

2 (a) Finance and Oversight

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Controller and Director
Division of Financial and Administrative Management

79th Standing Committee
16-17 September 2020



I. Statement of financial position 31 Dec. 2019

- **Balance Sheet** – Shows a snapshot of UNHCR assets, liabilities and the resulting net assets at year-end
- **Assets**
 - Current contributions receivable \$1,092m
 - Cash \$983m
- **Liabilities**
 - Current accounts payable \$235m
 - Employee benefits \$1,019m
- **Net Assets**
 - Difference between Assets and Liabilities

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	983 466	965 055
Investments	Note 3.1	330 000	250 000
Contributions receivable	Note 3.2	1 092 699	1 226 581
Inventories	Note 3.3	183 699	225 501
Other current assets	Note 3.4	238 013	204 445
Total current assets		2 827 876	2 871 582
Non-current assets			
Contributions receivable	Note 3.2	319 566	230 742
Property, plant and equipment	Note 3.5	193 429	171 628
Intangible assets	Note 3.6	35 015	30 717
Total non-current assets		548 010	433 087
Total assets		3 375 886	3 304 669
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	235 572	200 403
Employee benefits	Note 3.8	108 758	92 570
Provisions	Note 3.10	5 328	4 578
Other current liabilities	Note 3.9	9 122	3 824
Total current liabilities		358 780	301 376
Non-current liabilities			
Employee benefits	Note 3.8	910 276	684 105
Provisions	Note 3.10	-	64
Total non-current liabilities		910 276	684 169
Total liabilities		1 269 056	985 545
Net assets		2 106 830	2 319 125
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	2 564 444	2 744 365
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	46 538	41 759
Staff Benefits Fund	Note 3.14	(604 152)	(566 999)
Total fund balances and reserves		2 106 830	2 319 125

II. Statement of financial performance 31 Dec. 2019

- The total of all revenues and expenses that UNHCR incurred throughout the year
- Revenues – 98% voluntary contributions
- Expenses – Implementing partners (32%)
Salaries and employee benefits (26%)

Deficit of \$75m for 2019 reflecting an increase in expenditures, while revenue decreased

(Thousands of United States dollars)

	Reference	2019	2018
Revenue			
Voluntary contributions	Note 5.1	4 093 811	4 260 756
United Nations regular budget		43 298	38 642
Interest revenue		19 314	18 130
Other revenue	Note 5.2	26 714	20 766
Total revenue		4 183 137	4 338 294
Expenses			
Implementing partnership expenses	Note 6.1	1 344 969	1 375 073
Salaries and employee benefits	Note 6.2	1 124 219	996 364
Cash assistance to beneficiaries	Note 6.3	569 659	472 381
Contractual services	Note 6.4	458 457	455 425
Supplies and consumables for beneficiaries	Note 6.5	284 034	289 269
Operating expense	Note 6.6	243 404	240 646
Equipment and supplies	Note 6.7	90 805	87 635
Travel expense		72 529	74 046
Depreciation, amortization and impairment	Note 6.8	40 133	45 030
Other expenses	Note 6.9	30 054	28 112
Total expenses		4 258 262	4 063 980
Foreign exchange (gains)/losses	Note 6.10	9	18 539
Surplus/(deficit) for the year		(75 134)	255 775

III. Statement of changes in net assets

31 Dec. 2019

- 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

(Thousands of United States dollars)

<i>Reference</i>	<i>Accumulated fund balances and reserves</i>	<i>Working Capital and Guarantee Fund</i>	<i>Staff Benefits Fund</i>	<i>Medical Insurance Plan</i>	<i>Total</i>
Net assets at 1 January 2018	2 515 500	100 000	(677 507)	37 041	1 975 034
Movements in fund balances and reserves in 2018					
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14 305 496	(10 665)	(43 774)	4 718	255 775
Gain on actuarial valuations of post-employment benefits	Note 3.8 -	-	88 316	-	88 316
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14 (76 631)	10 665	65 966	-	-
Total movements during 2018	228 865	-	110 508	4 718	344 091
Total net assets at 31 December 2018	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

IV. Statement of cash flow

31 Dec. 2019

- 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)

	<i>Reference</i>	<i>2019</i>	<i>2018</i>
Cash flows from operating activities:			
Surplus/(deficit) for the period		(75 134)	255 775
Depreciation, amortization and impairment	Notes 3.5, 3.6	40 133	45 030
(Increase)/decrease in contributions receivable	Note 3.2	45 058	(151 643)
(Increase)/decrease in inventories	Note 3.3	41 802	508
(Increase)/decrease in other assets	Note 3.4	(33 568)	(50 869)
Increase/(decrease) in accounts payable and accruals	Note 3.7	35 169	39 127
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss		105 198	46 627
Increase/(decrease) in provisions	Note 3.10	686	(9 066)
Increase/(decrease) in other liabilities	Note 3.9	5 299	(358)
(Gain)/loss on disposal of property, plant and equipment, and intangibles		(8 302)	(4 481)
Revenue from in-kind contributions of intangibles		(1 116)	-
Revenue from in-kind contributions of property, plant and equipment		-	(189)
Net cash flows from operating activities		155 224	170 461
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(63 557)	(74 527)
Purchase of intangible assets	Note 3.6	(10 215)	(7 784)
Proceeds from sale of assets		16 957	11 270
Purchase of short-term investments		(935 000)	(910 000)
Maturities and sale of short-term investments		855 000	830 000
Net cash flows from investing activities		(136 814)	(151 041)
Cash flows from financing activities:			
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		18 410	19 420
Cash and cash equivalents at beginning of the year		965 055	945 635
Cash and cash equivalents at end of the year		983 466	965 055

V. Statement of comparison of budget and actual amounts 31 Dec. 2019

- Provides a comparison of actual expenditures against the original and final budget
- Actual budgetary expenditures are reconciled with IPSAS expenses in Note 7 of the Financial Statements.**

(Thousands of United States dollars)

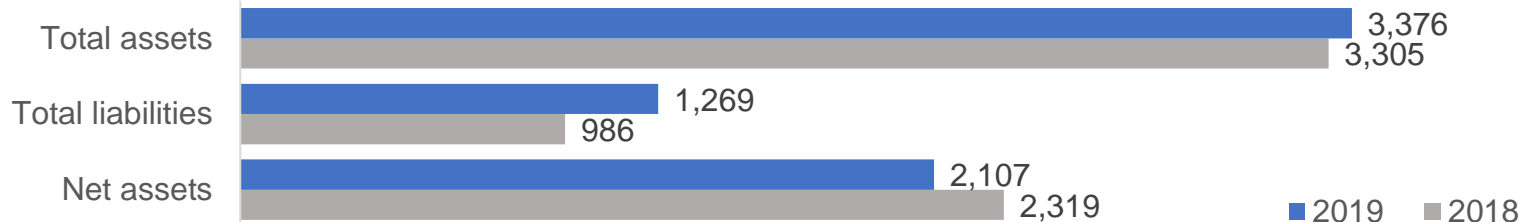
	<i>Global needs assessment budget</i>		<i>Actual on comparable basis</i>	<i>Variances: final budget and actual amounts</i>	
	<i>Reference</i>	<i>Original^b</i>			<i>Final^c</i>
Field operations					
Africa		2 520 183	2 675 896	1 321 325	1 354 571
Middle East and North Africa		2 205 502	2 750 786	1 252 734	1 498 052
Asia and the Pacific		480 380	777 099	386 454	390 645
Europe		794 306	831 151	497 275	333 876
Americas		156 568	385 800	251 654	134 147
Total field operations		6 156 939	7 420 733	3 709 442	3 711 291
Global programmes		408 706	491 220	462 576	28 644
Headquarters		218 949	246 989	234 495	12 494
Operational reserve and new or additional activities — mandate-related reserve		555 728	464 986	-	464 986
Junior Professional Officers Fund		12 000	12 000	8 778	3 222
Total	Note 7	7 352 323	8 635 927	4 415 291	4 220 636

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

Reconciliation of net assets 2019 (in millions of USD)	
IPSAS based net assets 31 Dec. 2019	2,107
Less:	
Cash received in 2019 for activities of 2020 and beyond	- 192
AR tied to time conditioned pledges not yet implemented	- 1,102
IPSAS assets previously expensed for budget purpose	- 412
Other adjustments	11
Adjusted net assets 31 Dec. 2019	411

UNHCR finances remain sound in 2019

Assets, liabilities and net assets 2018/2019 (in millions of USD)



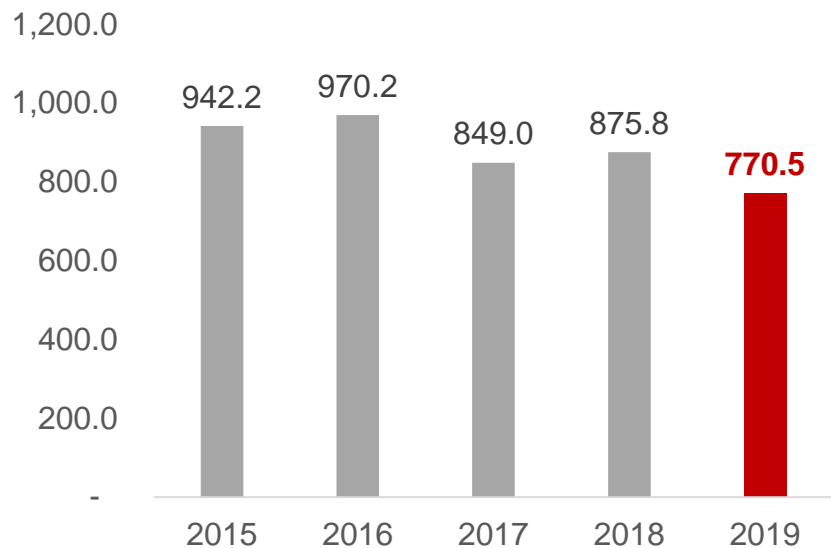
Key financial ratios, 31 December

	2019	2018
Current assets to current liabilities ⁽¹⁾	7.9	9.5
Total assets to total liabilities ⁽²⁾	2.7	3.4
Cash and short-term investments to current liabilities ⁽³⁾	3.7	4.0
Cash, short-term investments and AR to current liabilities ⁽⁴⁾	6.7	8.1

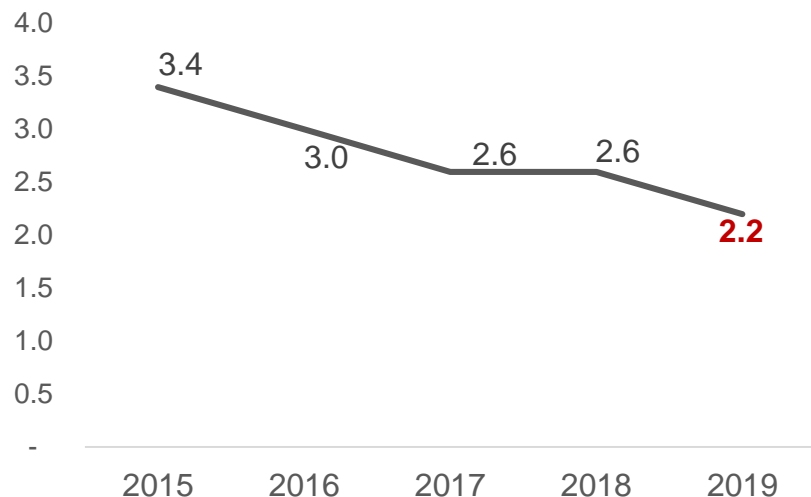
(1) A high ratio indicates an entity's ability to pay off its short-term liabilities; (2) A high ratio is a good indicator of solvency; (3) This ratio indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents and invested funds available in current assets to cover current 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.

Cash for operational activities - coverage of needs remained low at less than 3 months in 2019 and onwards

Total amount of cash and short-term investments available for operational activities 2015 to 2020 (in millions of USD)

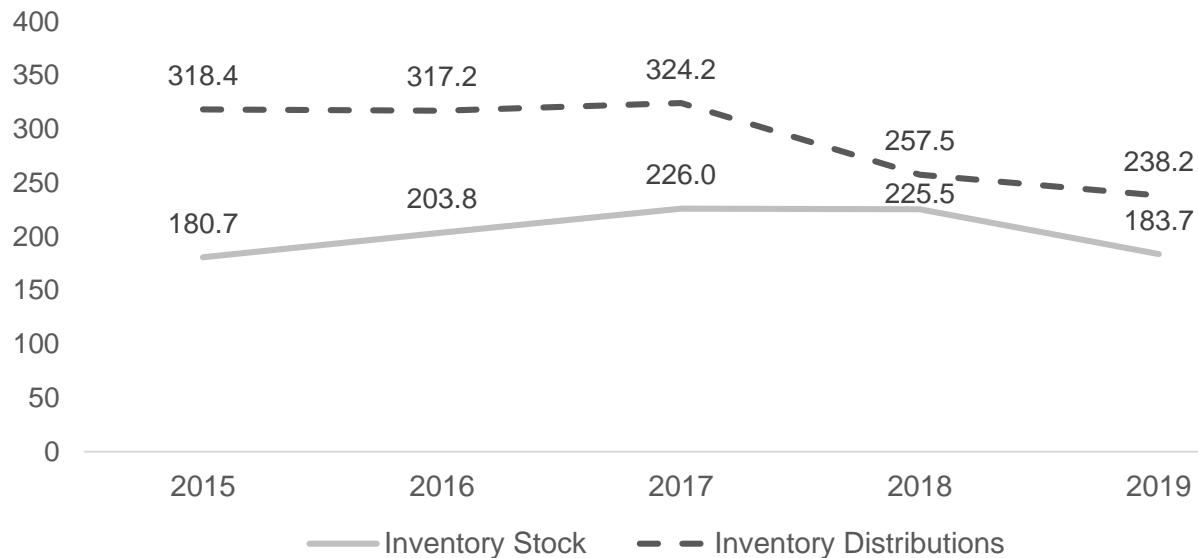


Months of operational needs covered 2015 to 2020 (in months)

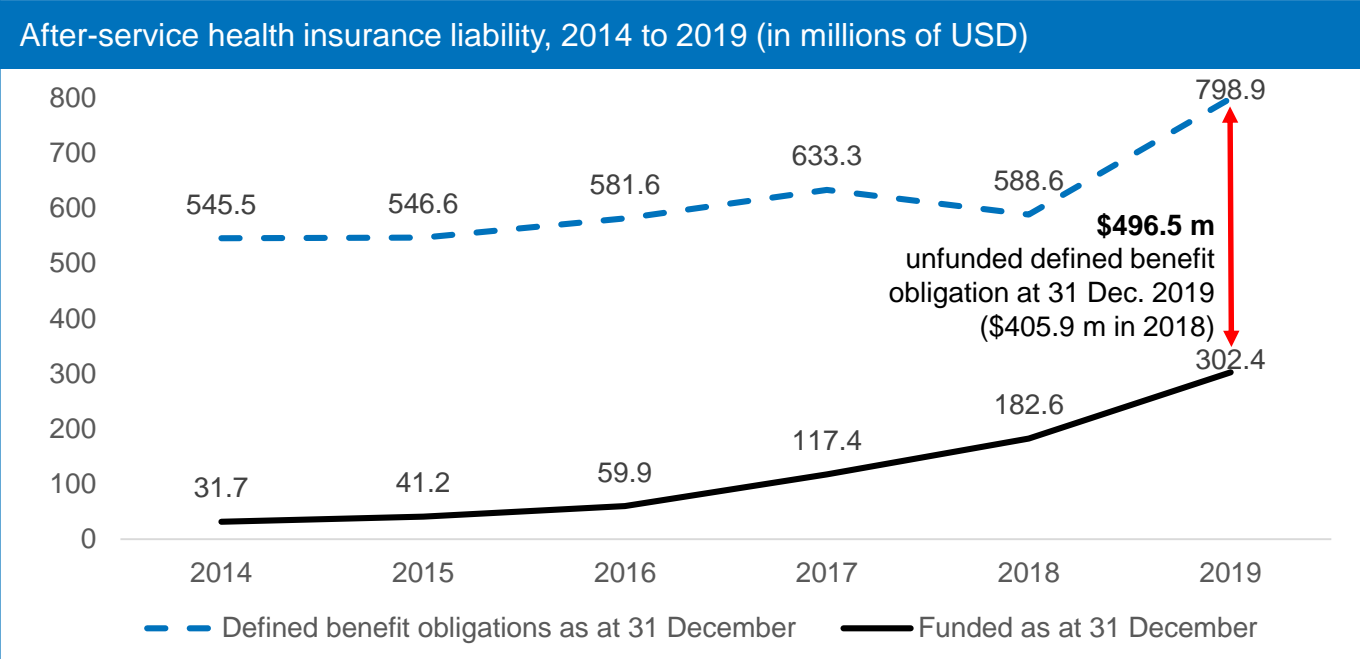


Inventory distribution and on stock

Inventory distribution and on stock at year-end, 2015 to 2019 (in millions of USD)



Funding for after-service health insurance (ASHI) liability continues to be built but the gap persists



Statement of Internal Control

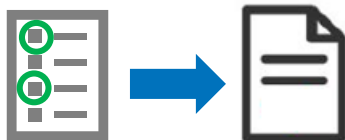
What did we do?

1. Develop Risk Control Matrix (RCM)



RCM

2. Select 55 questions out of RCM to generate ICQ



RCM

ICQ

3. Disseminate ICQ



- 108 Country Offices
- 5 Divisions

4. Disseminate guidance on process



- Webinars
- FAQs

5. Collect Certification Statements



6. Analyze results



Statement of Internal Control



Statement of Internal Control – going forward

To address these matters, UNHCR is taking action to:

- (i) Strengthen procedures and systems to manage implementing partners' projects;
- (ii) Improve planning and monitoring of procurement and travel;
- (iii) Ensure more regular risk reviews in operations, in addition to annual review;
- (iv) Review and streamline vendor data management; and
- (v) Improve IT recovery procedures at local level.

Key issues and measures taken by UNHCR in response to the Report of the Board of Auditors

Key findings 2019

- Unqualified audit opinion
- Emphasis of matter related to the effects of the coronavirus pandemic
- Key financial indicators remained robust and the level of demand for UNHCR interventions further increased with the on-going emergencies
- 55 new recommendations issued in 2019
(compared to past years with 64 issued in 2018, 49 issued in 2017)

55 recommendations issued in 2019

A. Financial management findings and observations



B. Administration and management of operations

B.1 Reform initiatives



B.2 Implementing partners



B.3 Cash-based intervention



B.4 Global fleet management



B.5 UNOPS assignment and expenditures



B.6 Registration and data protection



✓ UNCHR has accepted the majority of these recommendations.

[Presentation by the Board of Auditors]

Thank you