

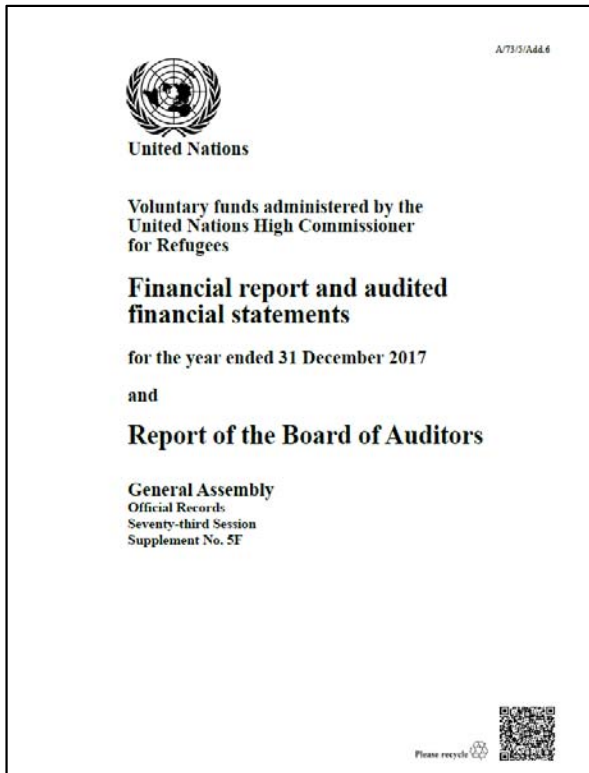
# 2 (a) Finance and Oversight

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

**73<sup>rd</sup> Standing Committee**  
19-20 September 2018



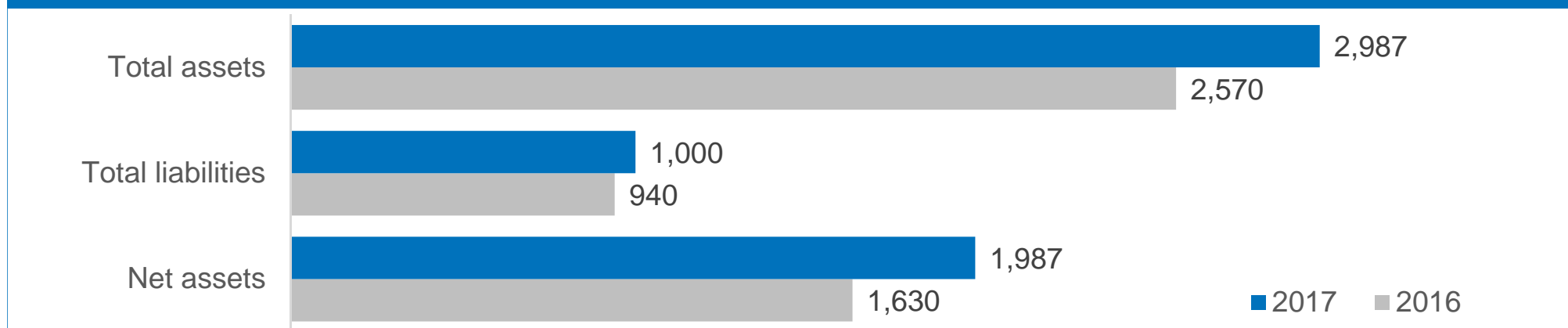
# Financial Statements for 2017



- Completed and submitted to Board of Auditors in March 2018
- Audited by the Board of Auditors during April-May 2018
- Clean audit opinion issued as reflected in A/73/5/Add.6

# UNHCR finances remain sound in 2017

## Assets, liabilities and net assets 2016/2017 (in millions of USD)



## Key financial ratios, 31 December

	2017	2016
Current assets to current liabilities <sup>(1)</sup>	9.77	8.10
Total assets to total liabilities <sup>(2)</sup>	2.99	2.73
Cash and cash equivalent to current liabilities <sup>(3)</sup>	3.63	3.49

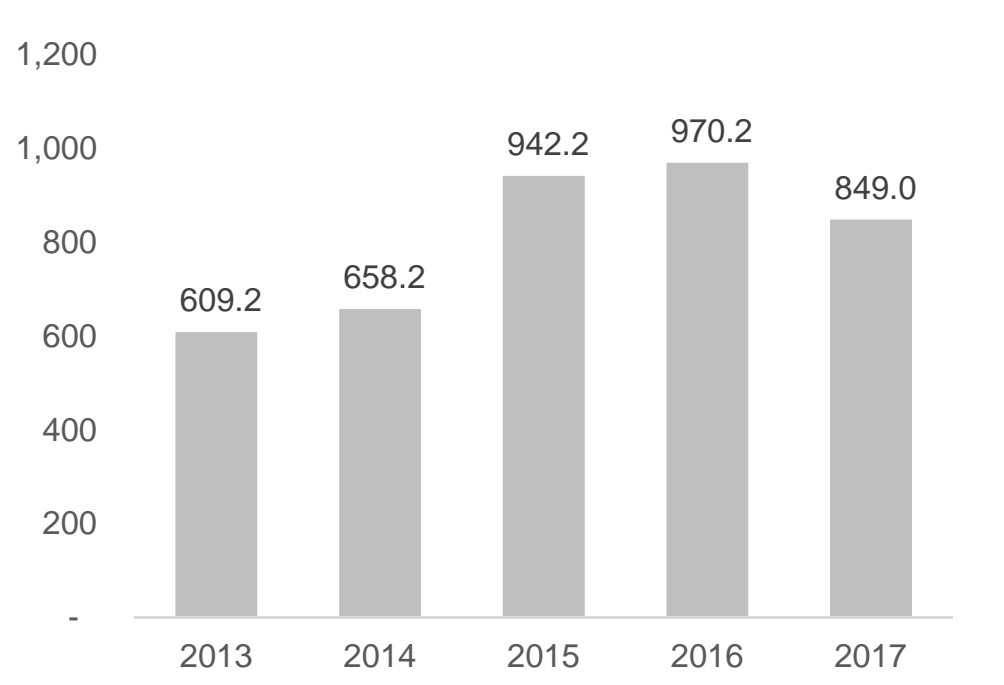
(1) A high ratio indicates an entity's ability to pay off its short-term liabilities; (2) A high ratio is a good indicator of solvency; (3) The cash ratio (without investments) indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents available in current assets to cover current liabilities

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

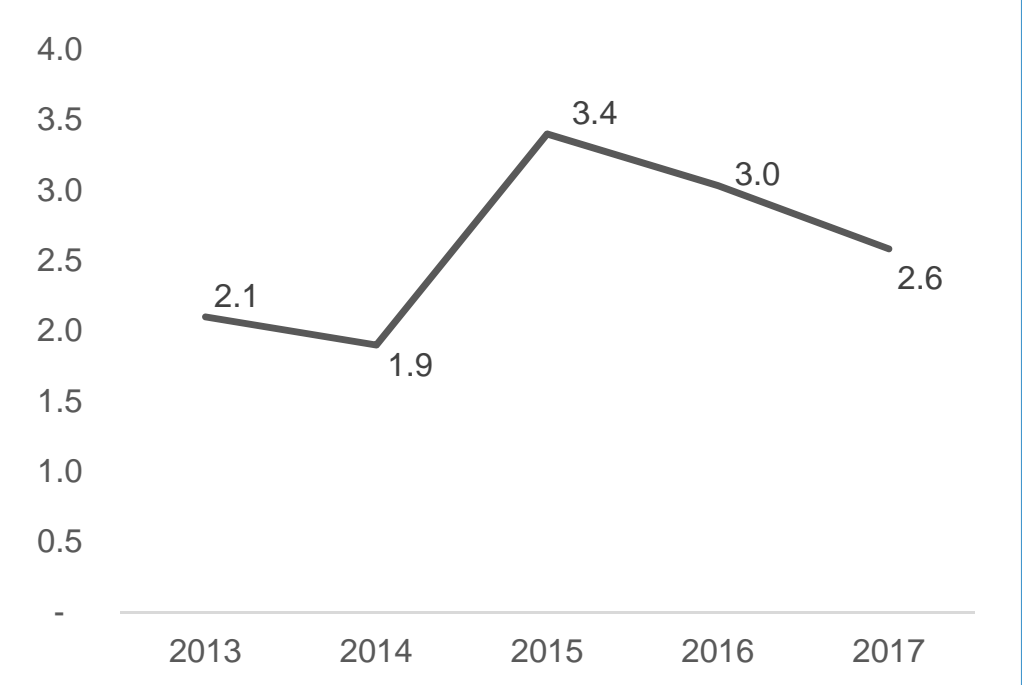
Reconciliation of net assets 2017 (in millions of USD)	
<b>IPSAS based net assets 31 Dec. 2017</b>	<b>1,987</b>
<b>Less:</b>	
Cash tied to unspent 2017 revenue	- 175
AR tied to time conditioned pledges not yet implemented	- 1,026
IPSAS assets previously expensed for budget purpose	- 409
<b>Adjusted net assets 31 Dec. 2017</b>	<b>376</b>

# Cash for operational activities - coverage of needs decreased to less than 3 months in 2017

Total amount of cash and short-term investments available for operational activities 2013 to 2017 (in millions of USD)

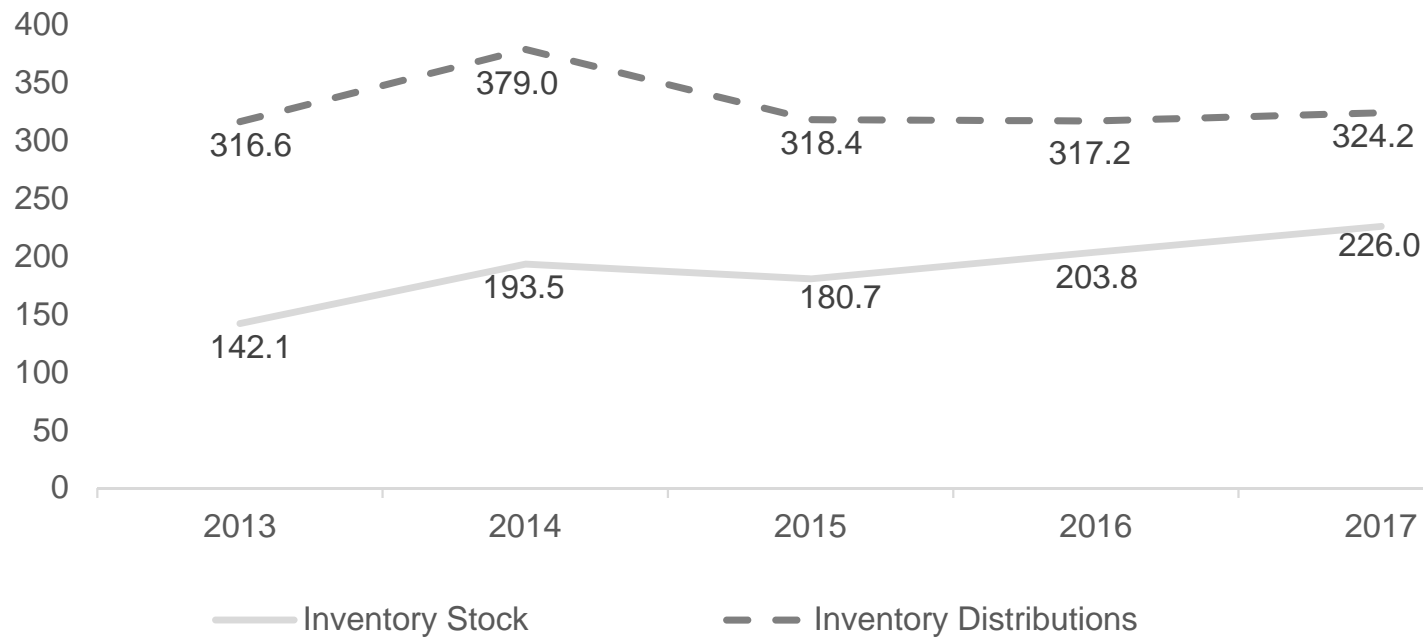


Months of operational needs covered 2013 to 2017 (in months)



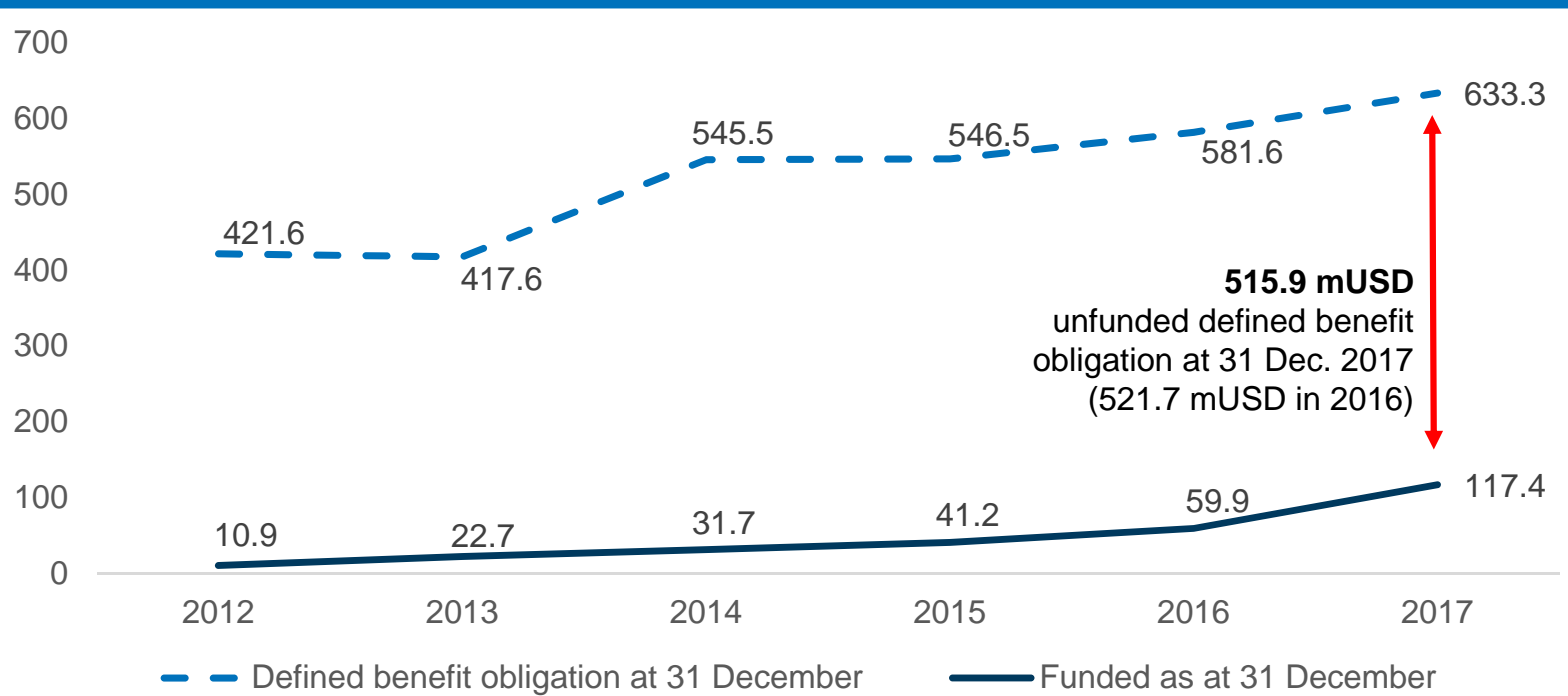
# Inventory distribution and on stock

Inventory distribution and on stock at year-end, 2013 to 2017 (in millions of USD)



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

After-service health insurance liability, 2012 to 2017 (in millions of USD)



# Cash inflow and outflow in various currencies: UNHCR diligently manages the currency risks

Currency	2017 Inflow	2017 Outflow
USD	48%	46%
EUR	31%	10%
EUR correlated <sup>(1)</sup>	2%	8%
SEK	3%	-
GBP	4%	-
NOK	3%	-
CAD	2%	-
AUD	1%	-
JPY	1%	1%
CHF	1%	4%
Other currencies <sup>(2)</sup>	3%	31%
<b>Total Inflow/Outflow</b>	<b>100%</b>	<b>100%</b>

- UNHCR Global Currency Portfolio benefits from significant natural correlations related to either USD or EUR
- UNHCR Value at Risk (VaR) confirms natural correlation i.e. naturally hedged in the range of 60-75%
- Currency Portfolio inflows in 10 major G10 currencies and outflows in 93 currencies
- Remaining risk concentrated in EUR
- Emerging markets currencies reduce risk-mainly to USD but also to EUR
- FX mitigation optimized through limited hedging contracts

Note: (1) Correlated currencies e.g. DKK, XOF, XAF; HUF;  
(2) Other currencies include mainly Emerging Market currencies



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

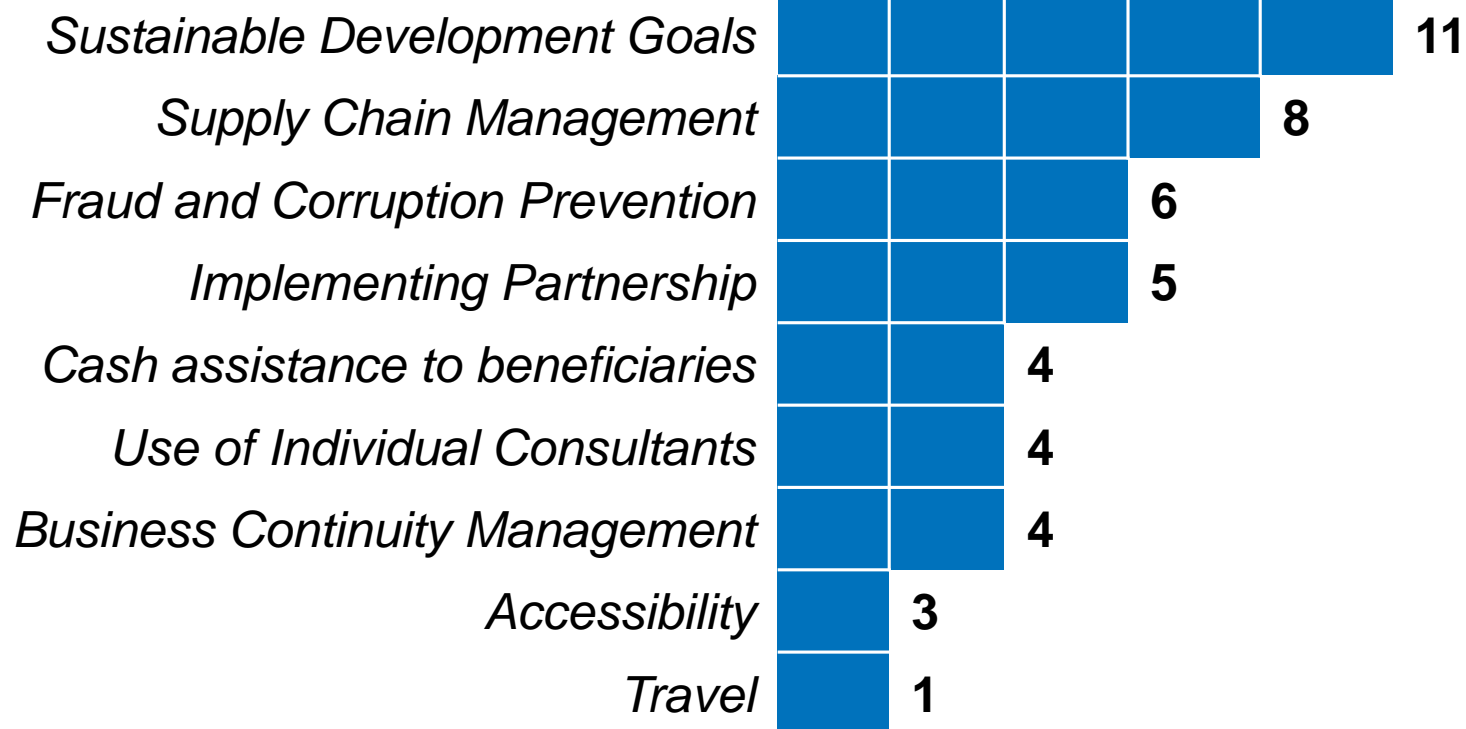
# Key findings 2017

- Unqualified audit opinion
- Board confirmed that UNHCR financial position remained strong and there are sufficient assets to meet liabilities
- Key financial indicators remained robust and the level of demand for UNHCR interventions further increased with the on-going emergencies
- 49 new recommendations issued in 2017

# 49 recommendations issued in 2017

1. Financial management findings and observations  3

2. Administration and management of operations



# Sustainable Development Goals

## UNHCR Actions

- ✓ Based on UNHCR strategic directions for 2017-2021, UNHCR will formulate a corporate position on Sustainable Development Goals with inputs from operations, divisions and Regional Bureaux
- ✓ Based on the corporate position that is being developed, UNHCR will prepare a plan for the operationalization of the Sustainable Development Goals engagement

# Selected observations on supply chain management

## UNHCR Actions

- ✓ Conduct an analysis of the Copenhagen warehouse and other options taking into consideration not only cost, but other parameters that affect the decision-making
- ✓ Assess ways to achieve a more efficient management of core relief items in stock at a global level and develop a model accordingly

# Fraud and corruption prevention

## UNHCR Actions

- ✓ Recently issued handbook on fraud and corruption prevention will form underlying basis for initiating more structured fraud risk assessments at the country level
- ✓ Focus on country operations that have been identified as most risk prone as part of the risk management 2.0 initiative, designed to ensure that strategic planning and decision-making are consistently informed by operational and management risks in order to proactively prevent potential fraud and corruption

# Cash assistance to beneficiaries (CBI)

## UNHCR Actions

- ✓ Strengthen training and monitoring efforts
- ✓ Reinforce the procedures to maintain a consistent and clear trail of core documents substantiating CBI transactions, while taking into account the unique country specific context
- ✓ Strengthen the knowledge of field operations by disseminating additional guidance specifically designed to clarify processes regarding refunds and cut-off procedures

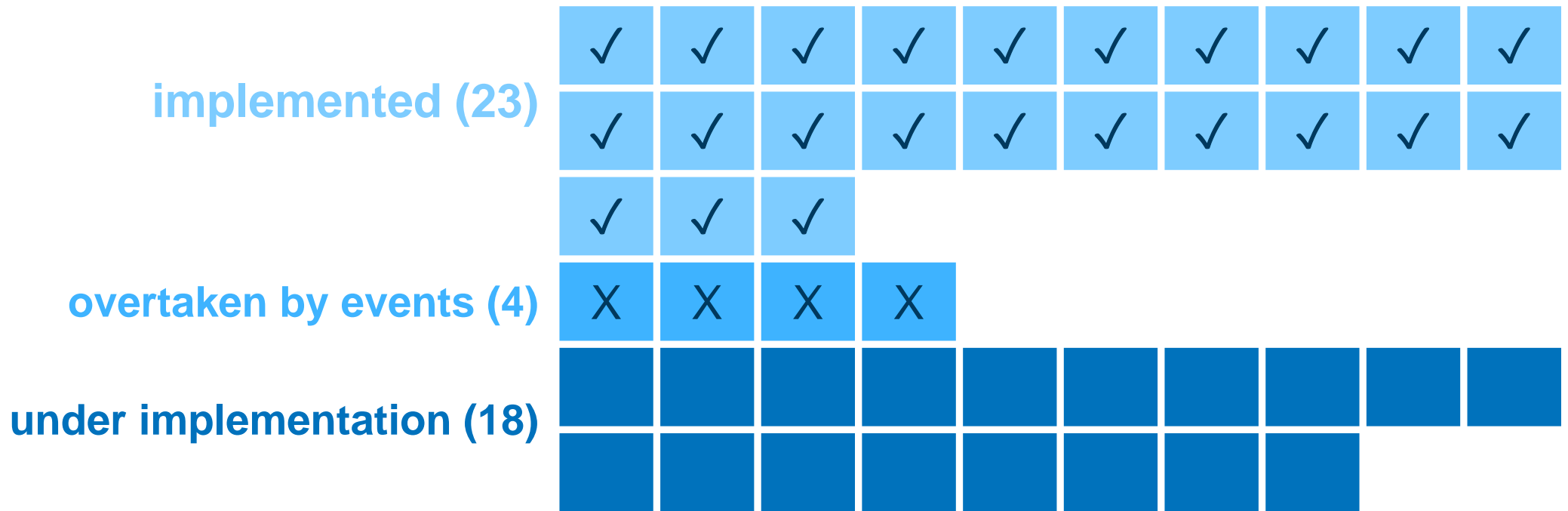
# Use of individual consultants

## UNHCR Actions

- ✓ Review the policy on consultants
- ✓ Elaborate new standard operating procedures to strengthen segregation of duties and process of granting waivers
- ✓ Develop a fee calculation tool
- ✓ Widen scope of clearance process by Division of Human Resources in hiring consultants
- ✓ Design a control in MSRP platform to enable more timely detection of multiple payments made by different offices to the same consultant for the same period of time



# 45 recommendations from 2016 and previous years – status update



# 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 most relevant risk areas
- UNHCR will continue to take action to address them and reiterates its commitment to improving procedures, systems and controls in order to mitigate the identified risks

**Thank you**