REPORT OF THE EXTERNAL AUDITOR
ON THE ACCOUNTS FOR THE 96th FINANCIAL YEAR OF WOAH
(1 JANUARY – 31 DECEMBER 2022)
REPORT OF THE EXTERNAL AUDITOR ON THE ACCOUNTS FOR 2022
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CERTIFICATION OF THE AUDIT OF THE ACCOUNTS
MANDATE OF THE EXTERNAL AUDITOR OF WOAH

1. Article 12 of the Financial Regulations of WOAH (Office International des Epizooties/World Organisation for Animal Health) states that “the External Auditor shall, in particular, perform all the necessary tests and procedures on accounting documents and at the headquarters of the Office, to enable him to certify that:

– the management account submitted to him by the Director General is correct and in accordance with the books and the accounting documents of the Organisation;

– the financial transactions evidenced by these documents have been carried out in accordance with the relevant provisions and that the budgetary amounts have been adhered to;

– the amounts and cash deposited and held in the petty cash correspond to the amounts indicated on the statements received from the depositaries;

– the accounting records concerning movable goods and equipment are in accordance with the lists of such goods and equipment”.

2. On this basis, the External Auditor audited the accounts of WOAH in April 2023.
I. FINANCIAL STATEMENTS OF WOAH

General Account and Special Accounts

3. WOAH has a “general account” and various “special accounts”.
   - The “general account” is the operating account for WOAH Headquarters, as defined in Article 7 of the Financial Regulations: “A general account shall be established in which expenses of the Office shall be recorded. Annual contributions of Member Countries, miscellaneous income and subsidies, donations and legacies, the purpose of which has not been defined, shall be credited to this general account”.
   - “Special accounts” are provided for in Article 7 of the Financial Regulations: “the Director General may set up deposit funds and special accounts. He shall clearly define the object and conditions for creating each deposit fund and special account”.

4. The special accounts open in the accounts of WOAH in 2022 totalled 13 for Regional Representations (RR) and Sub-Regional Representations (SRR) and one for the Headquarters (the World Animal Health and Welfare Fund). The Japanese veterinarian special programme was integrated into the accounts of the World Fund in 2017. Furthermore, the WOAH Autonomous Old-Age Pension Fund and the Joint Old-Age Allowance Fund for the staff of Regional and Sub-Regional Representations, which was instituted in June 2015, each have their own separate account.

5. Under the terms of Article 11 of the Financial Regulations of WOAH: “The Director General shall have the necessary accounts kept and shall prepare annual accounts showing, for the financial year to which they apply: income and expenses for all funds; the use of available credits; the financial situation, namely: the situation of stocks and shares and investments, the situation of liquid assets and the situation of outstanding amounts receivable, the situation of outstanding amounts payable; the situation of fixed assets”.

External audit of WOAH’s financial statements

6. The financial statements of WOAH, prepared by WOAH with the help of a chartered accountant, undergo various audits, both regulatory and under contract, as follows:
   - The Financial Regulations of WOAH provide for the intervention of two “Auditors”, Delegates of Members who are members of the Council and are nominated for this purpose by the World Assembly.
   - The Financial Regulations also provide for the accounts to be certified as correct, regular and fair by the External Auditor, nominated by the World Assembly, and that they give a fair presentation of the result of the transactions of the previous financial year and of the financial position and assets of WOAH.

7. Within this framework, the financial statements for Financial Year 2022 were prepared by the chartered accountant and have been certified and audited by the External Auditor.

Report on WOAH’s accounts for 2022
WOAH’s financial statements submitted to the World Assembly for approval

8. The accounts submitted to the World Assembly are contained in the “financial report” (document SG/4).

9. WOAH has adopted a new presentation for the financial statements, in accordance with the recommendation made in the report on the accounts for 2010, which proposed improvements based on the best practices in use in intergovernmental bodies and international public sector accounting standards, with the aim of providing WOAH Members with more extensive, relevant and useful financial information for assessing the management of the Organisation.

10. The financial statements presented to the World Assembly now comprise the full set of financial statements prescribed by the international public sector accounting standards (IPSAS standards):
   - a statement of financial performance, or income statement
   - a statement of financial position, or balance sheet
   - a cash flow statement
   - a statement of changes in net assets
   - explanatory notes
   - a statement of budget implementation for the financial statements recording the operations of the Regular Budget (the other operations are not covered by a budget voted by the World Assembly and are therefore not recorded in a budget implementation statement).

11. In line with the recommendations made in previous years, the “presentation report on the financial statements”, which previously focused on commenting solely on the implementation of the Regular Budget, has been extended to include all WOAH’s transactions. This presentation is structured around WOAH’s three main accounting and financial groups: the Headquarters, the Regional and Sub-Regional Representations and the World Animal Health and Welfare Fund, hereafter referred to as the World Fund. It also covers the two pension funds.

12. The aim of the presentation report is to provide a complete financial analysis of WOAH and the financial and accounting interactions between the three groups that it comprises. The External Auditor is responsible for ascertaining that the data commented on in the Organisation’s presentation report are consistent with the data in the audited financial statements.

13. The presentation report provides information on the interactions between the different activities of WOAH and sets out the risks and uncertainties to which WOAH is exposed and the strategy adopted to deal with these risks. Since 2018, it has included a detailed presentation of the WAHIS project, the implementation of which has a significant financial impact on WOAH’s budget, though without modifying the result, as the expenses are wholly covered by the subsidies received for this project.

Report on WOAH’s accounts for 2022
14. The presentation of the WAHIS project in the financial report indicates the commitments received or to be received from various contributors at 31/12/2022, namely 12 514 K€. The contributions increased only slightly in 2022 (+1.5%). They totalled 12 335 K€ in 2021 (compared to 9 294 K€ at 31/12/2020).

15. Cumulated expenses and commitments in respect of Financial Year 2022 totalled 12 711 K€ (plus 1 417 K€ in investments to be depreciated), i.e. 3 093 K€ disbursed and 2 833 K€ committed in respect of Financial Year 2022.

16. **Observation:** The growth in the costs of the project has led the Organisation to fund it from its own resources. The reserve allocated to WAHIS from the Regular Budget totalled 2 085 K€ at the end of 2022. In particular, it should cover the maintenance costs of WAHIS.

17. **Observation:** The WAHIS project is presented in the Financial Report. This presentation could be enhanced with a comparison of actual and forecast figures with the initial project, in terms of scope, budget and timetable. It is also suggested that the forecast dates be given for completion of the different phases and modules that make up this project. This additional information should make it possible to fully appreciate this major project for the organisation, in particular with regard to changes to the scope of the expected services, extension of the deadlines for completion and the evolution of costs. The performance of the new information system and the impact of its implementation should also be indicated.

18. **Observation:** The financial report should also indicate the estimated amount of maintenance, hosting and staff expenses that will need to be defrayed each year by the Organisation, excluding contributions from donors, after the finalisation of the project.
II. GENERAL ACCOUNT AND TRANSACTIONS OF THE HEADQUARTERS

Purpose of the observations in this section

19. The observations below particularly concern the evolution of resources and expenses, notably with regard to staff, adherence to the voted budget and internal control.

Regular Budget and all the Headquarters’ transactions

20. The WOAH Regular Budget integrates all the Headquarters’ transactions. The Reserve Fund, previously recorded in a special account, was integrated into the Regular Budget in 2016 as recommended by the External Auditor. The special account corresponding to a veterinarian on secondment, as provided for under the terms of a contract with Japan, was integrated into the World Fund in 2017.

21. Statutory contributions were increased by 15% in 2023, in line with a resolution of May 2022. In addition, a resolution of May 2018 provides for the annual consumer price index (“OECD Total CPI”) of the Organisation for Economic Co-operation and Development (OECD) for the previous year to be taken into account when calculating the financial contributions of WOAH Members for the following year, thereby ensuring the Organisation is better protected against inflation.

22. With effect from 2019, the part of statutory contributions that until 2018 had been allocated to the Regional and Sub-Regional Representations has been allocated as income to the Regular Budget, which, in turn, pays a subsidy to each of them, equivalent to the amount called for. This accounting change has had no impact on the consolidated accounts of the Organisation.

23. In 2022, the rate of recovery of statutory contributions allocated to the Regular Budget remained at a very satisfactory level: 82% compared to 84% in 2021. A total of 9 210 K€ was thus collected out of a total of 11 193 K€ called for, for the Regular Budget1, excluding category A (compared to 9 320 K€ and 11 114 K€, respectively, in 2021).

24. In 2022, as in 2021, four Members contributed in extraordinary category A, resulting in a payment differential of 1 350 K€ compared to the level of their statutory contribution.

25. WOAH has therefore not experienced difficulty in recovering its contributions in recent years, despite the succession of crises since 2020.

26. Arrears of statutory contributions for the Regular Budget totalled 7 043 K€ at 31 December 2022, compared to 6 073 K€ at 31 December 2021 (i.e. +16%). Arrears relating to Financial Year 2022 totalled 1 984 K€ and those relating to 2021 totalled 1 358 K€, a difference of 3 342 K€ (+14.5%) compared to 2021.

27. In application of the regulations of the Organisation, contributions outstanding for more than two years, the current year included, are fully depreciated. Depreciated contributions thus totalled 3 701 K€, compared to 3 156 K€ at 31 December 2021 (i.e. +17%).

1 and the Regional and Sub-Regional Representations
The rate of recovery for contributions received in 2022, including arrears for previous financial years, was satisfactory, at 90%, compared to 96% in 2021. The arrears consisted largely of delays on the part of some countries rather than actual payment defaults. In 2022, the 10-year prescription concerned the contributions of 10 countries, approximately the same countries as in 2021, and totalled 193 K€ (143 K€ in 2021).

At 31/12/2022, 38 countries had contributions arrears dating back more than two years, for a total amount of 3 701 K€. The 10 countries that benefited from the 10-year prescription in 2022 had 10 years of arrears at 31/12/2022, for a combined total of 1 756 K€, i.e. 47% of all arrears (compared to 50% in 2021 and 29% in 2020).

Observation: WOAH should concentrate its recovery efforts on these 10 countries in view of the size of their arrears.

Adherence to the voted funds

For the Regular Budget, annual budget estimates are prepared by the Director General and approved by WOAH’s governing bodies in accordance with the procedures laid down in the Financial Regulations. These Regulations state, in Article 4, that in voting the funds for the subsequent financial year, the Committee (now called the World Assembly) shall authorise the Director General to incur expenditure and make payments with the purpose and within the limits of the voted funds. Article 4.2. provides for the possibility of transferring funds between budget chapters within a 6% limit of the total budget. However, no provision is made for the possibility of derogating from the ceiling of voted funds. Furthermore, under the terms of Article 12 of the Financial Regulations of WOAH, the External Auditor must certify that “the budgetary amounts have been adhered to”.

The provisional budget approved by the World Assembly in May 2022 was adhered to, as expenses totalled 17 837 K€ compared to budget estimates of 18 475 K€, i.e. a level of implementation of 96.5% (as opposed to 102.8% in 2021).

Contrary to 2021, WAHIS project costs remained within the voted budgetary envelope for information systems, at 3 666 K€.

In 2022, transfers between budget chapters by type of expenditure remained within the limit of 6% authorised by the Financial Regulations.

A new budgetary structure was put in place in 2022 with chapters by purpose of expenditure.

Observation: Insofar as the budget is voted with chapters presenting expenditure by purpose and not by type, the rules of Article 4 continue to apply to chapters of budgetary credits by purpose.

Income was lower than the estimated amount: 17 942 K€ compared to the estimated amount of 18 475 K€ (-2.9%). Operating income, excluding the administrative expenses paid by the World Fund, was the category that fell the most compared to estimates (-889 K€ i.e. -16.2%).
Staff expenses

38. At 31 December 2022, WOAH had 255 staff members, compared to 230 in 2021 (+25). However, expressed as full time equivalent (FTE), the increase was significantly smaller: 234.6 FTE in 2022 compared to 226.2 in 2021 (+8.5 FTE).

39. A total of 165 were employed at Headquarters (+11) and 90 in Regional and Sub-Regional Representations (+14); 231 staff members were remunerated by WOAH and 23 (+4) were seconded to WOAH by their governments.

40. A total of 125 persons were paid from the budget of the Regular Budget and the WOAH Regional and Sub-Regional Representations (-1) compared to 107 (+22) from the budget of the World Fund, 55 of whom were based at Headquarters (+10).

41. Observation: The continued growth of World Fund activities makes it possible to fund the increase and growing share of staff at Headquarters and in the Regional and Sub-Regional Representations, namely nearly 42% of WOAH staff in 2022. The sustainability of these jobs is linked to that of the World Fund programmes that fund them.

42. Consolidated WOAH staff expenses increased slightly in 2022. They totalled 16 537 K€, compared to 15 885 K€ in 2021, an increase of 4.1%. They were distributed between the Regular Budget (8 495 K€ compared to 8 490 K€ in 2021), the World Fund (4 964 K€, compared to 4 408 K€, i.e. +12.6%) and the Regional and Sub-Regional Representations.

43. The Organisation has postponed the setting up of a human resources information system (HRIS), launched in 2021.

44. Observation: In a context of strong growth in staff number in recent years, controlling risks in the field of staff management is a priority, including recruitment procedures, career management, performance assessment, remuneration, career end and retirement. It requires the establishment of standardised and efficient RH procedures and the establishment of an HRIS adapted to the scale and the challenges of WOAH and to the expectations of its contributors.

Results for the Headquarters

45. WOAH has applied accrual-based accounting for the whole of the Headquarters’ budget since 2013.

46. Income under the implemented Regular Budget, WAHIS project included, grew between 2021 and 2022 (+985 K€, i.e. +5.8%) as did expenses (1 003 K€, i.e. +6%).

47. In 2022, the growth in income was linked to reversals of provisions (+315 K€) and other operating revenues (+420 K€).

48. The Regular Budget showed a surplus of 105 K€, compared to 123 K€ in 2021.

Reserve Fund

49. Under the terms of Article 12 of the Organic Statutes of WOAH, and as stated in the Financial Regulations: “A sum to be allocated to a Reserve Fund shall be withheld from annual income. The total of this fund shall not exceed the total annual budget. The Reserve Fund is intended to guarantee the continued operation of the Office in exceptional circumstances. Except in cases of force majeure, the Director General shall obtain the prior authorisation of the
President of the World Assembly before withdrawing amounts from this Fund. He shall subsequently report on the use of this Fund to the Council and the World Assembly […]”.

50. The level of the Reserve Fund rose to 2,763 K€ at 31 December 2022, following the allocation of 100 K€ in 2022 from the surplus in 2021. It was lower than in 2021 (2,872 K€) due, on the one hand, to extraordinary expenses related to severance pay for three staff members (29.8 K€) and, on the other hand, to an unrealized loss on the Reserve Fund’s investment products, estimated at 197 K€.

51. The severance payments were the result of a decision by the Director General, dated 7 September 2015, to create a ‘Precarity Fund’ to compensate exclusively Headquarters staff members, at their own request, if they have a fixed-term contract of at least two years, not renewed by decision of WOAH, and have not found new employment by the end of their contract. This Precarity Fund was secured by the Reserve Fund of WOAH at its creation.

52. **Observation:** According to the Financial Regulations of the Organisation, the purpose of the Reserve Fund is to ensure the continued operation of WOAH in exceptional circumstances. The expenses of the Precarity Fund, which are tending to increase, do not fall within the scope of the Reserve Fund but constitute a risk that should be covered by the Regular Budget and/or the World Fund, whichever budget the staff members concerned are remunerated from. WOAH should make annual provisions to cover this risk.

53. The total amount of reserves is equivalent nearly 20% of the expenses for 2022 (corresponding to operating expenses and excluding depreciation and amortisation expenses) taking into account the unrealized loss and 22% without this. This amount of reserves remains below the recommended level of 35%.

54. WOAH proposes to replenish the Reserve Fund in an amount of 100 K€ in respect of Financial Year 2022.

55. **Observation:** It would be appropriate to bring the Reserve Fund progressively back to the recommended level of 35%.

**Handling of cash**

56. As a result of the health crisis and the cancellation of face-to-face meetings, WOAH considerably reduced its cash expenditure in 2020 and 2021. Cash payments reappeared at Headquarters but for a far lower amount (74 K€) than had been the case up to 2019 (376 K€).

57. For the Regional and Sub-Regional Representations, cash payments again rose sharply, totalling 558 K€ compared to 373 K€ in 2021. Two Representations (Beirut for 117 K€, Buenos Aires for 287 K€) were the main ones concerned.

**Internal control**

58. Since 2016, WOAH has progressively put in place a system of internal control with the aim of identifying risks of whatever kind and putting in place the appropriate procedures to reduce them. A Unit reporting directly to the Director General was created and strengthened. It works to identify risks and pilot action plans designed to control them.
59. The Audit Committee resumed its activity in 2022 in a new format. Meeting on two occasions, it programmed an actuarial study on the pension fund. The Regional and Sub-Regional Representations having been identified as areas of risk, the recommendations of previous internal audits are currently being identified in order to check they have been implemented. As soon as the Manual of procedures for the Regional and Sub-Regional Representations has been finalised, new internal audits will be launched to check that it is correctly applied.

60. **Observation:** It was noted that, several years after its constitution, the Audit Committee has still not conducted a programme of audits covering the Organisation’s principal risks. Besides the Regional Representations and the programmes conducted by the World Fund, the Audit Committee could strengthen the programme of audits by taking into account some projects that are particularly strategic or carry high risks, such as WAHIS or the major IT projects.

61. The Directorate of WOAH has indicated that the Audit Committee had indeed identified the management of IT projects as a priority risk in June 2022. An action plan is currently being developed. Risk mapping has identified the risk relating to WAHIS as a priority. The programme of audits will be established by the end of 2023 taking into account these observations.

62. Within the framework of overhauling the budgetary tool, scheduled for early 2024, it is planned to give the departments greater autonomy over their budget, the registration of commitments being to be decentralised to their level and the signing authority limit having to be increased (currently 2.5 K€). This will facilitate the monitoring of commitments.

**Procurement**

63. WOAH has made improvements to its procurement procedures by introducing greater formalisation (tender analysis reports, minutes of selection committee meetings, separation of roles, etc.) and by introducing procedures designed to ensure that firms’ offers are more closely adapted to the Organisation’s requirements, through the use of competitive dialogue or negotiating procedures. Any service procurement for an amount higher than 1 K€ must be the subject of competitive bidding and for an amount greater than 25 K€ must be submitted to the Procurement Unit. Furthermore, the new budgetary monitoring tool should include a ‘purchasing’ module which will enable this process to be kept under control, from the commitment to the disbursement of the expenditure, and including validation that the service has been done. These improvements will allow greater control of procurement and the budget.

64. **Observation:** The group holding the WAHIS contract, awarded without competitive bidding following the failure of the first contractor, has also benefitted from several other contracts (through its nine subsidiaries) for a variety of IT services. These contracts for amounts exceeding 25 K€ were for the most part awarded without any competitive bidding procedure, for a total of 5 343 K€ at the end of March 2023 and including WAHIS. The use of competitive bidding would have allowed the Organisation to choose between several offers, select the best service provider at the best price and negotiate the most favourable contractual terms. From now on, it would be appropriate to systematically use broad competitive bidding, except in cases of force majeure or where there is only one service provider.
Over and above the renewal of the contract with the service provider on the finalisation of WAHIS development work for a final period of 12 months, the Directorate has indicated that the other services performed by this provider (information management and security, in particular) will be the subject of competitive bidding procedures as soon as possible. The Directorate has announced a most welcome internal reflection on model contracts and the conditions that should apply to IT service contracts. This should lead, in the third quarter of this year, to recommendations and models that will be incorporated in calls for tenders.

**WAHIS**

The WAHIS project began in 2018 and its implementation was delayed until 2020. The Organisation reached an amicable agreement to stop working with the main service provider in 2021, during implementation of the first phase. The new contractor was already a WOAH service provider for other missions and was selected to conduct an audit and to facilitate the transition. Once the transition period had been completed, this provider was entrusted with the development and maintenance of the project within the framework of a new contract due to end in June 2023. Negotiations are underway for a further extension of one year.

**Observation:** The service provider initially contracted to ensure the transition ended up being awarded the development and maintenance of WAHIS, without competition, and by means of successive amendments the firm’s initial contract. If the context was difficult in 2021, when the dispute with the first service provider needed to be settled, WOAH should, over and above compliance with good purchasing practices, always keep open the possibility of opening up to competition the services in question to encourage the current holder to improve its performance, lead times and financial bid.

As with any major IT project, the management of WAHIS has experienced problems since the separation from the first service provider and the timetable for finalising the project has yet to be clarified, as has the final scope and total cost of the project. The state of play at the end of April 2023 shows that there are still delays in the priority modules of the initial project, even though these were provided for in the contract with the service provider.

**Observation:** The risks inherent in a project of this kind imply that the Organisation should put in place a suitably adapted organisational structure for steering the project. The difficulties encountered right from the start of the project (difficulties with the first service provider and high transaction costs; recourse to a service provider to take over, without a call for tenders; successive contract amendments; reduction in the scope of the expected services, despite the provider’s commitments; absence of any penalty clause enabling the delays and shortcomings of the provider to be penalised; etc.) – or indeed, the abandoning of the HRIS project – show that the steering of IT projects needs to be considerably strengthened at WOAH. Last year it had been recommended to put in place experienced project managers capable of directing large-scale, complex projects, such as the HRIS and WAHIS, and entirely dedicated to them. In the context, this recommendation is repeated.

**Observation:** The Organisation should conduct an independent audit of the steering of the project in order to draw lessons for the future and equip itself with a rigorous, efficient organisational structure that better protects the interests of the Organisation, both financial and operational.
71. According to the Directorate, this audit will take place before the end of 2023, to be able to prepare in the best manner possible the end of the contract with the service provider in June 2024 and the reflection on the evolution of this tool, the organisation and the competences needed to conduct projects of this type.

III. SPECIAL ACCOUNTS

Overview

72. The 14 special accounts open in 2022 in the accounts of WOAH were the 13 accounts of Regional and Sub-Regional Representations and the accounts relating to the World Fund.

Regional and Sub-Regional Representations

73. In 2022, WOAH had 5 Regional Representations and 8 Sub-Regional Representations.

74. By virtue of a resolution passed by the World Assembly in May 2006, a part of the statutory contributions paid by Members is allocated to the Regional Representations, with the exception of contributions paid in advance. This fraction is 8.33%. In 2022, the part of the statutory contributions thus allocated to the Regional Representations totalled 933 K€.

75. In 2022, as in 2021, the statutory contributions were called for and were recorded directly in the Regular Budget, which in turn paid the Representations the amounts due to them.

76. The remainder of the Representations’ income is derived on the one hand from voluntary contributions by some States or donors and on the other hand from the World Fund to implement its programmes. Lastly, depending on the headquarters agreements with the States concerned, a part of the expenses may be covered by the host country.

77. The situation of the Regional Representations and Sub-Regional Representations depends on the one hand on the scale of activity, and in particular on projects led by the World Fund, which themselves result from the requests of donors, and on the other hand on the contributions of countries in the region.

78. In 2022, as in previous financial years, WOAH provided several Representations with exceptional assistance to compensate for the low level of statutory contributions allocated to them. Thanks to the exceptional budgetary margins for manoeuvre linked to the public health situation, this totalled 367 K€ compared to 350 K€ in 2021.

79. The Regular Budget has operating receivables on Representations, relating to advances made, in particular to compensate for the lower contributions in some regions. They totalled 1 348 K€ and mostly concerned Africa (1 008 K€) the Regional Representation for the Middle East (258 K€) and also the Sub-Regional Representation in Abu Dhabi, which thus owes the Organisation 83 K€.
Some of the Representations have receivables on the Regular Budget, which holds statutory or voluntary contributions that have been paid but have not yet been used for projects. They totalled 3 150 K€ at 31/12/2022, comprising 1 689 K€ for the Regional Representation in Moscow, 526 K€ for the Sub-Regional Representation for Central Asia and 358 K€ for the Regional Representation for the Americas.

**World Animal Health and Welfare Fund**

Resolution No. XVII, adopted by the World Assembly in May 2004, fixed the objectives and mechanisms of the “World Animal Health and Welfare Fund” (hereafter “the World Fund”). Since May 2011, by a vote of the World Assembly of Delegates, its legal basis is now included in the Basic Texts of WOAH. The World Fund is managed by the Director General of WOAH assisted by a Management Committee, chaired by the President of the World Assembly of WOAH, and an Advisory Committee, chaired in 2022 by the representative of Switzerland. The administrative and financial management is performed, under the supervision of the Director General, by the Engagement and Investment Department (formerly the World Fund Coordination Unit), which comprises seven members of staff, including the Head of Department. Two officers in the Accounting Unit are dedicated entirely to maintaining the World Fund accounts.

The accounts of the World Fund are subject to the same external controls as the other accounts of WOAH. They are prepared by WOAH and the WOAH’s chartered account, under a contractual mandate, and they are audited by the Auditors on the Council and verified and certified by the External Auditor of WOAH.

Since Financial Year 2013, the World Fund accounts have been presented on an accrual basis rather than a cash basis, which is more in keeping with international standards.

Assets totalled 96 202 K€ at 31 December 2022, compared to 93 169 K€ in 2021, a levelling off (+3%) compared to the sharp increase in 2021 (+37%). Receivables to the World Fund from donors in respect of contractual commitments fell in 2022 (48 784 K€ compared to 53 610 K€ in 2021), but remain at a very high level due to the intense activity of the World Fund. Investments and cash equivalents showed a slight increase (46 584 K€ compared to 39 448 K€). With the rise in interest rates, the Organisation has once again been able to invest a substantial share of its funds in fixed-term accounts (21 238 K€ compared to 1 010 K€ in 2021).

Liabilities principally include deferred income, consisting of the subsidies awarded by donors within the framework of the World Fund and not committed by the said Fund as of 31 December 2022 (85 782 K€ compared to 81 749 K€ in 2021). These are the amounts of agreements that have been signed but have not yet given rise to the engagement of action. These amounts had increased considerably in 2021 and 2020 linked to the slowdown in activity due to the public health crisis. The high level of deferred income is a sign of the Organisation’s success with donors and the interest they show in the World Fund.

The statement of financial performance indicates the income and expenses of the World Fund. Income consisted essentially of the subsidies recorded in the accounts in respect of contracts signed for Financial Year 2022, i.e. 23 279 K€, an increase on 2021 where they totalled 17 454 K€ (i.e. +33.4%). This amount corresponds to actual expenses for the financial year on programmes financed by donors.
87. General administrative expenses levied on the budgets of projects in accordance with the contracts signed by donors are paid into the WOAH Regular Budget as operating income to cover the expenses, excluding the coordination team, borne by the Organisation. In 2022, they were levied on the amounts actually disbursed by the World Fund in accordance with the Organisation’s regulations. They totalled 1 111 K€ compared to 1 046 K€ in 2021.

88. The total amount of operating expenses (24 134 K€) increased in 2022 (+32%) compared to 2021 (18 224 K€). After a sharp fall during the pandemic, ‘other external services’ (mission expenses, external services, etc.) showed an upturn (+32%).

89. By convention, the World Fund’s financial result for the year is always zero, so that the activities of the said Fund have no impact on the Regular Budget.

IV. AUTONOMOUS OLD-AGE PENSION FUND

90. The assets of the Fund must be sufficient to meet the pension commitments.

91. This is a scheme that supplements the basic scheme for private sector employees in France. The pensions paid by WOAH are defined according to the entitlements acquired in the latter scheme.

92. Its situation is very positive, the net position being 16 625 K€ (compared to 17 386 K€ in 2021). The reduction is essentially due to the decline in the market price of the financial investments made. It has no impact on the Fund since the investments are kept until their maturity.

93. Operating expenses, relating to the payment of pensions, changed very little in 2022 (687 K€ compared to 634 K€ in 2021) and remained well below the total amount of contributions paid in (1 578 K€). In 2022, pensions were paid to 28 retired employees for a total of 540 K€. Staff members who leave WOAH before reaching pension age are reimbursed a part of the contributions (147 K€ in 2022).

94. The balance of financial activities was strongly negative (-1 186 K€) since it takes into account the unrealised financial losses on the Fund’s investments.

95. Observation: A reflection and an actuarial study are underway in accordance with the decisions of the Audit Committee. These also include the parameters of the supplementary pension fund in order to avoid differences between staff members in the evaluation of their entitlement, as already mentioned in the observations of previous financial years. This is a positive approach that should also help to clarify the conditions needed to balance the fund in the long term.
V. JOINT OLD AGE ALLOWANCE FUND FOR THE STAFF OF WOAH REGIONAL AND SUB-REGIONAL REPRESENTATIONS AND OFFICES

96. This scheme is intended for the staff members of WOAH Regional and Sub-Regional Representations and offices who, throughout the duration of their contract with WOAH, do not benefit from another retirement scheme. This scheme follows up on a long-standing commitment made by the Organisation.

97. The scheme was set up in June 2015. At 31/12/2022, 32 staff members had subscribed to the Fund.

98. In 2022, operating income (271 K€) consisted of contributions from staff members (68 K€) and a contribution from WOAH (203 K€). No reimbursements of contributions were made following the departure of staff members.

99. Its financial position is positive, with a net position of 1 050 K€ (compared to 778 K€ in 2021).

VI. WOAH’S CONSOLIDATED DATA

WOAH’s consolidated financial statements

100. The consolidated financial statements record all of WOAH’s assets and liabilities and all of its income and expenses (except for the staff supplementary pension funds, which are autonomous entities). It should be noted that WOAH changed to accrual-based accounting with effect from the financial statements for 2013.

WOAH’s net assets: statement of financial position at 31 December 2022

101. As of 31 December 2022, assets totalled 119 780 K€, compared to 117 831 K€ in 2021; liabilities totalled 107 383 K€, compared to 106 034 K€ in 2021. The balance of 12 397 K€ (11 797 K€ in 2021) represents WOAH’s net assets, and comprises the cumulated balances for the previous financial years (11 580 K€) and the surplus for 2022 (+ 817 K€).

102. WOAH’s main assets are the building at 14 rue de Prony purchased in 2009, shown under assets on the balance sheet, with a net value of 5 810 K€ at the end of 2022 (including 4 770 K€ for the building, excluding the land), receivables from Members for unpaid contributions (3 343 K€ compared to 2 917 K€ at the end of 2021), subsidies to the World Fund not yet received in respect of contracts signed with donors (48 590 K€ compared to 53 384 K€ in 2021) for commitments entered into by the World Fund, and cash and cash equivalents (27 781 K€ in ‘deposits with banks, unrestricted’, 57 K€ in cash funds and 29 121 K€ in ‘deposits with banks and cash equivalent, restricted’).

\[\text{(2) It should be noted that receivables relating to Financial Years N-2 and earlier, even if they remain due, are fully depreciated in the accounts. They represented 3 701 K€ at 31/12/2022.}\]

Report on WOAH’s accounts for 2022
103. WOAH mentions the real market value of all the property at 12 and 14 rue de Prony in the appended notes, estimated, excluding land, according to the data of the Chamber of Notaries. The building at 12 rue de Prony, acquired in 1939, is not recorded under fixed assets in the accounts. The real market value of the two buildings was re-evaluated following a study carried out within the framework of a project to re-evaluate the Headquarters’ property assets. The result was 82.4 M€.

104. The main liabilities are the loan contracted by WOAH to finance the purchase of a part of the building at 14 rue de Prony (3 922 K€ at 31 December 2022) and the statutory contributions of Members received in advance (3 295 K€ compared to 2 760 K€ in 2021). The subsidies allocated by donors within the framework of the World Fund and still unused at 31 December 2022 totalled 80 594 K€, compared to 78 316 K€ in 2021.

**Income statement for all WOAH’s operations in 2022**

105. The consolidated statement of financial performance (or income statement) shows operating revenue of 40 312 K€ (compared to 32 853 K€ in 2021, i.e. +22.7%), representing a significant increase. Operating expenses totalled 40 384 K€, compared to 32 997 K€ in 2021, i.e. +22.3%. The dynamism of operating revenue and expenses testifies to the strong resumption of activity, and in particular that of the World Fund.

106. The operating balance was a small deficit of 72 K€ compared to 144 K€ in 2021. The financial result was +849 K€. The balance for all WOAH’s transactions was a surplus of 817 K€ compared to 688 K€ in 2021.

107. The consolidated statement of performance indicates personnel costs and social charges (16 537 K€ compared to 15 885 K€ in 2021, a slight increase). Their share of operating expenses was 41%, a reduction compared to 2021 (48%) and was due to the strong increase in activity in 2022.
CONCLUSION ON WOAH’S FINANCIAL STATEMENTS

108. It should be noted that up to 2012 WOAH had used a cash-based accounting system, recording income in the accounts when it was received and, symmetrically, recording expenses when the corresponding amounts were disbursed, with the notable exception of contributions paid in advance, which were not recorded in the accounts as income for the financial year. The report on the accounts for 2006 noted that exceptions to the principle of cash-based accounting had tended to increase, both for income and expenses. It was recommended that “the accounting principle adopted by WOAH be consistently applied so as not to distort the accounts and in order to maintain internal consistency. Eventually, as suggested in the report on the accounts for 2003, it would be appropriate to consider changing over to an accrual-based accounting system, as adopted by WOAH’s principal donor institutions”. WOAH presented the accounts for 2013 on an accrual basis for the Regular Budget and all of the special accounts.

109. WOAH has incorporated the recommendations made in previous reports for the financial statements to be presented in three groups: Headquarters, Regional and Sub-Regional Representations, World Fund.

- The Works and Equipment special account was integrated into the Regular Budget in 2013 in accordance with the commitments made; the Reserve Fund special account was likewise integrated in 2016; the special account relating to the Japanese veterinarian has been integrated into the World Fund.

- The accounts of the World Fund are now presented on an accrual basis.

- The accounts of the two supplementary pension funds include the same financial statements as the other budgets, as recommended.

- The financial statements provide helpful, precise, good quality information. The strategic nature of the WAHIS project for WOAH and its high cost would justify providing more detailed information in the financial report.
VII. ACTION TAKEN ON OBSERVATIONS MADE IN PREVIOUS REPORTS

110. Observations made in previous reports that still appeared to be at least partially valid in April 2023 are reviewed hereafter.

Observations made in the report on the accounts for 2021

WAHIS

111. Observation: To enhance the information, it would be appropriate to explain the changes occurring from one year to the next (and in relation to the budget initially planned and voted). These, such as the change of providers in 2021, can lead, to additional expenses compared to the initial estimates, either because the new provider is more expensive, or because of the need to compensate the under-performing provider. These indications are necessary to allow a clearer awareness of the effectiveness of the project’s management, any difficulties encountered in its implementation as well as the costs to which they expose the Organisation.

112. Expenses in respect of the WAHIS project were intended to be fully covered by a part of the subsidies from the World Fund, out of the resources allocated to this project by various donors. Nonetheless, as a precaution, the Organisation has placed in reserve a part of the savings made during with the pandemic to finance any eventual overruns: the not yet expended 2020 accumulated surplus (585 K€) and a part of the savings made on the Regular Budget in 2021 (1 000 K€) will thus be mobilised if necessary to cover the cost of WAHIS in 2023. Otherwise, these funds will serve to cover the project’s perennial expenses for maintenance/software licences. In parallel, WOAH is continuing negotiations with the donors for the funding of this project.

113. Observation: It would be appropriate for WOAH to consolidate the budgetary savings noted on a number of budgetary items (excluding WAHIS) to enable the Organisation to finance the future perennial expenses for maintenance and hosting of WAHIS, without relying solely on the increase of its resources.

Audit Committee

114. Observation: The Audit Committee should, in particular, draw up an annual programme of audits of the Organisation’s most significant challenges and risks. This programme will need the support of internal competencies as well as that of external experts or service providers. It will also need to resume the audits conducted up until the pandemic of the regional offices and on the programmes funded by WOAH, such as twinning, which constitute areas of risk.

115. This recommendation is currently being implemented with regard to the audits in the regional offices.

World Fund

116. Observation: The very strong growth in deferred income reflects the Organisation’s success in seeking funds from donors for the implementation of their projects. The Organisation must continue to adapt its functioning and means in order to achieve the objectives it has been set in implementing these projects.
Observations made in the report on the accounts for 2020

117. **Observation:** WOAH, in accordance with a previous recommendation, should take the opportunity provided by work under the new Strategic Plan to put in place a classification table of posts, which would make it possible to determine, based on objective criteria (duties, country of residence, competencies, level of experience and qualifications, etc.), the salaries and career profiles of its staff. Furthermore, in line with its Seventh Strategic Plan, WOAH should put in place a target organisational structure. The strengthening of the HR Unit should enable it to carry out its priority projects.

118. **Observation:** The Organisation’s appropriation of internal control would be facilitated by designating staff within each of the Organisation’s directorates and departments to be responsible for the implementation of priority actions.

119. In accordance with a recommendation, harmonisation of the procedures in force at Headquarters and in the Regional and Sub-Regional Representations had been acknowledged as one of the internal control priorities for the period 2017–2019. In 2019, audits of Regional Representations were carried out, in compliance with objectives.

120. **Observation:** These audits of certain Regional and Sub-Regional Representations, like those of programmes and twinning projects, are intended to be carried out each year and form an integral part of the regular risk management actions.

121. Partially implemented: finalisation of the guide to procedures applicable to the Regional and Sub-Regional Representations is underway.

122. **Observation:** In the context of the WAHIS project, the Organisation should continue to strengthen its procurement procedures, following the progress made in 2021 (formalisation and sharing of procurement procedures and models), to be in a better position to fully manage the risks inherent in a complex project of this type. Points for attention notably concern the description of the Organisation’s needs in calls for tenders, to avoid or limit the need for costly amendments, the procedure for selecting service providers, the definition of services in the contracts, the monitoring of their implementation, the phase of acceptance of the work and the monitoring of service providers’ commitments, in terms of both content and delivery dates. Stronger penalty clauses should be provided for in contracts and applied in the event of a delay on the part of the service provider or non-compliance of the services provided.

123. **Observation:** Coordination between procurement contracts and the budgetary procedure should be improved, so that multiannual budget forecasts correctly reflect the financial impact of contracts that may be extend over several financial years.

124. **Observation:** The method of funding for the Regional and Sub-Regional Representations could be revised so that their funding is more closely based on the specific contributions of the States benefiting from their services. The exceptional assistance WOAH provides each year mobilises substantial resources that could otherwise serve for the Organisation’s priority projects.

125. **Observation:** As with the Regular Budget, WOAH could undertake a reflection, in light of the impact of the health crisis, on certain structural savings that could be made by re-examining the modalities of action of the World Fund.
Observation: A multiannual presentation of the World Fund budget in the SG/4 would be needed to provide greater transparency. This is envisaged within the framework of the new strategic plan. Indeed, World Fund projects are spread over several years, in terms of both resources and expenses, and in accordance with the funding granted by donors and the duration of the projects. Furthermore, the World Fund’s expenses, such as staff expenses, are financed from the projects and are therefore not intended to be permanent.

Observations made in the reports on the accounts for 2019 and 2018

Observation: It would be appropriate to submit for approval, in an appendix to the budget, a staffing table of the Organisation, which could be revised at each budget.

Observations made in the report on the accounts for 2017

Observation: The question of the funding of Representations, and in particular in Africa, is a recurrent issue for WOAH. In addition to the appraisal of the implementation of the Resolution of 2006 relating to the funding of the Regional and Sub-Regional Representations, the question of the control of the operating expenses of these Representations should be examined.

Observation: WOAH should continue the efforts being made to reduce the risks related to the handling of cash in the Representations.

Observations made in the report on the accounts for 2016

The observations on strengthening the competitive tendering procedure are progressively being implemented. A purchasing manager was recruited in 2021. For the WAHIS project, a strategic advisory committee and a steering committee were set up in 2022. A Procurement cell has been set up and strengthened. Specification templates for tenders and contracts have been developed. Calls for tenders are widely advertised. Very detailed analysis grids are used to assess and compare the offers from service providers.

Observation: The procurement procedure must continue to be strengthened, following the improvements made in 2020 and 2021. There is still a need to implement an estimated budget for each procurement contract, draft tender analysis reports prior to the meeting of the selection committee, and formalise, in exact terms, the procedures for certifying the service performed by the service provider during implementation of the contract and on completion of the contract, so as to avoid any disputes and to safeguard the financial interests of the Organisation. The public health crisis considerably reduced the activity of the WOAH Travel Team. The Organisation reassigned team members to other Departments in 2021. A reflection is currently underway, both on the long-term savings that can result and on reopening of competition for contracts with travel agencies. The recommendation made in 2016 has therefore been withdrawn.

Observation: If a WOAH employee or former employee has entitlements with respect to other schemes, in France or abroad, these are not deducted from the level guaranteed by WOAH, thus leading to the pension paid by WOAH being increased by an equivalent amount. There is therefore a difference in treatment between present or former salaried staff of WOAH, depending on whether or not they are affiliated to the French general pension scheme for salaried staff in the private sector (CNAVTS).
Observation: As indicated in 2015, the procedures for calculating benefits need to be reviewed as they lead to pension differences among salaried staff of the Organisation with equivalent periods of service and position in the Organisation between those who are covered by the CNAVTS and the others. These differences may ultimately have a financial cost for the Organisation.

Observations made in the report on the accounts for 2015

Observation: As previously recommended, multiannual forecasts should now be included to afford greater predictability on the evolution of the Organisation’s resources and expenses, especially as regards the evolving nature of World Fund activities. Their progression, which incidentally reflects the dynamism and credibility of the Organisation, has a significant impact on the accounts of the Regular Budget through the administrative expenses that the latter receives.

Observations made in the report on the accounts for 2014

Observation: The credit overruns are the result of changes in activity during the year. It would be advisable to amend the Financial Regulations to take better account of management needs and, where appropriate, that they broaden the powers of the Director General to authorise limited budget overruns after having obtained the prior authorisation of WOAH’s restricted decision-making body, namely the Council.

Observations made in the report on the accounts for 2012

Observation: WOAH should check with the relevant social security bodies to determine how overtime and bonuses should be treated.

Observations made in the report on the accounts for 2008

Observation: During the audit of the accounts for 2014 it was noted that this recommendation had been partially acted upon, WOAH indicating for each Representation whether premises are provided.
CERTIFICATION OF THE AUDIT OF THE ACCOUNTS

143. Within the limits of the audit carried out, taking into account the public health situation, the External Auditor certifies that:

- the financial statements for Financial Year 2022 are correct and in agreement with the books and records;
- the accounting statements give a true and fair view of the result of the transactions and the financial position;
- the financial transactions recorded in these documents were carried out in accordance with the regulations and the budget;
- the securities and cash on deposit correspond to the amounts entered in the accounts, duly supported by the necessary documentary evidence.

Paris, 28 April 2023

Didier Selles
External Auditor
of the Office international des Epizooties
World Organisation for Animal Health

End of the Report.