

2 (a) Finance and Oversight

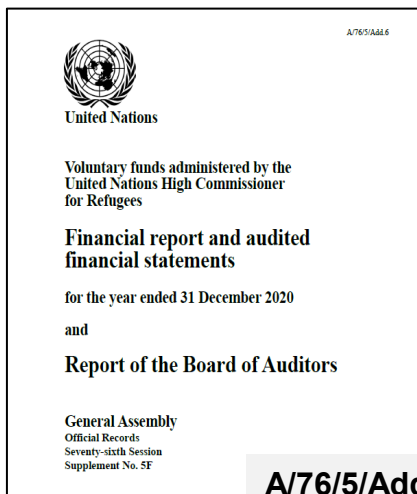
Mr. Hans G. Baritt
Controller and Director
Division of Financial and Administrative Management

82nd Standing Committee
15-16 September 2021



2 (a) (i) Financial statements

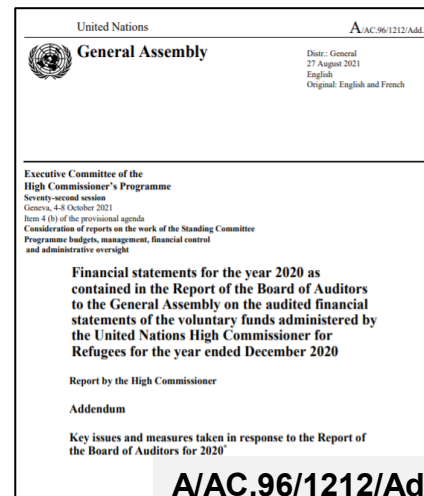
Key financial documents presented



A/76/5/Add.6

Financial Statements for 2020 (IPSAS)

- Completed and submitted to Board of Auditors (BoA) in March 2021
- Audited by BoA during March to May 2021
- Unqualified audit opinion issued as reflected in A/76/5/Add.6



A/AC.96/1212/Add.1

Key issues and measures taken in response to the Board of Auditors recommendations

- Key issues and measures taken for this year
- Follow-up on the recommendations from previous years

I. Statement of financial position - 31 Dec. 2020

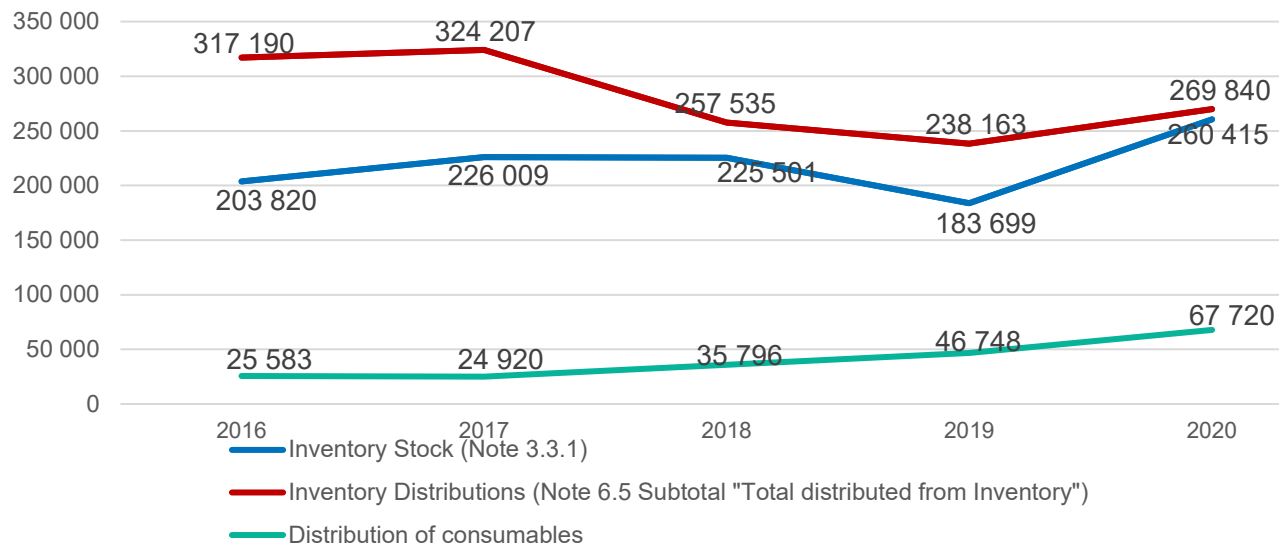
- **Balance Sheet** – Shows a snapshot of UNHCR assets, liabilities and the resulting net assets at year-end
- **Assets**
 - Current contributions receivable \$1.2b
 - Cash \$1.1b
 - Inventory \$260m
- **Liabilities**
 - Current accounts payable \$220m
 - Employee benefits \$1.3b
- **Net Assets**
 - Difference between Assets and Liabilities \$2.5b

(Thousands of United States dollars)

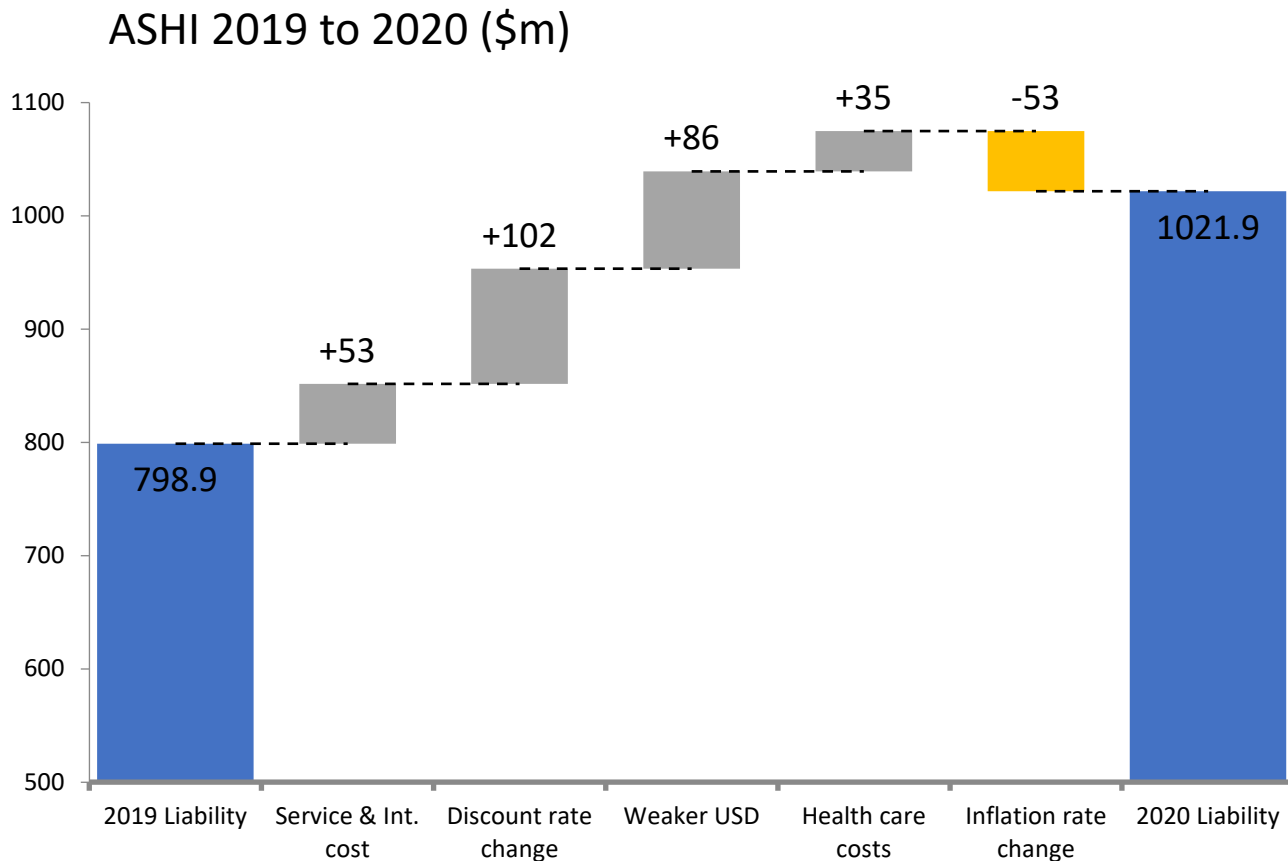
	Reference	31 December 2020	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	1 125 255	983 466
Investments	Note 3.1	534 000	330 000
Contributions receivable	Note 3.2	1 241 484	1 092 699
Inventories	Note 3.3	260 415	183 699
Other current assets	Note 3.4	269 892	238 013
Total current assets		3 431 046	2 827 876
Non-current assets			
Contributions receivable	Note 3.2	321 471	319 566
Property, plant and equipment	Note 3.5	213 621	193 429
Intangible assets	Note 3.6	38 120	35 015
Total non-current assets		573 211	548 010
Total assets		4 004 257	3 375 886
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	220 488	235 572
Employee benefits	Note 3.8	148 467	108 758
Provisions	Note 3.10	5 486	5 328
Other current liabilities	Note 3.9	8 153	9 122
Total current liabilities		382 594	358 780
Non-current liabilities			
Employee benefits	Note 3.8	1 141 720	910 276
Provisions	Note 3.10	94	-
Total non-current liabilities		1 141 813	910 276
Total liabilities		1 524 408	1 269 056
Net assets		2 479 849	2 106 830
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	3 082 073	2 564 444
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	53 929	46 538
Staff Benefits Fund	Note 3.14	(756 153)	(604 152)
Total fund balances and reserves		2 479 849	2 106 830

Inventory distribution and on stock

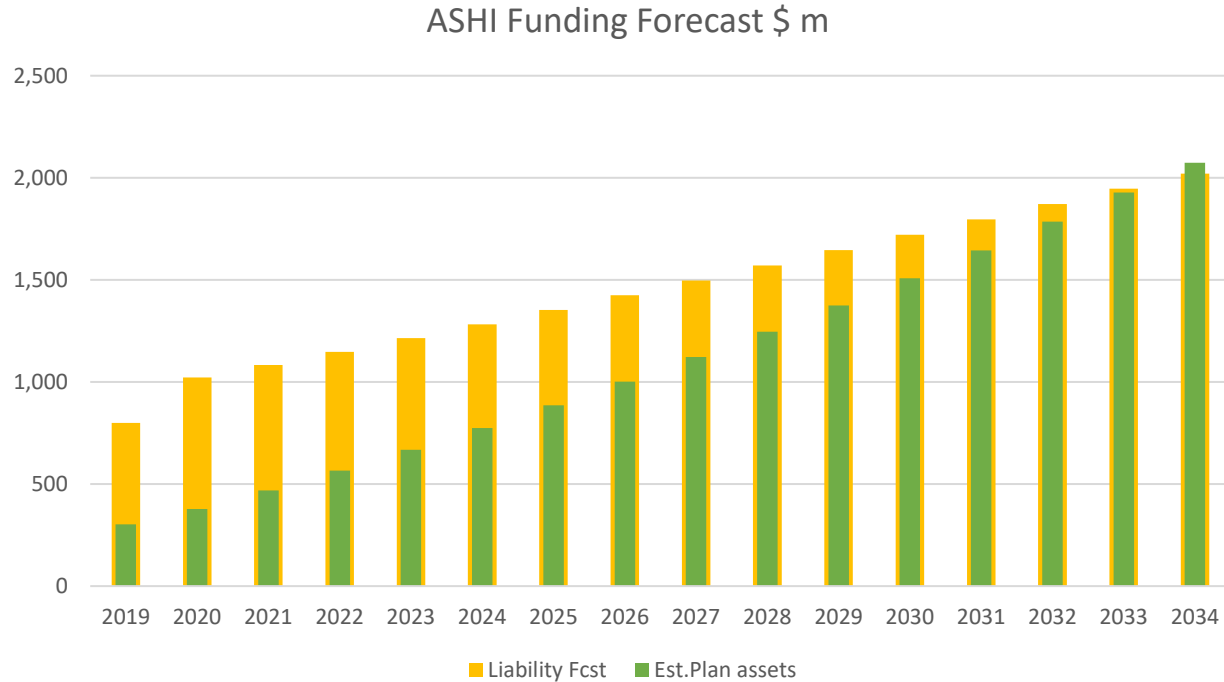
Inventory distribution and on stock at year-end, 2016 to 2020 (in millions of USD)



2020 vs 2019 ASHI Changes (\$m)



ASHI Funding Forecast (\$m)



II. Statement of financial performance for 2020

- The total of all revenues and expenses that UNHCR incurred throughout the year
- Revenues – 99% voluntary contributions
- Expenses – Implementing partners (31%)
Salaries and employee benefits (26%)

(Thousands of United States dollars)

	Reference	2020	2019
Revenue			
Voluntary contributions	Note 5.1	4 827 773	4 093 811
United Nations regular budget		40 093	43 298
Interest revenue		5 165	19 314
Other revenue	Note 5.2	18 618	26 714
Total revenue		4 891 649	4 183 137
Expenses			
Implementing partnership expenses	Note 6.1	1 392 215	1 344 969
Salaries and employee benefits	Note 6.2	1 167 879	1 124 219
Cash assistance to beneficiaries	Note 6.3	607 652	569 659
Contractual services	Note 6.4	484 685	458 457
Supplies and consumables for beneficiaries	Note 6.5	336 324	284 034
Operating expense	Note 6.6	258 693	243 404
Equipment and supplies	Note 6.7	92 178	90 805
Travel expense		28 650	72 529
Depreciation and amortization	Note 6.8	44 105	40 133
Other expenses	Note 6.9	20 074	30 054
Total expenses		4 432 455	4 258 262
Foreign exchange (gains)/losses	Note 6.10	(95 237)	9
Surplus/(deficit) for the year		554 430	(75 134)

III. Statement of changes in net assets

31 Dec. 2020

(Thousands of United States dollars)

	Reference	Accumulated fund balances and reserves	Working Capital and Guarantee Fund	Staff Benefits Fund	Medical Insurance Plan	Total
Net assets at 1 January 2019		2 744 365	100 000	(566 999)	41 759	2 319 125
Movements in fund balances and reserves in 2019						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	6 913	7 437	(94 263)	4 779	(75 134)
Loss on actuarial valuations of post-employment benefits	Note 3.8	-	-	(137 161)	-	(137 161)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(186 834)	(7 437)	194 272	-	-
Total movements during 2019		(179 922)	-	(37 152)	4 779	(212 295)
Total net assets at 31 December 2019		2 564 444	100 000	(604 152)	46 538	2 106 830
Movements in fund balances and reserves in 2020						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	533 891	92 220	(79 073)	7 392	554 430
Loss on actuarial valuations of post-employment benefits	Note 3.8	-	-	(181 411)	-	(181 411)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(16 262)	(92 220)	108 483	-	-
Total movements during 2020		517 629	-	(152 001)	7 392	373 019
Total net assets at 31 December 2020		3 082 073	100 000	(756 153)	53 929	2 479 849

- Reveals movements in the fund balances and reserves broken down by main Funds of UNHCR, including:
 - Accumulated fund balances and reserves,
 - Working Capital Fund,
 - Staff Benefits Fund and
 - Medical Insurance Plan

Net assets available to UNHCR for use differ from net assets as reflected in IPSAS based statement

Reconciliation of net assets 2020 (in millions of USD)	
IPSAS based net assets 31 Dec. 2020	2,480
Less:	
Cash received in 2020 for activities of 2021 and beyond	- 366
AR tied to time conditioned pledges not yet implemented	- 1,045
IPSAS assets previously expensed for budget purpose	- 512
Other adjustments	9
Adjusted net assets 31 Dec. 2020	566

IV. Statement of cash flow

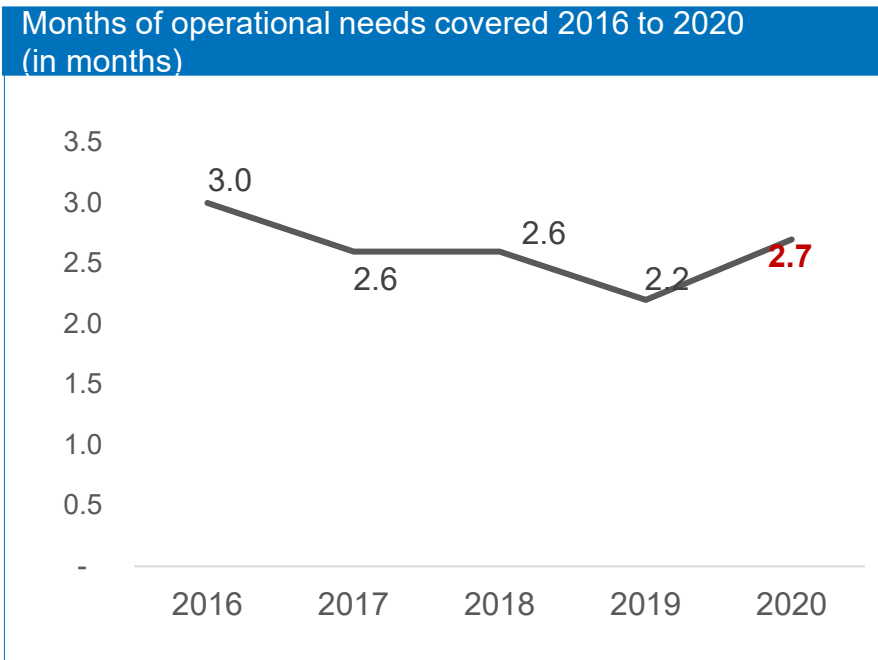
31 Dec. 2020

- Overview of UNHCR cash inflows and outflows from organizational activities during a given period
- Cash balance covers both operational and non-operational cash

(Thousands of United States dollars)

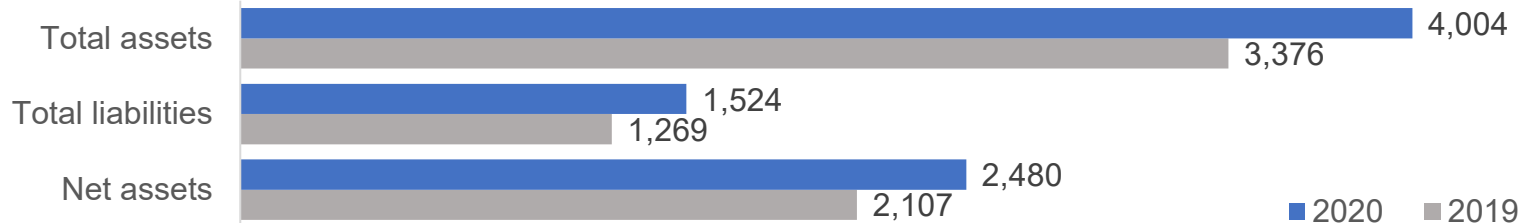
	Reference	2020	2019
Cash flows from operating activities:			
Surplus/(deficit) for the period		554 430	(75 134)
Depreciation and amortization	Notes 3.5, 3.6	44 105	40 133
(Increase)/decrease in contributions receivable	Note 3.2	(150 690)	45 058
(Increase)/decrease in inventories	Note 3.3	(76 716)	41 802
(Increase)/decrease in other assets	Note 3.4	(31 879)	(33 568)
Increase/(decrease) in accounts payable and accruals	Note 3.7	(15 084)	35 169
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss		89 742	105 198
Increase/(decrease) in provisions	Note 3.10	252	686
Increase/(decrease) in other liabilities	Note 3.9	(969)	5 299
(Gain)/loss on disposal of property, plant and equipment, and intangibles		41	(8 302)
Revenue from in-kind contributions of intangibles		-	(1 116)
Revenue from in-kind contributions of property, plant and equipment		(123)	-
Net cash flows from operating activities		413 109	155 224
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(64 839)	(63 557)
Purchase of intangible assets	Note 3.6	(10 536)	(10 215)
Proceeds from sale of assets		8 059	16 957
Purchase of short-term investments		(1 119 000)	(935 000)
Maturities and sale of short-term investments		915 000	855 000
Net cash flows from investing activities		(271 316)	(136 814)
Cash flows from financing activities:			
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		141 792	18 410
Cash and cash equivalents at beginning of the year		983 466	965 055
Cash and cash equivalents at end of the year		1 125 255	983 466

Cash for operational activities - coverage of needs remained low



UNHCR finances remain sound in 2020

Assets, liabilities and net assets 2019/2020 (in millions of USD)



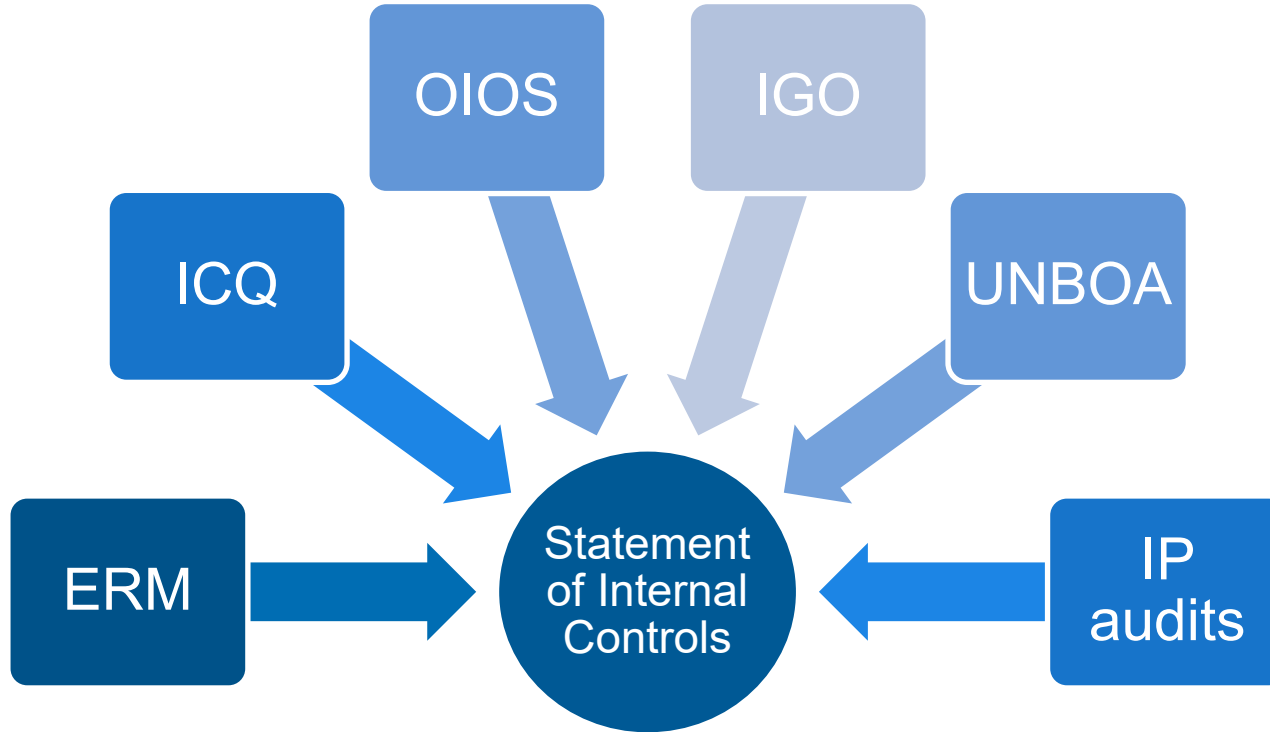
Key financial ratios, 31 December

	2020	2019
Current assets to current liabilities ⁽¹⁾	9.0	7.9
Total assets to total liabilities ⁽²⁾	2.6	2.7
Cash and short-term investments to current liabilities ⁽³⁾	4.3	3.7
Cash, short-term investments and AR to current liabilities ⁽⁴⁾	7.6	6.7

(1) A high ratio indicates an entity's ability to pay off its short-term liabilities; (2) A high ratio is a good indicator of solvency; (3) This ratio indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents and invested funds available in current assets to cover current liabilities; (4) This ratio excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

Statement of Internal Controls

Statement of Internal Control



COUNTRY OFFICE 2020 RESULTS



What are we doing well?

- 1 Cash and Bank Accounts**
 - bank account reconciliation
- 2 Financial Tracking & Reporting**
 - year-end instructions completed
- 3 Leadership & Management**
 - UN Staff Rules and HR policies
- 4 Planning and Resource allocation**
 - Budgetary Control Plans updated



What needs improvement?

1

Procurement Management

- Procurement planning, non-PO voucher, vendor master, receipting

2

Support activities

- Travel claims, fuel mgmt, vehicle assessment

3

IP management

- monitoring partner inventory and procurement

4

Cash-based Interventions

- CBI SOPs, refunds

2 (a) (ii) Key issues and measures taken by UNHCR in response to the Report of the Board of Auditors

Key findings 2020

- Unqualified audit opinion
- Key financial indicators remained robust and the level of demand for UNHCR interventions further increased with the on-going emergencies
- Closed 65% of prior years recommendations
- 44 new recommendations issued in 2020
(compared to past years with 55 issued in 2019, 64 in 2018)

44 recommendations issued in 2020

- **Financial management findings and observations**
- **Administration and management of operations**



COVID-19 response



Decentralization and regionalization



Cash assistance to beneficiaries



Implementing partnership management



Human resources management



Global fleet management



Business transformation programme



Conclusion

- ✓ Addressing the BoA's recommendations is a management priority and notable progress was made
- ✓ BoA's findings and recommendations allowed UNHCR to focus its resources on the most relevant risk areas
- ✓ UNHCR will continue to take action to address recommendations and reiterates its commitment to improving procedures, systems and controls in order to mitigate the identified risks

[Presentation by the Board of Auditors]

Measures taken to address recommendations

Budget and finance related observations and measures

UNHCR Actions

- ✓ Continue to examine amended budget structure over the coming budget cycles and analyse the benefits of the changes
- ✓ Perform an organizational variance analysis on financial performance and position and seek input from the regional bureau
- ✓ Review the processes related to affiliate workforce administration in the context of the implementation of the new ERP system

COVID-19 response - inventory

UNHCR Actions

- ✓ HQ and RBs will strengthen their support to country operations with respect to the needs-based procurement and distribution of inventory items via different tools and guidance

Decentralization and regionalization

UNHCR Actions

- ✓ Revision of the roles, accountabilities and authorities has largely been completed.
- ✓ New official policy/guidance includes specific information on roles, especially the RB.

Cash assistance to beneficiaries

UNHCR Actions

- ✓ Improve the internal quality control process over the data of persons of concern through enhancements to the CBI system and dedicated guidance and trainings
- ✓ Develop a central connectivity platform to improve the connectivity of financial service providers with CashAssist
- ✓ Issue guidance for the calculation of cash transfer values to clarify responsibilities and maintain flexibility based on operational context

Implementing partnership management

UNHCR Actions

- ✓ Issue consolidated guidance material for the implementing partnership management
- ✓ Clarify responsibility of the regional bureaux to approve extensions of the implementation or liquidation periods in the guidance
- ✓ Mitigate partner-personnel related financial risks through the guidance and PROMS

Human resources management

UNHCR Actions

- ✓ Develop advanced analytics to carry out comprehensive human resources analyses to enable benchmarking of workforce among operations
- ✓ Strategic workforce approach to be piloted
- ✓ Develop staffing review toolkits and support country operations to review their staffing needs as part of the annual and multi-year planning

Global fleet management

UNHCR Actions

- ✓ Ensure the quality of data recorded in FleetWave by reviewing data entries deviating from the set standards
- ✓ Keep improving FleetWave tool to achieve optimal level of usability

Business transformation programme

UNHCR Actions

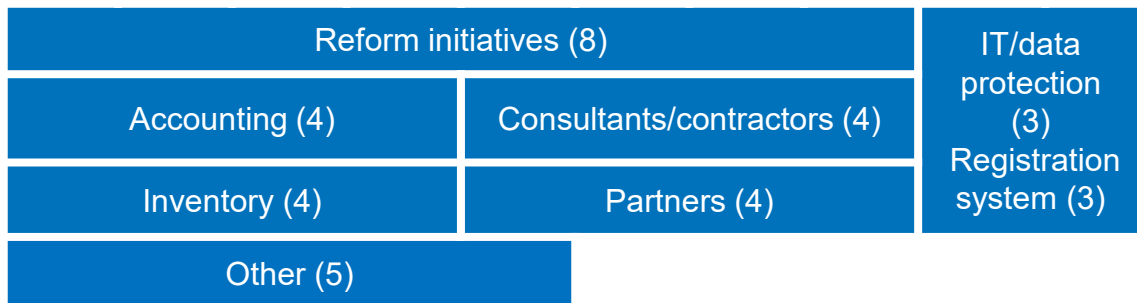
- ✓ BTP management office resourced to provide effective oversight, budget monitoring and cost control for the programme
- ✓ Consultation process on-going to assess financial and technical risks of the programme and effectively mitigate the risks
- ✓ Include risks to the programme expressly in the strategic risk register

100 recommendations from 2019 and previous years – status update

implemented (56)



under implementation (35)



not implemented / overtaken (9)



Thank you