

Financial Report

and Audited Financial Statements

for the year ended 31 December 2014



**World Health
Organization**



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Information on voluntary contributions by fund and by contributor for the year ended 31 December 2014 is contained in the Annex to the Financial Report (document A68/INF./1), which is available on the WHO website, at <http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/>.

DIRECTOR-GENERAL'S REPORT



INTRODUCTION

1. In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization, I have the honour to present the Financial Report for the year ended 31 December 2014. The financial statements, accounting policies and notes to the financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and the Financial Regulations of the World Health Organization and its Financial Rules. The statutory components of the Financial Report have been audited by the Organization's External Auditor, the Republic of the Philippines Commission on Audit, whose opinion is included in the Financial Report.

2. The outbreak of Ebola virus disease had a dramatic impact on WHO in 2014. This outbreak was one of the most severe public health emergencies seen in recent years and WHO was at the forefront of efforts to bring it under control. In 2014, WHO recorded US\$ 220 million of revenue relating to the Organization's response to the Ebola outbreak; WHO spent US\$ 71 million on activities related to the outbreak. In addition, many resources were re-prioritized and WHO staff were redeployed for this emergency accounting for an estimated additional US\$ 28 million. This Financial Report includes further details of the financial consequences of WHO's response to the Ebola outbreak.

3. This is the third year in which the Organization's financial statements have been prepared under the IPSAS basis of accounting. This approach continues to bring greater transparency, accountability and a higher standard of financial reporting. WHO is fully IPSAS compliant, however, the Organization elected for the transitional provision to implement the IPSAS requirements for property and equipment. The value of all buildings and equipment owned by WHO will need to be fully accounted by 31 December 2016. Considerable work remains, most notably in the African Region, and this continues to be a focus for 2015.

4. Highlights of revenue, expenses, net assets/equity, assets and liabilities of the Organization are provided, together with information on cash flow, liquidity and investment management in order to provide a complete picture of WHO's financial position as at 31 December 2014. Finally, I have highlighted certain financial risks facing the Organization and the measures in place to manage them, including steps to address WHO financial management capacity to respond to future large-scale health emergencies.

FINANCIAL HIGHLIGHTS

5. In 2014, the total revenue was US\$ 2629 million and the total expenses were US\$ 2316 million. The resulting net amount of US\$ 313 million reflects funds received in advance of implementation that were carried forward to 2015. Even with this solid overall financial result, certain budget centres continue to be underfunded as a result of mismatches between planned spending and actual resources received. This situation is one of the central issues being addressed through the WHO financing reforms. Table 1 below provides the overall financial highlights.

Table 1. Financial highlights – all funds, 2014 and 2013 (US\$ million)

Revenue and expenses	Total 2014	Total 2013
Assessed contributions	492	476
Voluntary contributions – programme budget	2 002	1 930
Total contributions – programme budget	2 494	2 406
Voluntary contributions – non-programme budget	50	87
Reimbursable procurement	13	34
Other operating revenue	15	26
Voluntary contributions in-kind and in-service	50	44
Finance revenue	7	8
Total revenue (all sources)	2 629	2 605
Total expenses – programme budget	2 123	2 052
Total expenses – in-kind and in-service	49	39
Total expenses – non-programme budget	144	161
Total expenses (all sources)	2 316	2 252
Net	313	353

6. Total contributions for the programme budget in 2014 were US\$ 2494 million (in 2013, US\$ 2406 million). Assessed contributions from Member States accounted for US\$ 492 million being one half of the approved amount for the 2014–2015 biennium adjusted for tax equalization and reflecting the exchange rate impact of the Swiss franc currency. Voluntary contributions under the programme budget accounted for US\$ 2002 million in 2014. An additional US\$ 135 million was recorded in 2014 for non-programme budget revenue (US\$ 199 million in 2013). This included voluntary contributions for partnerships outside the programme budget, in-kind and in-service contributions, reimbursable procurement revenue, other operating revenue (being mainly administrative support costs from WHO entities, rental revenue, sale of publications), and finance revenue. Voluntary contributions in-kind and in-service represent donations of medical supplies, office rentals and staff costs. The list of contributors is summarized in Schedule 5 of the Annex to the Financial Report.¹

7. The financial statements cover the total effective budget for 2014–2015 of US\$ 3977 million.² Although the Organization has adopted an annual financial reporting period as stipulated in the revised Financial Regulation XIII,³ 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 total, expenditure against the programme budget is on track at 48% although there are significant differences between the percentages for base and the emergencies components. Further analysis of the use of funds is available in document A68/6 Implementation and financing of Programme budget 2014–2015: Mid-term review, which describes the implementation of the programme budget for 2014 and the results achieved.

¹ See document A68/INF./1.

² See resolution WHA66.2.

³ See resolution WHA62.6.

8. 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 this report.

9. The Organization provides services to six 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, the African Programme for Onchocerciasis Control (APOC) and the Staff Health Insurance. 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 entities¹ are included within the Statement of Financial Position (Statement I) and summarized in Table 5 below.

NET ASSETS/EQUITY

10. The Statement of Changes in Net Assets/Equity (Statement III), and the related notes provides information on the fund balances as at 31 December 2014, the movement of these balances during 2014 and the opening balance from 1 January 2014. The total net assets/equity (carry forward) as at 31 December 2014 was US\$ 1848 million (1 January 2014, US\$ 1535 million).

Table 2. Summary of net assets/equity in 2014 (US\$ million)

Net assets/equity	31 December 2014	Surplus/(deficit) 2014	1 January 2014
General Fund:			
Total Member States' – Regular budget	75	(14)	89
Total voluntary funds	2 354	320	2 034
Total – General Fund	2 429	306	2 123
Other funds:			
Total Member States – other	(667)	55	(722)
Total Fiduciary Fund	86	(48)	134
Total net assets/equity	1 848	313	1 535

11. Net assets/equity under the General Fund increased from US\$ 2123 million at the beginning of 2014 to US\$ 2429 million by the end of 2014. These funds represent contribution agreements recorded and not yet spent. Of the US\$ 2429 million, an amount of approximately US\$ 279 million has been committed and will be used for the settlement of contracts made in 2014 for which expenses will be paid and recorded in 2015. The remainder of the funds will be used to support work in 2015 and beyond. The increase from 2013 to 2014 is mainly due to the new agreements recorded as revenue in 2014 which confirms the positive effect of the financing dialogue.

12. Of the net assets/equity balance within the voluntary funds, 78% of the funds are specified. The largest increase was within the Outbreak and Crisis Response Fund, which is mainly due to funds received to respond to the outbreak of Ebola virus disease, received in 2014 for implementation in 2015.

13. The negative balance in the net assets/equity attributable to "Member States – other" of US\$ 667 million (as at 1 January 2014, US\$ 722 million) arises primarily from the future unfunded liabilities for Staff Health Insurance (see paragraphs 43 to 45 below).

¹ Excludes IARC where funds are not managed by WHO.

REVENUE

14. Total revenue for 2014 was US\$ 2629 million (in 2013, US\$ 2605 million) (refer to Table 1 above). Revenue is recorded when amounts become due, based on signed agreements. When amounts are due in future periods, according to the payment terms included in donor agreements, the associated revenue is deferred. Revenue from voluntary contributions is summarized in Table 3 below.

Table 3. Voluntary contributions revenue – 2014 and 2013, excluding in-kind and in-service contributions (US\$ million)

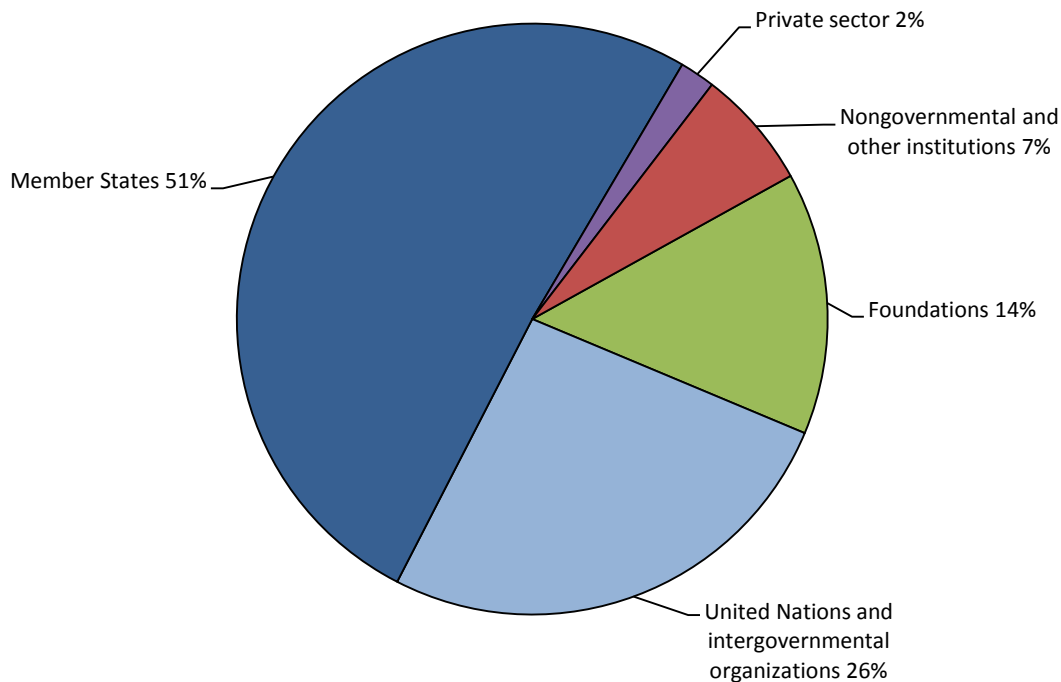
Voluntary contributions revenue	Total 2014	Total 2013
Voluntary contributions – core	133	132
Voluntary contributions – specified	1 869	1 798
Voluntary contributions – programme budget	2 002	1 930
Voluntary contributions – Fiduciary Fund	50	87
Total voluntary contributions	2 052	2 017

15. Out of the total voluntary contributions for 2014 of US\$ 2052 million, US\$ 2002 million was for the programme budget. Voluntary contributions – core, remained stable compared to 2013. Most contributions continued to be specified and highly earmarked with Voluntary contributions – specified increasing by 5% from 2013 to 2014. The main increase for the specified contributions was under Outbreak and Crisis response with over US\$ 200 million reported as revenue for Ebola outbreak. In addition, to funding under the programme budget, US\$ 50 million (US\$ 87 million 2013) was received under the Fiduciary Fund. The decrease in Fiduciary Fund revenue is due to the transfer of the Stop TB Partnership and Global Drug Facility to the United Nations Office for Project Services (UNOPS) effective 1 January 2015, which involved the reduction of revenue and transfer of funds to UNOPS during 2014 (resulting in a net outflow of US\$ 14 million as compared to an inflow of \$67 million in 2013). Full details of all the voluntary contributions recorded in 2014 are contained in the Annex to the Financial Report.¹

¹ Document A68/INF./1, the Annex to the Financial Report, is also available at: <http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/>.

16. Figure 1 below illustrates the relative proportions of the various sources of voluntary contributions for 2014.

Figure 1. Revenue from voluntary contributions for 2014, by source.



17. Member States continue to be the largest source of voluntary contributions, contributing 51% of the total non-assessed (voluntary) contributions. Revenue from the United Nations and intergovernmental organizations 26%, from foundations was 14%, and revenue from nongovernmental organizations and other institutions was 7%. Donations from the private sector represented 2% of the voluntary contributions to the Organization. The relative percentages are similar to the previous year, with a slight decrease in Member States' and Foundations' contributions, and slight increases from United Nations and intergovernmental organizations.

18. The total of contributions by Member States (voluntary contributions and assessed contributions) for 2014 was US\$ 1553 million. This represents 61% of total voluntary and assessed

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