b>
<b>Opinion of the External Auditor .....</b>	<b>11</b>
<b>Financial statements.....</b>	<b>14</b>
<b>Statement I. Statement of Financial Position .....</b>	<b>14</b>
<b>Statement II. Statement of Financial Performance .....</b>	<b>15</b>
<b>Statement III. Statement of Changes in Net Assets/Equity .....</b>	<b>16</b>
<b>Statement IV. Statement of Cash Flow .....</b>	<b>17</b>
<b>Statement V. Statement of Comparison of Budget and Actual Amounts .....</b>	<b>18</b>
<b>1. Notes to the financial statements .....</b>	<b>19</b>
(a) Reporting Entity .....	19
(b) Non-consolidated entities .....	19
(c) Basis of preparation and presentation .....	19
<b>2. Significant accounting policies.....</b>	<b>20</b>
<b>3. Note on the restatement/reclassification of balances .....</b>	<b>29</b>
<b>4. Supporting information to the Statement of Financial Position.....</b>	<b>29</b>
<b>5. Supporting information to the Statement of Financial Performance .....</b>	<b>52</b>
<b>6. Supporting information to the Statement of Changes in Net Assets/Equity .....</b>	<b>57</b>
<b>7. Supporting information to the Statement of Comparison of Budget and Actual Amounts .....</b>	<b>64</b>
<b>8. Segment reporting .....</b>	<b>65</b>
<b>9. Amounts written-off and ex-gratia payments .....</b>	<b>67</b>
<b>10. Related party and other senior management disclosures .....</b>	<b>67</b>
<b>11. Events after the reporting date .....</b>	<b>67</b>
<b>12. Contingent liabilities, commitments and contingent assets.....</b>	<b>68</b>
<b>Schedule I. Statement of Financial Performance by major funds .....</b>	<b>69</b>
<b>Schedule II. Expenses by major office – General Fund only.....</b>	<b>70</b>
<b>Schedule III. Financial overview – all funds, 2018, 2016–2017 and 2014–2015 .....</b>	<b>71</b>

## 2018 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 third statement of internal control and applies for the year ended 31 December 2018, up to the date of the approval of the Organization's 2018 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 fourth 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 2018, 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 2018, to increase staff awareness and build capacity in risk management, training in risk management was organized throughout the Organization.

During 2018, 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 and the 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 2018 self-assessment exercise deemed internal controls to be strong overall, with some slight improvements over the past four years. Across the Organization, the operational control area of risk management, in particular implementing risk response actions, was considered to have significant room for improvement. For the functional control areas, graded emergencies had the most room for improvement. Respondents identified a need to raise awareness on standard operating procedures. Furthermore, procurement planning, succession planning, travel planning and effective follow-up on actions stemming from audits and evaluations or other reviews were listed as requiring improvement. The results of the self-assessment exercise will be reviewed carefully, control measures adapted, as required, and action plans developed to address areas for improvement, if applicable.

(c) Reports issued by the Office of Internal Oversight. The internal audit reports, conducted under the 2018 audit workplan, provide objective information on compliance and control effectiveness, together with recommendations for improvement. Critical findings from these reports are summarized in the Annual Report of the Internal Auditor to the Health Assembly. Individual audit reports are available for review by Member States on request.

(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 review of three hosted partnerships and the emergency programme was a key aspect of the 2018 external audit. For further information, see the report of the External Auditor to the Seventy-second World Health Assembly (document A72/39).

(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 2018, 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
Insufficient financing of Programme budget 2018–2019 (primary risk related to flexible funding due to reduction in core voluntary contributions and uncertainty on future funding prospects)	<ol style="list-style-type: none"> <li>1. A resource mobilization strategy has been developed</li> <li>2. Targeted resource mobilization, including with potential new donors</li> <li>3. WHO's investment case</li> <li>4. Transformation of the resource mobilization, communications and partnerships as part of an integrated external relations function</li> <li>5. Targeting effective and timely implementation of funds according to donor agreements</li> </ol>
Financing and operational readiness of the WHO Health Emergencies Programme	<ol style="list-style-type: none"> <li>1. Targeted resource mobilization, partnership development and allocation of flexible resources to the programme</li> <li>2. Implementation of new policies, standard operating procedures, staff training and deployments from the emergency roster</li> <li>3. Strengthening of national and international capacities to deploy and deliver critical functions</li> <li>4. Regular review by the Independent Oversight and Advisory Committee for the Health Emergencies Programme of the status of WHO's reform in health emergencies, including the Programme's overall progress, structure and risks</li> </ol>

Risk	Examples of ongoing and planned risk response actions
Financing of polio eradication and risks to polio transition, notably dependency on polio funds; financial liabilities associated with the fixed-term staff of those programmes; and potential delays to the timely eradication of polio	<ol style="list-style-type: none"> <li>1. Coordinated efforts to enhance partner advocacy, resource mobilization, and partner coordination, with strengthened programme and financial transparency, to secure new commitments to finance polio eradication</li> <li>2. Regular reporting to the Polio Oversight Board on the status of polio transition risks and risk response actions</li> </ol>
Misconduct in the Organization, specifically related to fraud, corruption or other forms of wrongdoing	<ol style="list-style-type: none"> <li>1. <u>Prevention</u>: enhanced training in high-risk areas (such as ethics, fraud and financial risks in country offices); strict enforcement of relevant policies and the Code of Ethics and Professional Conduct; mandatory ethics training, including sexual abuse and exploitation and sexual harassment; rapid resolution of audit recommendations</li> <li>2. <u>Detection</u>: enhancement of integrated system controls (Global Management System) and exception reporting; enhanced monitoring; integrity hotline</li> <li>3. <u>Response</u>: enhancement of investigation capacity; proactive and rapid action in case of fraud/corruption/misconduct</li> </ol>
Business continuity risks linked to major incidents affecting WHO operations (for example, natural disaster or major terrorist attack)	<ol style="list-style-type: none"> <li>1. Developing and/or updating functional business continuity plans across the Organization</li> <li>2. Conducting simulation exercises starting in the second quarter of 2019</li> <li>3. Holding monthly global coordination meetings from the second half of 2019</li> </ol>
Cyber security (such as hacking of digital assets)	<ol style="list-style-type: none"> <li>1. Implementing the Organization-wide cyber security road map</li> <li>2. Executing a cybersecurity awareness campaign to increase user awareness</li> <li>3. Updating and implementing cybersecurity policies</li> </ol>
Security of WHO staff and premises	<ol style="list-style-type: none"> <li>1. Appointment of a Director of Security Services and eight additional field security officers to provide emergency response capacity</li> <li>2. Significant improvements to the physical security of premises</li> <li>3. Security training for all staff, integrated into the organizational learning platform</li> <li>4. Monitoring of compliance with security risk management measures</li> </ol>
Funding of long-term liabilities, notably the after-service health care costs	<ol style="list-style-type: none"> <li>1. Cost containment and efficiency measures (through governance of social health insurance)</li> <li>2. Review of contribution levels (through governance of social health insurance)</li> <li>3. Review necessary level of funding for future liability</li> </ol>

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.



<https://www.yunbaogao.cn/report/index/report?rep>