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**Report of the External Auditor on the accounts for 2023**

97th Financial Year

*Financial Working Document*



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## MANDATE OF THE EXTERNAL AUDITOR OF WOAAH

1. Article 12 of the Financial Regulations of the World Organisation for Animal Health (WOAH) 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 WOAAH in April 2024.

## I. WOAHS FINANCIAL STATEMENTS

### General Account and Special Accounts

3. WOAHS has a “*general account*” and various “*special accounts*”:
  - The “*general account*” is the operating account for WOAHS 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 WOAHS in 2023 totalled 13 for the Regional (RR) and Sub-Regional Representations (SRR) and one for the Headquarters (the World Animal Health and Welfare Fund). Furthermore, the WOAHS 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 WOAHS: “*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 WOAHS’s financial statements

6. The financial statements of WOAHS, prepared by WOAHS with the help of a chartered accountant, undergo various audits, both regulatory and under contract, as follows:
  - The Financial Regulations of WOAHS 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 WOAHS.
7. Within this framework, the financial statements for Financial Year 2023 were prepared by the chartered accountant and have been certified and audited by the External Auditor.

### WOAHS’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 91GS/Fin-01).
9. WOAHS 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 WOAHS 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
  - 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 WOAAH’s transactions. This presentation is structured around WOAAH’s three main accounting and financial groups: the Regular Budget, 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 presentation report provides a comprehensive financial analysis of WOAAH 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 WOAAH and sets out the risks and uncertainties to which WOAAH 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 WOAAH’s budget, though without modifying the result, as the expenses are wholly covered by the subsidies received for this project, whereas maintenance costs would be covered by the Regular Budget.
14. Initially, it had been estimated that a budget of € 14,369 K would be needed over a ten-year period up to 2027. This amount has evolved, as is to be expected. Donor contributions have increased significantly. They totalled € 13,360 K at 31 December 2023 (+ 10% compared to 2022). The Organisation forecasts € 16,423 K at the end of 2025. In addition, the Organisation has also created a reserve from previous financial years, totalling € 2,085 K at 31 December 2023. It will provide the means to finance the maintenance costs – which could also be covered by the Regular Budget – or the development of additional modules in addition to external contributors.
15. Cumulated expenses and commitments at the end of 2023 totalled € 11,987 K (plus € 1,417 K in investments to be depreciated) compared to € 9,878 K at the end of Financial Year 2022 (+ 21.4%) from donor funding. To this amount must be added € 689 K in maintenance costs covered by the Regular Budget. Expenses at the end of 2025 are forecast to be € 16 720 K.
16. The financial report thus shows that the funding available or to be received for WAHIS more than covers expenses, with a balance of € 3,699 K available at the end of 2025 for future developments.
17. **Observation:** *The presentation of the WAHIS project has been enhanced, notably by indicating the estimated amount of maintenance, hosting and staff expenses that will need to be borne each year by the Organisation. For greater visibility, it should, as already requested, include a comparison of actual and forecast figures with the initial project, in terms of scope, budget and timetable. It should make it possible to monitor changes to the scope of the expected services as well as any extension of the deadlines for completion and to justify the evolution of costs.*

## II. GENERAL ACCOUNT AND TRANSACTIONS OF THE HEADQUARTERS

### Purpose of the observations in this section

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

### Regular Budget and all of the Headquarters' transactions

19. The WOAHA Regular Budget integrates all of 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.
20. 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 WOAHA Members for the following year, thereby affording the Organisation better protection against inflation.
21. With effect from 2019, the part of statutory contributions that had been allocated to the Regional and Sub-Regional Representations until 2018 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.
22. In 2023, the rate of recovery of statutory contributions allocated to the Regular Budget was at a very satisfactory level and was in line with previous years, even though the statutory contributions had increased significantly: 84% compared to 82% in 2022 and 84% in 2021. One must go back to 2014 to find a higher rate (86%). An amount of € 10,855 K was thus collected out of a total of € 12,873 K called for, for the Regular Budget<sup>1</sup>, excluding category A (compared to € 9,210 K and € 11,193 K, respectively, in 2022). The increase in contributions voted by the World Assembly had no adverse effect on their recovery.
23. In 2023, three Members contributed in extraordinary category A (compared to four in 2022) and one in extraordinary category B, resulting in a payment differential of € 917 K compared to the level of their statutory contributions.
24. Arrears of statutory contributions for the Regular Budget totalled € 7,401 K at 31 December 2023, compared to € 7,043 K at 31 December 2022 (i.e. + 5%). Arrears relating to Financial Year 2023 totalled € 2,019 K and those relating to 2022 totalled € 1,261 K, a difference of € 3,280 K, - 2% compared to 2022.
25. 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 € 4,174 K at 31 December 2023, compared to € 3,701 K at 31 December 2022 (i.e. + 12.8%).
26. The rate of recovery for contributions received in 2023, including arrears for previous financial years, was very satisfactory. It reached 96%, compared to 90% in 2022 and 96% in 2021. The increase in contributions voted by the World Assembly had no adverse effect on their recovery.
27. At 31 December 2023, 44 countries had contributions arrears dating back more than two years, for a total amount of € 4,161 K. In 2023, the 10-year prescription concerned the contributions of 12 countries, largely the same countries as in 2022, and totalled € 124 K (€ 193 K in 2022). These 12 countries had 10 years of arrears at 31 December 2023. Their depreciated contributions represented a total of € 1,349 K, i.e. 32% of all depreciated arrears (compared to 47% in 2022 and 50% in 2021).

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<sup>1</sup> and the Regional and Sub-Regional Representations

## Adherence to the voted funds

28. For the Regular Budget, annual budget estimates are prepared by the Director General and approved by WOA'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 WOA, the External Auditor must certify that "*the budgetary amounts have been adhered to*". A new budgetary structure was put in place in 2022 with chapters by purpose of expenditure.
29. The provisional budget approved by the World Assembly in May 2023 was adhered to, as expenses totalled € 19,373 K compared to budget estimates of € 19,498 K, i.e. a level of implementation of 99.4% (as opposed to 96.5% in 2022 and 102.8% in 2021). The ceiling of voted funds was adhered to.
30. Several budget chapters exceeded, to a limited extent, the amount of approved appropriations, in particular General Administration (+ 2%) and Regional and Sub-Regional Representations (+ 11%).
31. In 2023, transfers between budget chapters by type of expenditure remained within the limit of 6% authorised by the Financial Regulations.
32. Income was equivalent to the estimated amount: € 19,527 K compared to the estimated amount of € 19,498 K. The administrative expenses paid by the World Fund were markedly higher than the estimated amount (+ € 364 K, i.e. + 26%).

## Staff expenses

33. At 31 December 2023, WOA had 255 staff members, as in 2022 (230 in 2021). Expressed as full time equivalent (FTE), the number was 252.3 FTE compared to 234.6 FTE in 2022 (+ 17.7 FTE).
34. A total of 168 staff members were employed at Headquarters (+3) and a total of 87 in the Regional and Sub-Regional Representations (- 3); 236 staff members (+ 4) were remunerated by WOA and 19 (- 4) were seconded to WOA by their governments.
35. A total of 127 staff members were paid from the budget of the Regular Budget and the WOA Regional and Sub-Regional Representations (+ 2), compared to 109 (+ 2) from the budget of the World Fund, 60 of whom were based at Headquarters (+ 5).
36. Consolidated WOA staff expenses increased in 2023. They totalled € 18,944 K, compared to € 16,537 K in 2022, an increase of 14.5%. They were distributed between the Regular Budget (€ 9,470 K compared to € 8,495 K in 2022), the World Fund (€ 6,064 K compared to € 4,964 K, i.e. + 22.2%) and the Regional and Sub-Regional Representations. The significant increase observed was largely due to the increase in the salary index point (+ 7%), the impact in 2023 of recruitments made in 2022 and the increase in FTE (+ 7.5%).
37. Staff expenses remained stable as a proportion of the Organisation's operating expenses, corresponding to approximately 40%.
38. **Observation:** *For several years, the Organisation has been due to set up a human resources information system (HRIS), to have an effective tool for managing human resources (HR). The launch of this project was postponed because of the time needed to gather the data and formalise the HR procedures. The project should be relaunched so that WOA can benefit from an efficient management system like other organisations and in keeping with its size and complexity.*

## Results for the Headquarters

39. WOAAH has applied accrual-based accounting for the whole of the Headquarters' budget since 2013.
40. Income under the implemented Regular Budget, WAHIS project included, increased between 2022 and 2023 (+ € 1,585 K, i.e. + 8.8%) at a similar rate to expenses (€ 1,537 K, i.e. + 8.6%) (compared to + 5.8% for income and + 6% for expenses in 2022).
41. In 2023, the growth in income for the Regular Budget was linked to the increase in statutory contributions (+ € 1,680 K) and the increase in administrative expenses paid by the World Fund (+ € 660 K) as a result of the very high level of activity of the World Fund.
42. The Regular Budget showed a surplus of € 154 K, compared to € 105 K in 2022.

## Reserve Fund

43. Under the terms of Article 12 of the Organic Statutes of WOAAH, 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 [...]"*.
44. The level of the Reserve Fund stood at € 2,961 K at 31 December 2023, after the allocation of € 100 K in 2023 from the surplus in 2022. It was higher than in 2022 (€ 2,763 K), i.e. an increase of 7.1%, due in particular to accrued bank interest (€ 37 K) and an unrealised gain on financial investments estimated at € 68.7 K.
45. The total amount of reserves is equivalent to 18.8% of the expenses for 2023 (corresponding to operating expenses and excluding depreciation and amortisation expenses and WAHIS project expenses), namely 2.26 months of operations (compared to 2.41 in 2022). This amount of reserves remains below the recommended level of 35%.
46. WOAAH proposes to replenish the Reserve Fund in an amount of € 150 K in respect of Financial Year 2023.

## Internal control

47. Since 2016, WOAAH 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.
48. In 2023, considerable progress on controlling risks was made during the year. A Financial Policy Framework was thus prepared by the internal control unit and the World Fund, in liaison with the other Headquarters' departments and approved by the Directorate General. It collates, harmonises and updates all of the rules and procedures relating to: expenditure processes; procurement and tendering; projects; use of consultants; twinning; missions; and methods of payment.
49. As planned, an improved budgetary tool was developed in 2023 and put in place in January 2024. It enables budget appropriations to be delegated to the departments at the start of the financial year. It grants them greater autonomy and responsiveness in managing commitments and purchases orders, while facilitating the payment of invoices and the monitoring of budget implementation by the departments, the Directorate General and the Directorate of Administration.
50. Several audits announced in 2023 were successfully carried out, including: an actuarial study on the pension fund as well as audits on the piloting of information technology (IT) services, contracts signed with some service providers, the WAHIS project and its piloting by the Organisation's IT department.



## Handling of cash

51. Handling of cash is identified as an area of risk. WOAAH has considerably reduced its cash expenditure since 2019. At Headquarters, cash payments totalled € 150 K (far lower than it had been up to 2019 [€ 376 K]). For the Regional and Sub-Regional Representations, the local context, such as very high inflation, may justify favouring cash transactions. These totalled € 645 K in 2023 compared to € 558 K in 2022. Two Representations (Bamako with € 195 K, Buenos Aires with € 321 K) were the main ones concerned.

## Procurement

52. Over the past few years, WOAAH has strengthened its procurement procedures by introducing greater formalisation (tender analysis reports, minutes of selection committee meetings, separation of roles, etc.) and differentiated procedures according to the nature of the procurement. In 2023, WOAAH also equipped itself with a tool for the paperless management of tenderers, allowing secure management of bidding and calls for tender. The strengthening of internal procedures and competencies should provide WOAAH with the guarantee of better quality services at an optimum cost while ensuring better follow-up of service providers. Formal competitive bidding is being widely applied within the Organisation. A reflection was carried out on the contract models and conditions that should be applied to contracts for IT services. It resulted in recommendations and models that will be adopted in future calls for tender. The exceptions allowed in recent years in the information systems sector should only occur in exceptional circumstances, and if duly justified, as will still be the case in 2024.

## WAHIS

53. The WAHIS project began in 2018 and is due to continue until 2027. The Organisation experienced problems with the first service provider. To replace that provider, the Organisation chose to call on a service provider already working with WOAAH on its information systems. It was chosen without a call for tenders in view of the urgency and to facilitate the transition. Given the context, this service provider also experienced problems.
54. In line with the commitment it gave in 2023, in response to a recommendation, the Organisation commissioned audits on the project and the way it had been conducted since its launch. The Organisation obtained the support of a donor, the largest contributor to WAHIS, to finance these audits.
55. The audits provided a detailed diagnosis of the causes of the problems encountered and of the piloting of this project of strategic importance for WOAAH. They underlined the significant shortcomings in overseeing the management of WOAAH's IT project, during the first years of WAHIS, and in particular the prejudicial lack of monitoring and checks of service providers, which resulted in additional costs. They recommended that the Organisation give priority to significantly improving its capacity to manage IT projects. This recommendation is in line with recommendations made in 2022 and 2023 regarding putting in place experienced project managers capable of directing large-scale, complex IT projects.
56. The Organisation has implemented the recommendations of the audits. Thus, it has put in place an interim organisation led by a high-level consultant, in charge of managing the WAHIS project and the IT team. This expert is also financed by the same donor. Training in internationally recognised methods of project management has been organised for WOAAH's IT team. The measures taken by the Directorate General have enabled the technical and financial risks of the project to be reduced.
57. The audit of the IT projects demonstrated the shortcoming of the existing service provider, which has held a monopoly on WOAAH's other IT projects for several years. For example, this service provider had failed to supply complete technical documentation on the applications it was in charge of, such as the security contracts for the information system, and on the infrastructure. The Organisation has decided to keep this service provider for the said applications for the time needed to complete the technical documentation, before relaunching a competitive bidding procedure.

58. In the interests of continuity and risk management, at the end of the WAHIS contract with the current service provider in June 2024, the Organisation will entrust the provider with the task of providing maintenance for a 12-month period, in accordance with a strict set of specifications elaborated by the interim team. This contract will enable the Organisation to obtain from the service provider detailed documentation on the WAHIS tool in its current version. Finally, after an in-depth evaluation of the functioning of the WAHIS tool, the existing modules and user needs, WOAAH will launch a new call for tenders for the development of additional functionalities for the tool and for the maintenance.
59. **Observation:** *Implementing the recommendations of the audits is well underway. The complexity of operations and the strategic nature of WAHIS and other IT projects would justify maintaining the current interim project management until completion of the existing contracts, the elaboration of new sets of specifications for the calls for tender and the change of service provider in 2025.*
60. **Observation:** *In parallel with this phase, the Organisation will need to begin looking for a new head for its IT department – a person with a high level of expertise and reliability –, with the support and expertise of the interim manager.*
61. **Observation:** *The Organisation has chosen to keep the existing service provider until 2025 for the reason described. At the end of this phase, it is important for WOAAH to issue new call for tender to diversify its suppliers and to obtain the best quality of service in this field.*
62. As stated in the financial report, the Organisation has taken steps to ensure the necessary funding from several donors to securely cover the different phases of this strategic project, its maintenance and future developments, beyond 2025. The reorganisation of the WAHIS project carried out, the new project leadership and the other measures that have been taken will help to strengthen donor confidence.

### III. SPECIAL ACCOUNTS

#### Overview

63. The 14 special accounts open in 2023 in the accounts of WOAHA were the 13 accounts of Regional and Sub-Regional Representations and the accounts relating to the World Fund.

#### Regional and Sub-Regional Representations

64. In 2023, WOAHA had 5 Regional Representations and 8 Sub-Regional Representations.
65. 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 2023, the part of the statutory contributions thus allocated to the Regional Representations totalled € 1,073 K.
66. In 2023 as in 2022, 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.
67. 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.
68. 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.
69. In 2023, as in previous financial years, WOAHA provided several Representations with exceptional assistance to compensate for the low level of statutory contributions allocated to them. This totalled € 300 K compared to € 367 K in 2022.
70. 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 € 1,900 K and chiefly concerned Africa (€ 1,692 K) and the Regional Representation for the Middle East (€ 208 K).
71. 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 € 4,514 K at 31/12/2023, comprising € 2,016 K for the Regional Representation in Moscow, € 947 K for the Regional Representation for Asia and the Pacific, € 764 K for the Sub-Regional Representation for Central Asia and € 468 K for the Regional Representation for the Americas.

## World Animal Health and Welfare Fund

72. Resolution No. XVII, adopted by the World Assembly in May 2004, established 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 WOA. The World Fund is managed by the Director General of WOA. The World Fund is managed by the Director General of WOA assisted by a Management Committee, chaired by the President of the World Assembly of WOA, and an Advisory Committee, chaired in 2023 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 six members of staff, including the Head of Department. Two officers in the Accounting Unit are dedicated entirely to keeping the World Fund accounts.
73. The accounts of the World Fund are subject to the same external controls as the other accounts of WOA. They are prepared by WOA and the WOA's chartered account, under a contractual mandate, and they are audited by the Auditors of the Council and verified and certified by the External Auditor of WOA.
74. 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.
75. Assets totalled € 102,627 K at 31 December 2023, compared to € 96,202 K in 2022, an increase (+ 6.7%) compared to 2022. Receivables to the World Fund from donors in respect of contractual commitments increased in 2023 (€ 55,966 K compared to € 48,590 K in 2022), and are at a very high level, reflecting the intense activity of the World Fund. Indeed, in this respect the financial report indicates that 31 new agreements were signed with donors for a record amount of € 37.87 M. This is a mark of the Organisation's credibility with donors and their interest in the World Fund's programmes.
76. Investments and cash equivalents were stable (€ 45,716 K compared to € 46,584 K in 2022). In view of the level of interest rates, the Organisation has invested a substantial share of these funds in fixed term accounts (€ 38,286 K compared to € 21,238 K in 2022).
77. 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 2023 (€ 92,157 K compared to € 85,782 K in 2022; i.e. + 7.4%). These are the amounts of subsidies that have been signed but have not yet given rise to the engagement of action on the part of the World Fund. The high level of deferred income guarantees several years of activity at the present rate of expenditure commitments.
78. 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 2023, i.e. € 29,225 K, an increase on 2022 where they totalled € 23,279 K (i.e. + 25.5%). This amount corresponds to actual expenses for the financial year on programmes financed by donors. It reflects a further acceleration in the implementation of World Fund programmes.
79. General administrative expenses levied on the budgets of projects in accordance with the contracts signed by donors are paid into the WOA Regular Budget as operating income to cover the expenses, excluding the coordination team, borne by the Organisation. In 2023, they were levied on the amounts actually disbursed by the World Fund in accordance with the Organisation's regulations. They totalled € 1,789 K, compared to € 1,106 K in 2022. This increase was due to two factors: the increase in the activity of the world Fund; the increase in administrative expenses agreed by some donors.
80. Operating expenses, at € 30,147 K, rose substantially (+ 25%) compared to 2022 (€ 24,134 K) linked to growth in the activity of the World Fund.
81. 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

82. The assets of the Fund must be sufficient to meet the pension commitments.
83. This is a scheme that supplements the basic scheme for private sector employees in France. The pensions paid by WOAAH are defined according to the entitlements acquired in the latter scheme.
84. Its net position was € 18,461 K, compared to € 16,625 K in 2022. Investments totalled € 17,025 K.
85. Operating expenses, relating to the payment of pensions, changed very little in 2023 (€ 711 K compared to € 687 K in 2022) and remained well below the total amount of contributions paid in (€ 1,838 K). In 2023, pensions were paid to 28 retired employees for a total of € 563 K. Staff members who leave WOAAH before reaching pension age are reimbursed a part of the contributions (€ 149 K in 2023).
86. The balance of financial activities was positive (€ 770 K) and take into account the unrealised financial gains on the Fund's investments. The balance for the Financial Year (€ 1,843 K) includes these gains and the positive balance (€ 1,072 K) of contributions minus the pensions paid.
87. As recommended, an actuarial study was carried out. In particular, it confirmed some of the points already raised in observations, and especially the inequity of the existing system which favours staff members not affiliated to the French general pension scheme for salaried workers (CNAV), principally staff members who are not French nationals and French civil servants. The latter benefit from a pension from the Organisation that can reach up to 80% of their salary in addition to the pensions from their countries whereas staff members affiliated to CNAV, with an equivalent salary and length of service, receive only the difference between this amount and their pension in the French scheme. This second category represents approximately 24% of Headquarters' staff.
88. The study questions the sustainability of the scheme beyond a period of 55 years, which remains a distant prospect.
89. **Observation:** *The Organisation should review its pension scheme for Headquarters' staff, which appears to be inequitable for certain categories of staff, namely those affiliated to CNAV, care being taken to ensure equal treatment for all staff members, according to their length of service at WOAAH, and the long term financial sustainability of the scheme.*
90. As stipulated in Article 12 of the Headquarters Agreement, members of the personnel of the Office shall be exempt from all taxes on salaries and emoluments in remuneration of their work at the Office, with the exception of retirement or reversion pensions and annuities.
91. **Observation:** *Each year, the Organisation should inform the authorities of the Headquarters' host country of the pensions paid to staff members who qualify for tax purposes.*

#### V. JOINT OLD-AGE ALLOWANCE FUND FOR THE STAFF OF WOAAH REGIONAL AND SUB-REGIONAL REPRÉSENTATIONS AND OFFICES

92. This scheme is intended for the staff members of WOAAH Regional and Sub-Regional Representations who, throughout the duration of their contract with WOAAH, do not benefit from another retirement scheme. This scheme follows up on a long-standing commitment made by the Organisation.
93. The scheme was set up in June 2015. At 31 December 2023, 30 staff members had subscribed to the fund.
94. In 2023, operating income (€ 305 K) consisted of contributions from staff members (€ 68 K) and a contribution from WOAAH (€ 203 K). A reimbursement of contributions was made (€ 12 K), following the departure of three staff members.
95. The scheme's financial position is positive, the net position being € 1,368 K (compared to € 1,050 K in 2022).

## VI. WOAAH'S CONSOLIDATED DATA

### WOAH's consolidated financial statements

96. The consolidated financial statements record all of WOAAH'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 WOAAH changed to accrual-based accounting with effect from the financial statements for 2013.

### WOAH's net assets: statement of financial position at 31 December 2023

97. As of 31 December 2023, assets totalled € 127,487 K, compared to € 119,780 K in 2022; liabilities totalled € 114,062 K, compared to € 107,383 K in 2022. The balance, € 13,425 K (€ 12,397 K in 2022) represents WOAAH's net assets, and comprises the cumulated balances for the previous financial years (€ 12,500 K) and the surplus for 2023 (+ € 925 K).
98. WOAAH'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 € 5,628 K at the end of 2023 (including € 4,588 K for the building, excluding the land), receivables from Members for unpaid contributions (€ 3,279 K compared to € 3,342 K at the end of 2022<sup>2</sup>), subsidies to the World Fund not yet received in respect of contracts signed with donors (€ 55,966 K compared to € 48,590 K in 2022) for commitments entered into by the World Fund and cash and cash equivalents (€ 10,272 K in 'deposits with banks, unrestricted', and € 48,334 K in 'deposits with banks and cash equivalent, restricted').
99. WOAAH 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.
100. The main liabilities are the loan contracted by WOAAH to finance the purchase of a part of the building at 14 rue de Prony (€ 3,441 K at 31 December 2023) and the statutory contributions of Members paid in advance (€ 3,994 K, compared to € 3,295 K in 2022). The subsidies allocated by donors within the framework of the World Fund and still unused at 31 December 2023 totalled € 88,618 K compared to € 80,594 K in 2022 (+ 10%), which reflects the attractiveness of the World Fund for external contributors and guarantees several years of activity.

### Income statement for all WOAAH's operations in 2023

101. The consolidated statement of financial performance (or income statement) shows operating revenue of € 47,756 K compared to € 40,312 K in 2022 (i.e. + 18.5%), representing a significant increase. Operating expenses totalled € 47,722 K compared to € 40,384 K in 2022, i.e. + 18.2%. The dynamism of operating revenue and expenses testifies to the strong resumption of activity, and in particular that of the World Fund.
102. The operating balance showed a small surplus of € 34 K, compared to a small deficit of € 72 K in 2022. The financial result was + € 858 K, with a high level of financial revenue resulting from a large number of investments and an increase in interest rates. The balance for all WOAAH's transactions was a surplus of € 925 K, compared to € 817 K in 2022.
103. The consolidated statement of performance indicates personnel costs and social charges (€ 18,944 K compared to € 16,537 K in 2022, i.e. + 14.6%). Their share of operating expenses was 40%, a reduction compared to 2022 (41%) and compared to 48% in 2021, and was due to the strong increase in activity in 2023.

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<sup>2</sup> 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.

## CONCLUSION ON WOAHS FINANCIAL STATEMENTS

104. It should be noted that up to 2012 WOAHS 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 WOAHS 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 WOAHS’s principal donor institutions”*. WOAHS presented the accounts for 2013 on an accrual basis for the Regular Budget and all of the special accounts.
105. WOAHS 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 WOAHS and its high cost would justify providing more detailed information in the financial report.

## VII. ACTION TAKEN ON OBSERVATIONS MADE IN PREVIOUS REPORTS

106. Observations made in previous reports that still appeared to be at least partially valid in April 2024 are reviewed hereafter.

### Observations made in the report on the accounts for 2022

107. **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.*
108. **Observation:** *It would be appropriate to bring the Reserve Fund progressively back to the recommended level of 35%.*

### WAHIS

109. **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.*
110. **Observation:** *The risks associated with this type of project imply that the Organisation should put in place an appropriate project management organisation. 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 WOAAH. 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.*
111. The Organisation has postponed the setting up of a human resources information system (HRIS), launched in 2021.
112. **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 WOAAH and to the expectations of its contributors.*

### Observations made in the report on the accounts for 2021

#### WAHIS

113. **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.*



114. 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 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 therefore, if necessary, be mobilised 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, WOAAH is continuing negotiations with the donors for the funding of this project.
115. **Observation:** *It would be appropriate for WOAAH 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.*

#### **Observations made in the report on the accounts for 2020**

116. **Observation:** *In accordance with a previous recommendation, WOAAH should take the opportunity provided by the work on 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, WOAAH should put in place a target organisational structure. The strengthening of the HR Unit should enable it to carry out its priority projects.*
117. **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.*
118. 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.
119. **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.*
120. Partially implemented: finalisation of the guide to procedures applicable to the Regional and Sub-Regional Representations is underway.
121. **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.*
122. **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 WOAAH provides each year mobilises substantial resources that could otherwise serve for the Organisation's priority projects.*
123. **Observation:** *As with the Regular Budget, WOAAH 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.*

124. **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**

125. **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**

126. **Observation:** *The question of the funding of Representations, and in particular in Africa, is a recurrent issue for WOA. 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.*
127. **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**

128. 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.
129. If a WOA employee or former employee has entitlements with respect to other schemes, in France or abroad, these are not deducted from the level guaranteed by WOA, thus leading to the pension paid by WOA being increased by an equivalent amount. There is therefore a difference in treatment between present or former salaried staff of WOA, depending on whether or not they are affiliated to the French general pension scheme for salaried staff in the private sector (CNAV).
130. **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 CNAV and the others. These differences may ultimately have a financial cost for the Organisation.*

#### **Observations made in the report on the accounts for 2015**

131. **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.*
132. WOA has finalised the physical inventory of its assets. Its reconciliation with the accounting inventory needs to be carried out, in compliance with a recommendation made in 2016.

#### **Observations made in the report on the accounts for 2014**

133. **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 WOA's restricted decision-making body, namely the Council.*

### **Observations made in the report on the accounts for 2012**

134. The bonuses and overtime of Headquarters staff do not currently give rise to the payment of social contributions. They should, in principle, be treated in the same way as salaries.
135. **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**

136. It had been suggested that the contribution in kind by some of the host countries of Representations (provision of premises, etc.) could be recognised in WOA's accounts or in the form of notes to the financial statements. WOA gave a formal undertaking to do this for Financial Year 2011.
137. **Observation:** *During the audit of the accounts for 2014 it was noted that this recommendation had been partially acted upon, WOA indicating for each Representation whether premises are provided.*

## CERTIFICATION OF THE AUDIT OF THE ACCOUNTS

138. Within the limits of the audit carried out, the External Auditor certifies that:

- the financial statements for Financial Year 2023 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, 30 April 2024

**Didier Selles**  
External Auditor  
of the World Organisation for Animal Health

End of the Report.