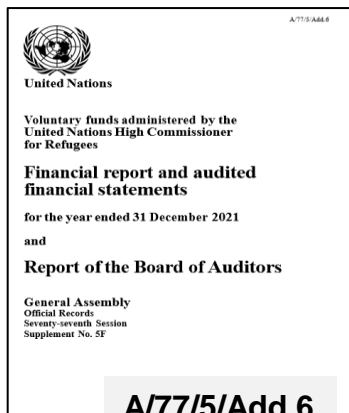
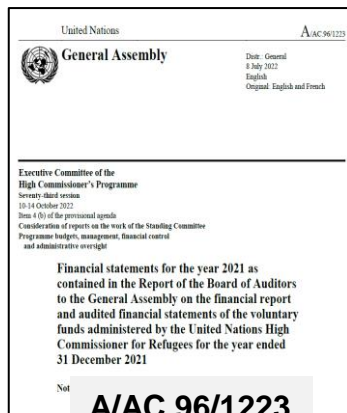


# 4 (a) Finance and Oversight

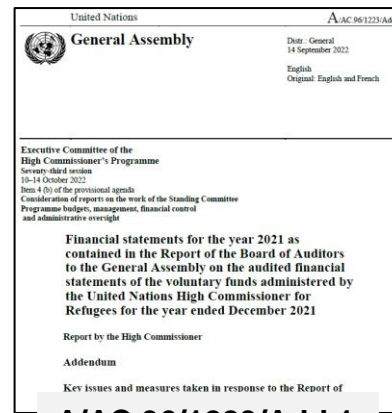
# Key financial documents presented



**A/77/5/Add.6**



**A/AC.96/1223**



**A/AC.96/1223/Add.1**

## Financial Statements for 2021 (IPSAS) (A/77/5/Add.6)

- Completed and submitted to Board of Auditors (BoA) in March 2022
- Audited by BoA during March to May 2022
- Unqualified audit opinion issued as reflected in A/77/5/Add.6

## Key issues and measures taken in response to the Board of Auditors recommendations (A/AC.96/1223/Add.1)

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

# I. Statement of financial position - 31 Dec. 2021

- **Balance Sheet** – Shows a snapshot of UNHCR assets, liabilities and the resulting net assets at year-end
- **Assets**
  - Net contributions receivable \$1.9b
  - Cash \$1.2b
  - Inventory \$300m
- **Liabilities**
  - Current accounts payable \$259m
  - Employee benefits \$1.3b
- **Net Assets**
  - Difference between Assets and Liabilities \$2.8b

(Thousands of United States dollars)

	Reference	31 December 2021	31 December 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	Note 3.1	1 183 891	1 125 255
Investments	Note 3.1	655 000	534 000
Contributions receivable	Note 3.2	1 133 262	1 241 484
Inventories	Note 3.3	300 376	260 415
Other current assets	Note 3.4	264 571	269 892
<b>Total current assets</b>		<b>3 537 100</b>	<b>3 431 046</b>
<b>Non-current assets</b>			
Contributions receivable	Note 3.2	814 170	321 471
Property, plant and equipment	Note 3.5	213 926	213 621
Intangible assets	Note 3.6	28 457	38 120
<b>Total non-current assets</b>		<b>1 056 553</b>	<b>573 211</b>
<b>Total assets</b>		<b>4 593 653</b>	<b>4 004 257</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accruals	Note 3.7	258 746	220 488
Employee benefits	Note 3.8	160 219	148 467
Provisions	Note 3.10	5 638	5 486
Other current liabilities	Note 3.9	17 044	8 153
<b>Total current liabilities</b>		<b>441 646</b>	<b>382 594</b>
<b>Non-current liabilities</b>			
Employee benefits	Note 3.8	1 328 789	1 141 720
Provisions	Note 3.10	94	94
<b>Total non-current liabilities</b>		<b>1 328 883</b>	<b>1 141 813</b>
<b>Total liabilities</b>		<b>1 770 529</b>	<b>1 524 408</b>
<b>Net assets</b>		<b>2 823 124</b>	<b>2 479 849</b>
<b>Fund balances and reserves</b>			
Accumulated fund balances and reserves	Note 3.11	3 357 443	3 082 073
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	60 673	53 929
Staff Benefits Fund	Note 3.14	(850 784)	(756 153)
Self-Financing Activities Fund	Note 3.15	155 792	–
<b>Total fund balances and reserves</b>		<b>2 823 124</b>	<b>2 479 849</b>

# II. Statement of financial performance for 2021

- The total of all revenues and expenses that UNHCR incurred throughout the year
- Revenues – 99% voluntary contributions
- Expenses – Implementing partners (29%)  
Salaries and employee benefits (27%)

**Surplus of \$464m for 2021 driven by a higher increase in revenue (\$363M) than in expenses (\$260M)**

(Thousands of United States dollars)

	Reference	2021	2020
<b>Revenue</b>			
Voluntary contributions	Note 5.1	5 187 214	4 827 773
United Nations regular budget		43 177	40 093
Interest revenue		2 476	5 165
Other revenue	Note 5.2	21 339	18 618
<b>Total revenue</b>		<b>5 254 206</b>	<b>4 891 649</b>
<b>Expenses</b>			
Implementing partnership expenses	Note 6.1	1 380 667	1 392 215
Salaries and employee benefits	Note 6.2	1 260 716	1 167 879
Cash assistance to beneficiaries	Note 6.3	573 186	607 652
Contractual services	Note 6.4	527 762	484 685
Supplies and consumables for beneficiaries	Note 6.5	429 545	336 324
Operating expense	Note 6.6	269 498	258 693
Equipment and supplies	Note 6.7	132 045	92 178
Travel expense	Note 6.8	42 112	28 650
Depreciation, amortization and impairment	Note 6.9	53 586	44 105
Other expenses	Note 6.10	23 234	20 074
<b>Total expenses</b>		<b>4 692 352</b>	<b>4 432 455</b>
Foreign exchange (gains)/losses	Note 6.11	97 386	(95 237)
<b>Surplus/(deficit) for the year</b>		<b>464 468</b>	<b>554 430</b>

# III. Statement of changes in net assets

## 31 Dec. 2021

- 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

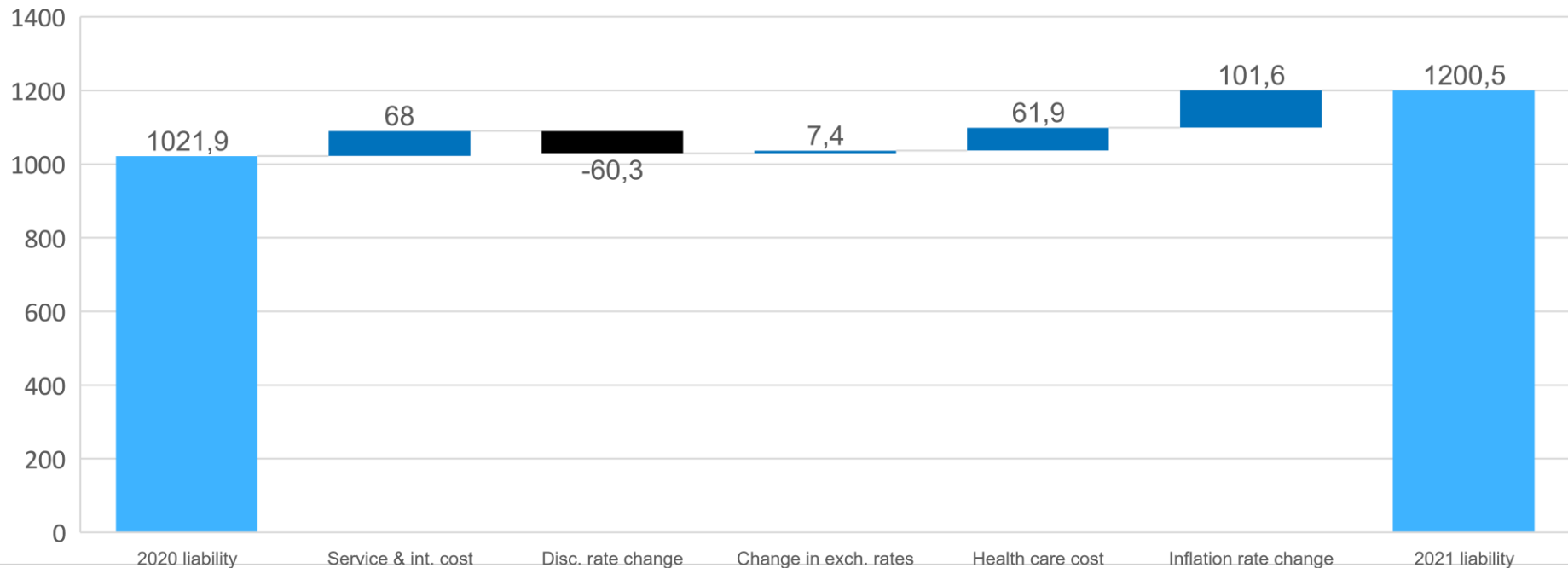
(Thousands of United States dollars)

	Reference	Accumulated fund balances and reserves	Working Capital and Guarantee Fund	Staff Benefits Fund	Medical Insurance Plan	Self-Financing Activities Fund	Total
<b>Net assets at 1 January 2020</b>		<b>2 564 444</b>	<b>100 000</b>	<b>(604 152)</b>	<b>46 538</b>	<b>–</b>	<b>2 106 830</b>
<b>Movements in fund balances and reserves in 2020</b>							
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	–	–	–
<b>Total movements during 2020</b>		<b>517 629</b>	<b>–</b>	<b>(152 001)</b>	<b>7 392</b>	<b>–</b>	<b>373 019</b>
<b>Total net assets at 31 December 2020</b>		<b>3 082 073</b>	<b>100 000</b>	<b>(756 153)</b>	<b>53 929</b>	<b>–</b>	<b>2 479 849</b>
<b>Movements in fund balances and reserves in 2021</b>							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14, 3.15	595 594	(101 532)	(69 199)	6 744	32 861	464 468
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(121 193)	–	–	(121 193)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14, 3.15	(320 224)	101 532	95 762	–	122 931	–
<b>Total movements during 2021</b>		<b>275 370</b>	<b>–</b>	<b>(94 631)</b>	<b>6 744</b>	<b>155 792</b>	<b>343 275</b>
<b>Total net assets at 31 December 2021</b>		<b>3 357 443</b>	<b>100 000</b>	<b>(850 784)</b>	<b>60 673</b>	<b>155 792</b>	<b>2 823 124</b>

# 2021 vs 2020 ASHI Changes (\$m)

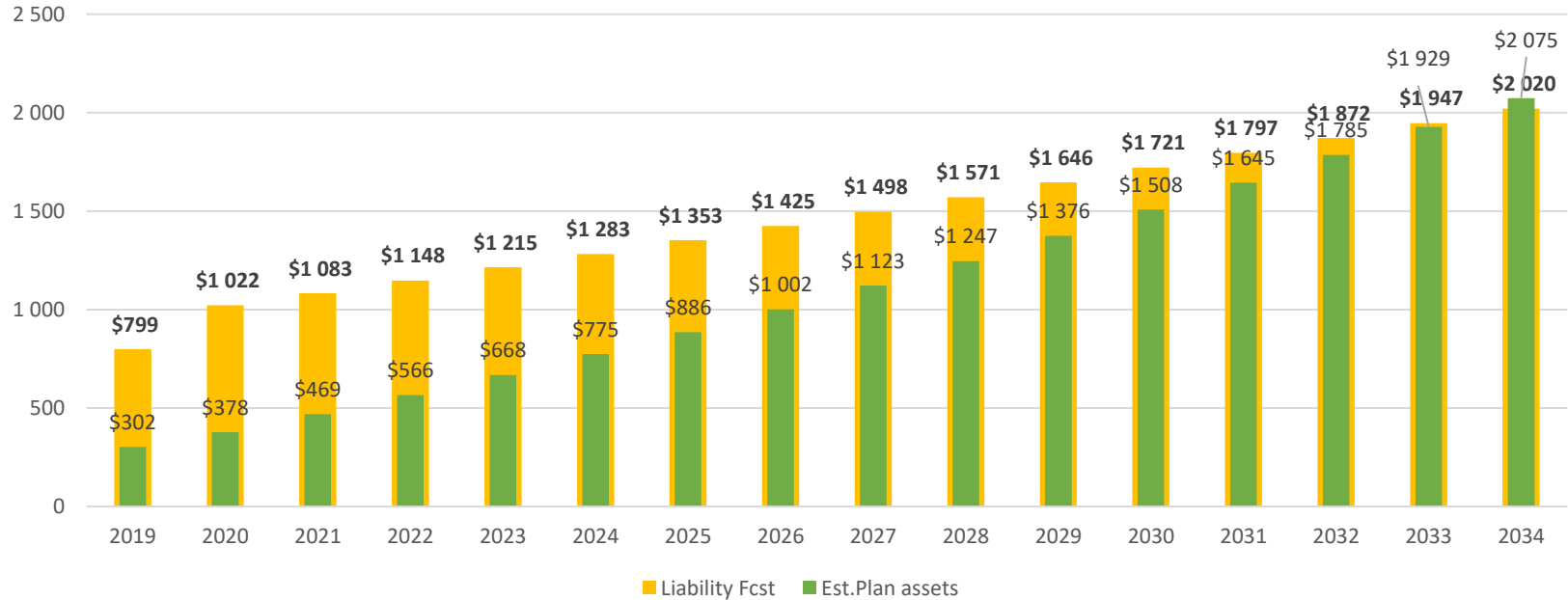
ASHI 2020 to 2021 (\$m)

■ Increase ■ Decrease ■ Total



# ASHI Funding Forecast (\$m)

ASHI Funding Forecast \$ m



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

Reconciliation of net assets 2021 (in millions of USD)	
<b>IPSAS based net assets 31 Dec. 2021</b>	<b>2,823</b>
<b>Less:</b>	
Cash received in 2021 for activities of 2022 and beyond	- 309
AR tied to time conditioned pledges not yet implemented	- 1,766
IPSAS assets previously expensed for budget purpose	- 543
Other adjustments	30
<b>Adjusted net assets 31 Dec. 2021</b>	<b>235</b>



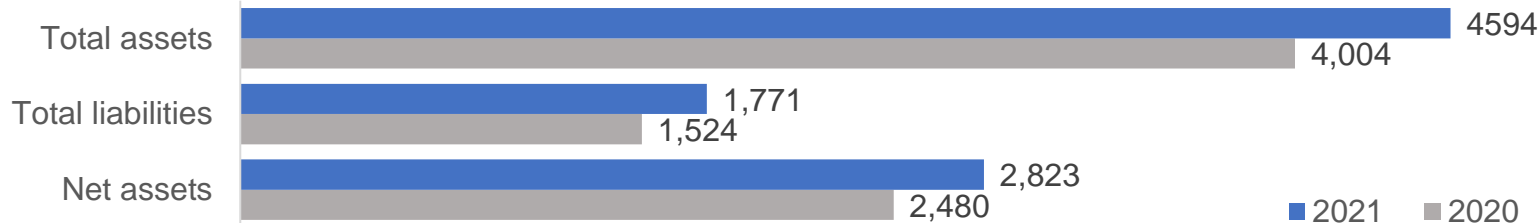
# Year end balances of cash and short-term investments for operational activities/months of operational needs covered 2017-2021

Months of operational needs covered 2017 to 2021  
(in months)



# UNHCR finances remain sound in 2021

## Assets, liabilities and net assets 2021/2020 (in millions of USD)

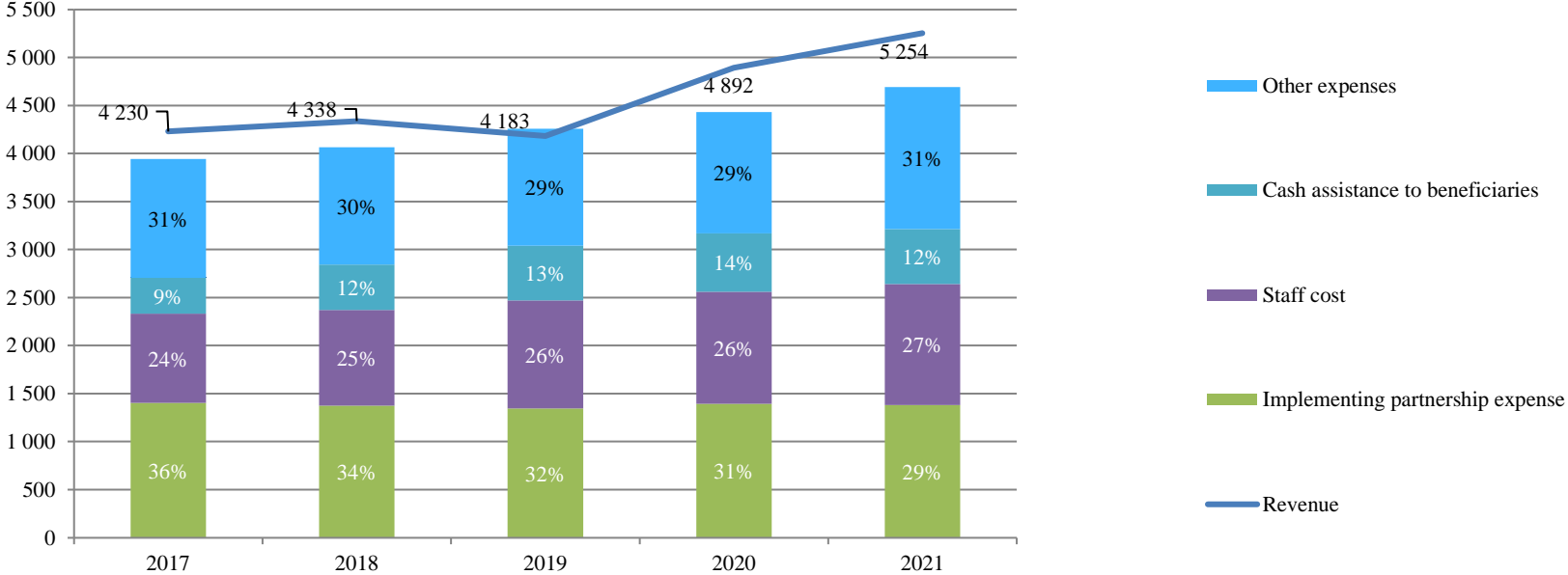


## Key financial ratios, 31 December

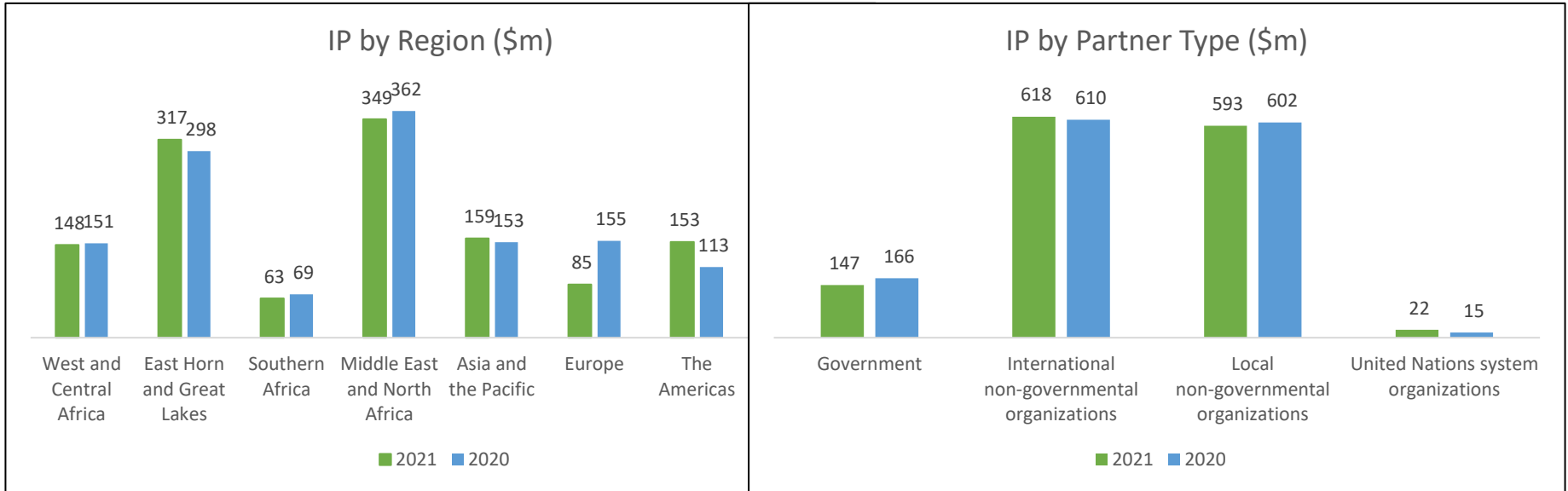
	2021	2020
Current assets to current liabilities <sup>(1)</sup>	8.01	8.97
Total assets to total liabilities <sup>(2)</sup>	2.59	2.63
Cash and short-term investments to current liabilities <sup>(3)</sup>	2.68	2.94
Cash, short-term investments and AR to current liabilities <sup>(4)</sup>	6.72	7.60

(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.

# FINANCIAL HIGHLIGHTS

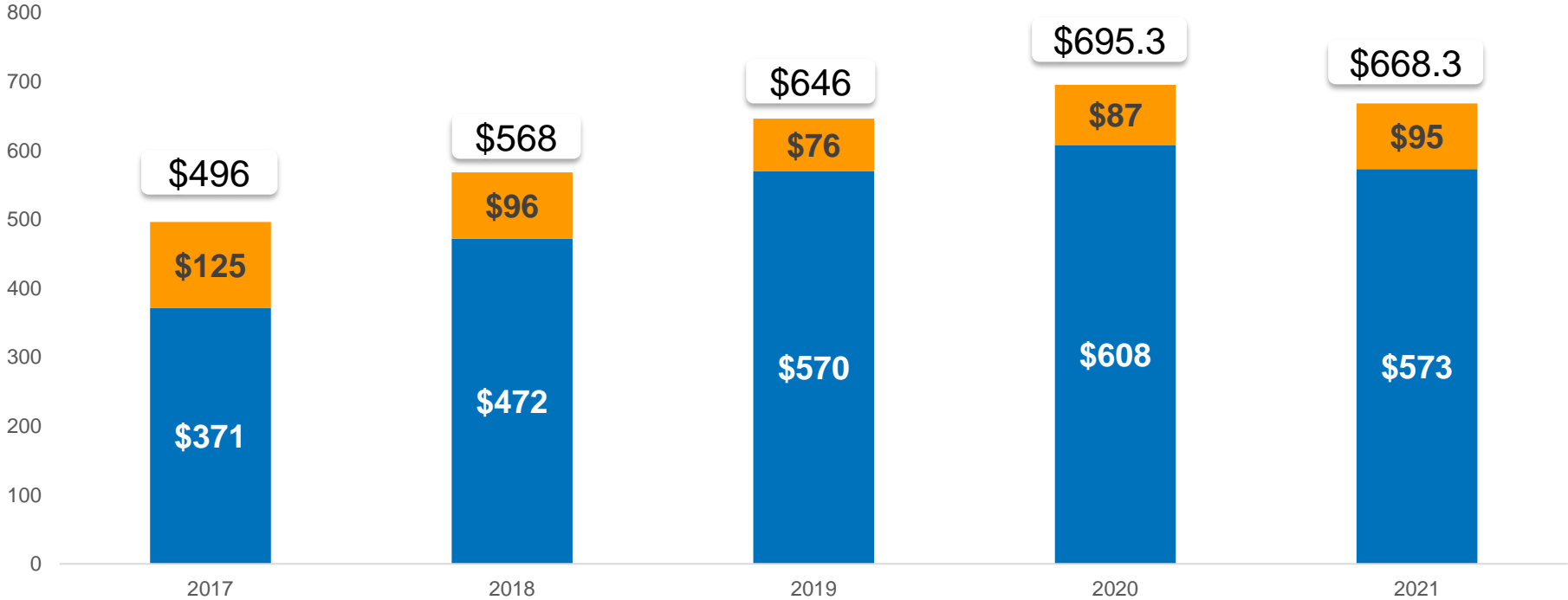


# 2021 vs 2020 IP Expenses (\$m) Highlights



# CBI Trend 2016-2021

Amount in \$m

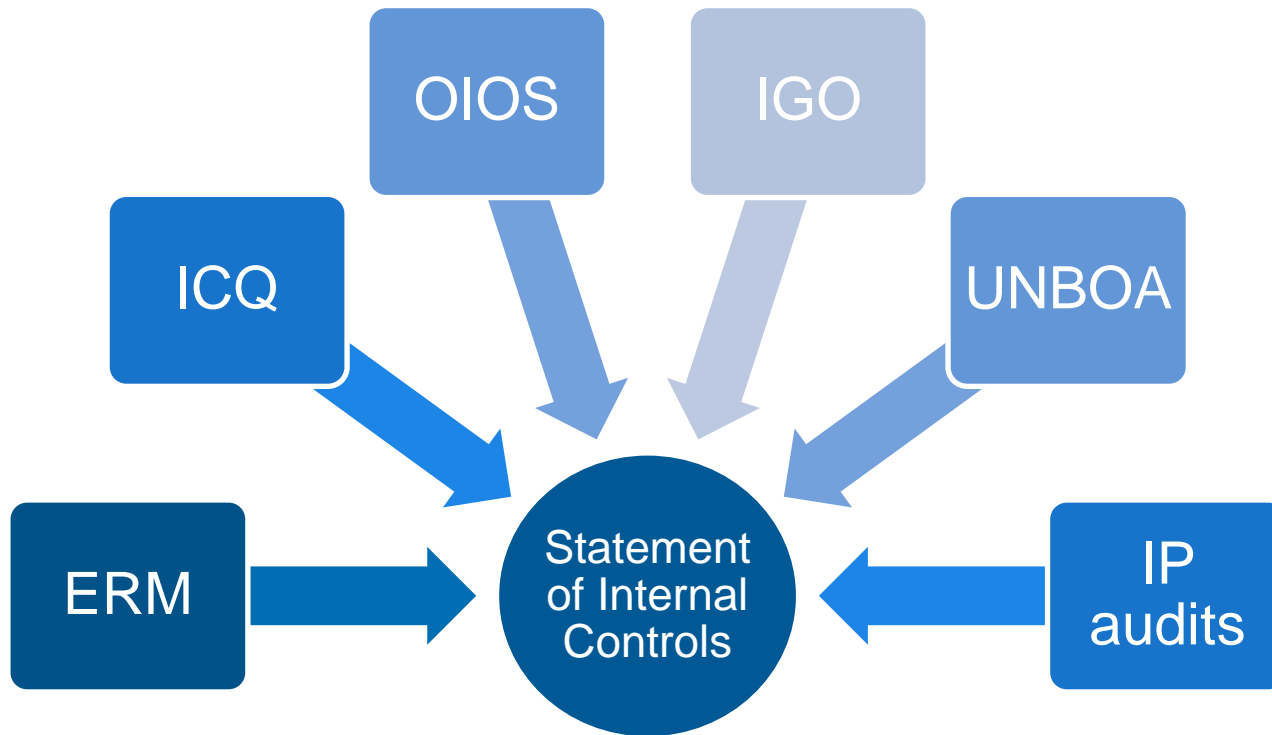


■ Direct ■ Indirect

# Statement of Internal Controls

# Statement of Internal Control

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# 2021 Results of internal control self-assessment questionnaires by Country Offices



## ***Areas we are doing well***

- Cash & Bank Accounts
- Human Resources



## ***Areas for improvement***

- Timeliness and efficiency of procurement planning as well supply chain mgt
- Capacity and performance monitoring of partners entrusted with procurement and managing UNHCR's inventory
- Consistency of programme monitoring
- Updating regularly and documenting better CBI SOPs
- Strengthen systematic use of available tools for financial tracking / reporting
- Increasing efficiency of vehicles master data mgt
- Adherence to the policy of continuous monitoring and analysing of emergency risks and preparedness; as well as business continuity plans



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

# Key findings 2021

- Unqualified audit opinion
- Key financial indicators remained robust and the level of demand for UNHCR interventions further increased with the on-going emergencies
- Closed 70% of prior years recommendations
- 53 new recommendations issued in 2021  
(compared to past years with 44 issued in 2020, 55 in 2019)

# 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



UNITED NATIONS  
BOARD OF AUDITORS

B u n d e s  
rechnungshof

**UN Board of Auditors  
Audit Report 2021  
for UNHCR Standing Committee  
19 September 2022**

## Outline

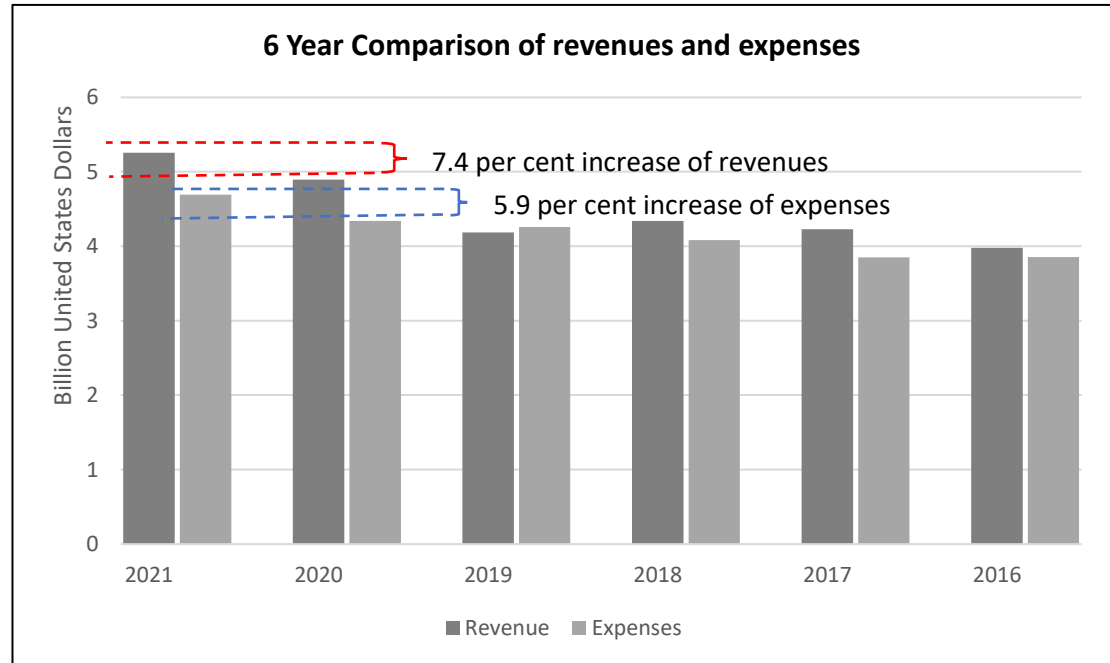
- Audit opinion
- Highlights from the financial report
- Key findings
- Summary of 2021 recommendations
- Status of previous recommendations
- Comparison of recommendations by subject

## Audit Opinion

- The Board issued an **unqualified audit opinion**
- The financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with IPSAS

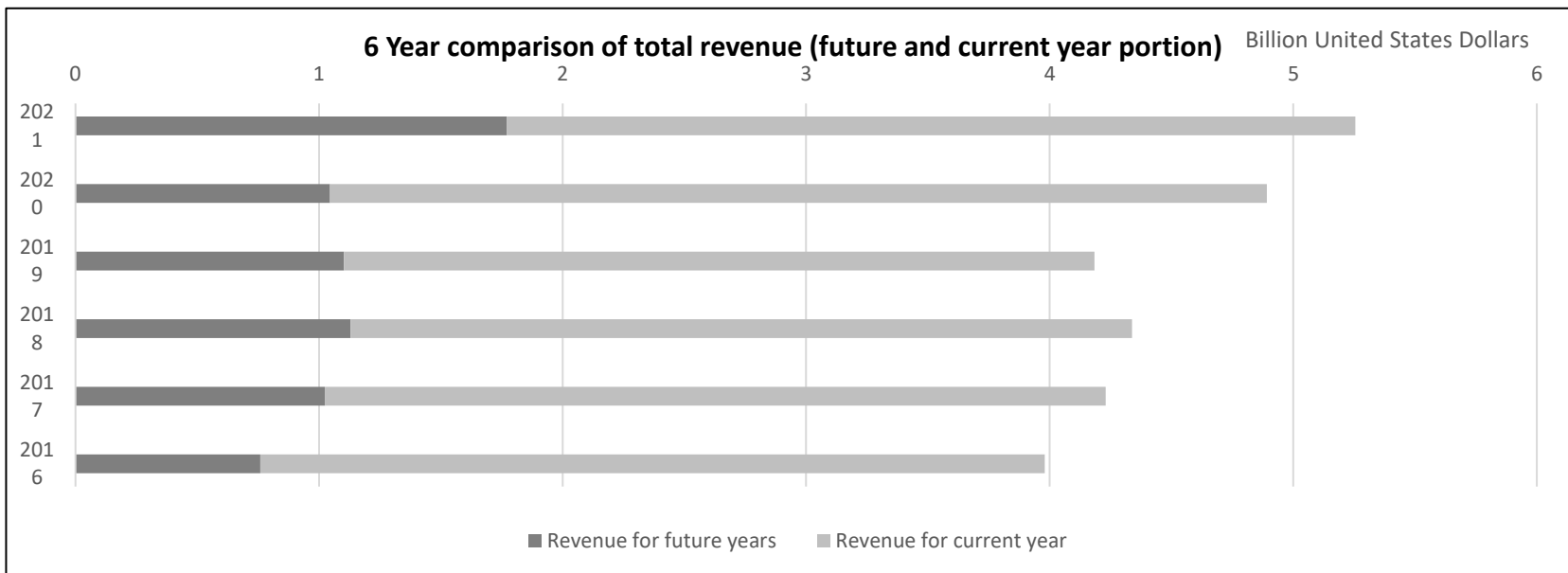
## Highlights from the financial report

- Voluntary contributions increased by \$359 million (7.4 per cent)
- Expenses increased by \$260 million (5.9 per cent)
- Surplus of \$465 million compared with a surplus of \$554 million in 2020



## Highlights from the financial report (cont'd)

- 2021 revenues include \$1.77 billion for future years





## Highlights from the financial report (cont'd)

- Limited number of top donors (account for 70 per cent of contributions)
- Significant increase of unrestricted funds (21 per cent vs 11 per cent in 2020)
- Expense increase mainly pertained to
  - supplies and consumables to beneficiaries (\$93.2 million)
  - salaries and employee benefits (\$92.8 million)
  - contractual services (\$43.1 million)
  - equipment and supplies (\$39.9 million)
- Cash assistance to beneficiaries decreased (\$34.5 million)

## Findings – Reform initiatives

- No systematic approach to comprehensively **evaluate the impact** of the decentralization and regionalization reform on the organization
- Comprehensive **accountability framework** yet to be finalized
- New results-based management approach and **strategic reorientation** not yet fully incorporated by the operations
- Room for improvement in the **reporting functionalities** of the new **COMPASS** tool
- **Complexity of the business transformation programme** and interdependencies of software projects pose a major challenge

## Findings – Budget and finance

- Field level negotiated **contribution agreements** were not recorded in the correct financial years
- Need to update the **cash management guidelines** and incorporate analysis of currency risk exposure
- Excel-based self-assessment questionnaire for the **statement of internal control** should be complemented by automated system-generated key performance indicators
- Several other recommendations (inventory processes, salaries and employee benefits)

## Findings – Implementing partners and cash assistance

- **Instalments to partners and partner expenses**
  - Release of **next instalments** should be subject to more diligent review
  - Need to reclassify **implementing partner expenses** in amount of approx. \$69m
- **Cash assistance**
  - No clear correlation between **staffing capacities** and volume of cash programmes
  - Need for stronger emphasis on **exit strategies** considering operational context

## Findings – Human resources

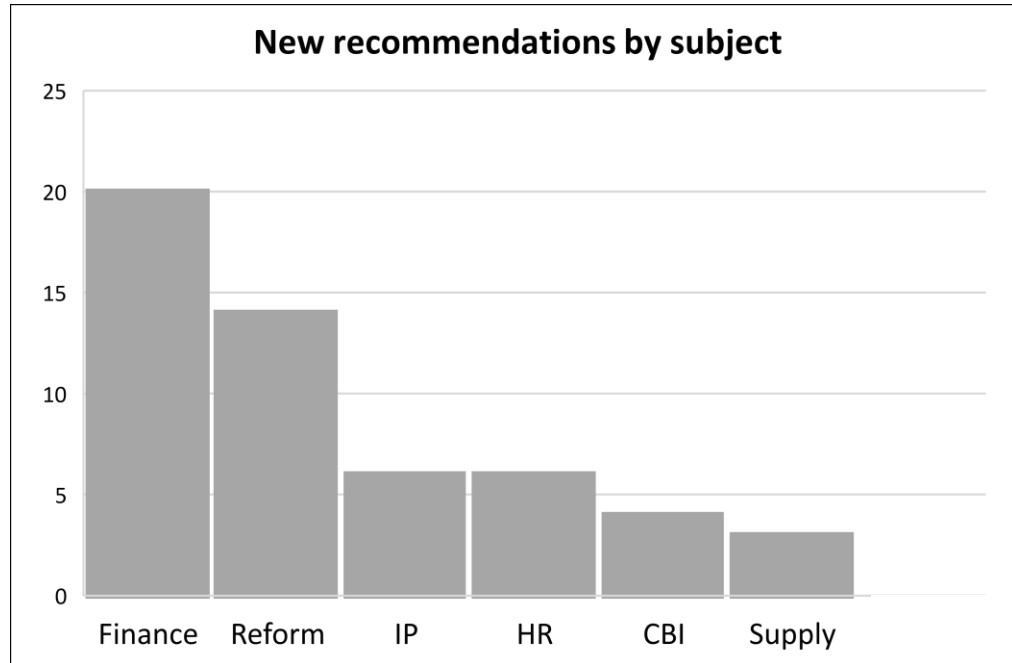
- Lack of overarching **strategic workforce planning** framework
- **Indicators for human resources** planning, monitoring and measurement still under development
- Need to **strengthen role of human resource partners** and their participation in the budget and annual programme review process

## Findings – Procurement & supply chain

- Need to update **procurement rules** in the UNHCR manual
- Room for enhancement in the verification of **construction projects**
- Need to track **corporate consultancies** engaged in advisory or consultative capacity

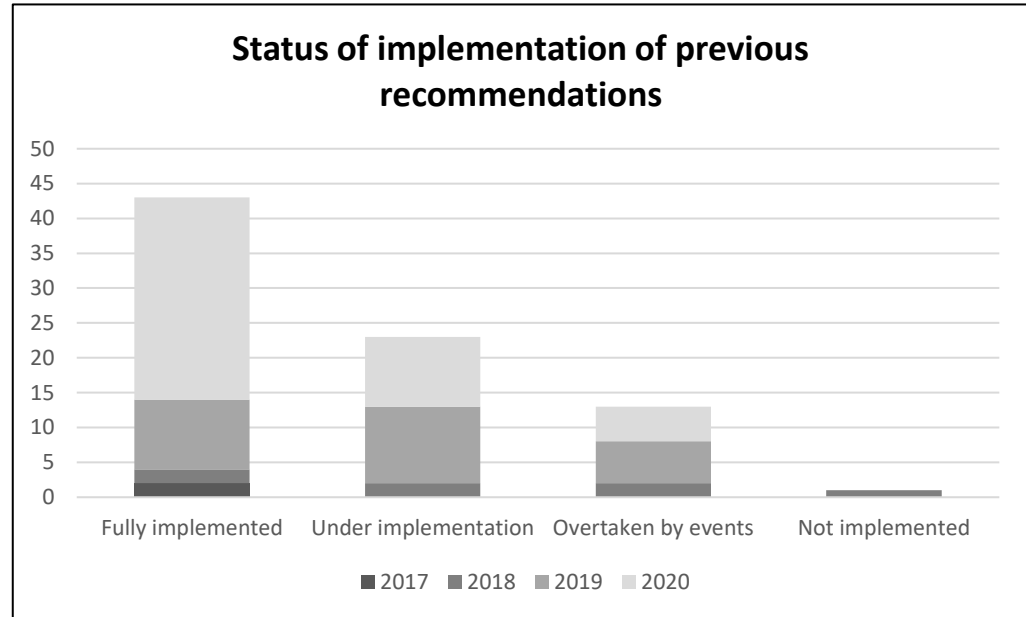
## 2021 recommendations by subject

- 53 new recommendations
  - 20 Finance
  - 14 Reform initiatives
  - 6 Implementing partners
  - 6 Human resources
  - 4 Cash assistance
  - 3 Procurement & supply



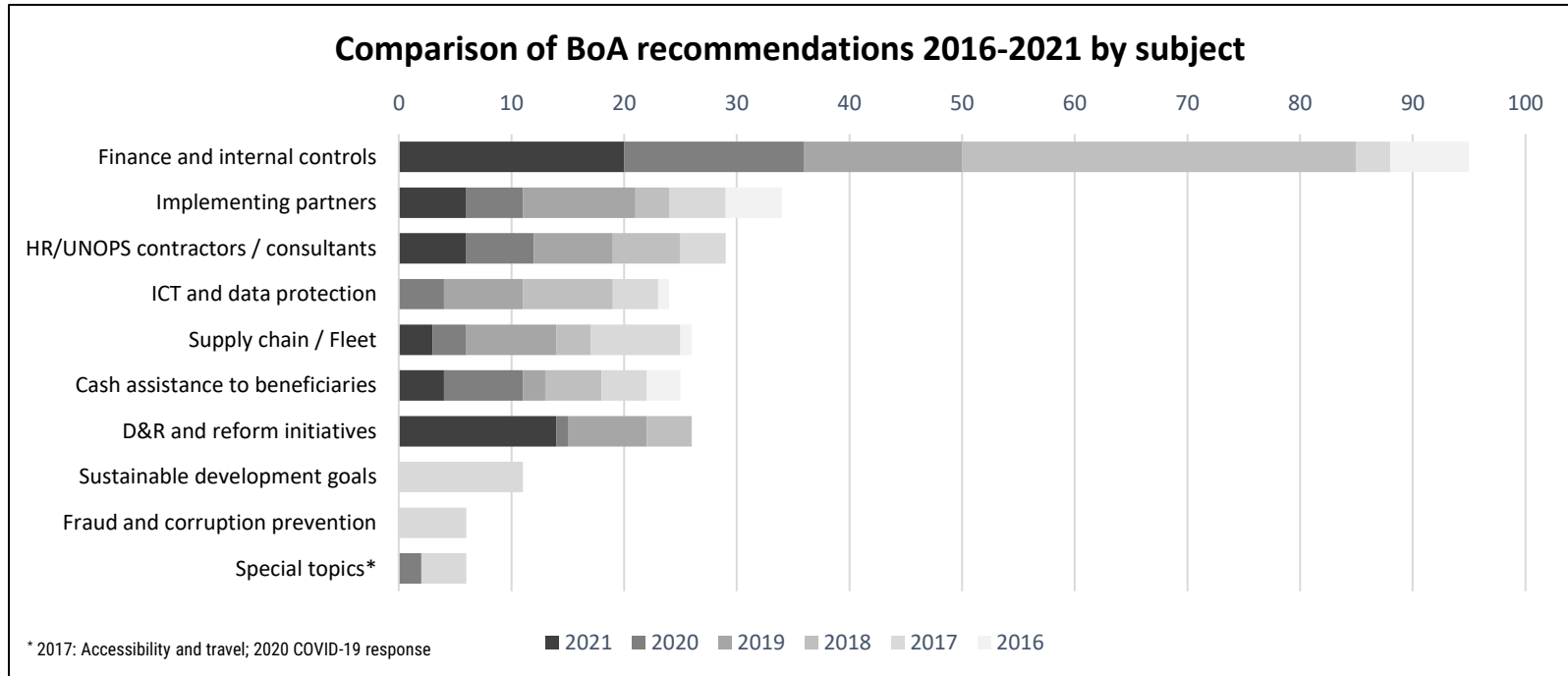
## Status of previous recommendations

- 80 outstanding recommendations:
- 43 implemented
- 23 under implementation
- 13 overtaken
- 1 not implemented





# Comparison of BoA recommendations



Thank you!

# *Measures taken to address recommendations*

# Reform initiatives – *Decentralization & Regionalization*

## UNHCR Actions

- ✓ The evaluation of the decentralization and regionalization reform scheduled for 2023-2024;
- ✓ Integrate roles, accountabilities and authorities and other normative guidance into one framework that will constitute the formal accountability framework of the organization.

# Reform initiatives – *New Results-Based management system*

## UNHCR Actions

- ✓ Continue the multi-year process for the full transformation envisioned with COMPASS;
- ✓ Streamline the guidance for 2022 to improve the planning processes and further support country operations to strengthen the quality of their plans, including through training;
- ✓ Improve COMPASS reporting functionalities, including business intelligence tool for data analysis.

# Reform initiatives – *Business transformation programme*

## UNHCR Actions

- ✓ Regularly review the budget performance of the business transformation programme and the various elements, including the go-live dates, as well as interdependencies between systems.
- ✓ UNHCR has put in place the practice that frame agreements were not extended beyond five years and procurement committees are provided with comprehensive documentation to assist in review of applicable exceptions.

# Budget and finance related observations and measures

## UNHCR Actions

- ✓ Include an additional confirmation request in the year end closure instructions to communicate to headquarters, all agreements and pledges signed at local level ;
- ✓ Update the strategy and guidelines regarding the core treasury management, (liquidity, foreign exchange, investments) and its related treasury risk management, methodologies and assessment used.
- ✓ Identify performance indicators based on data recorded in the system to complement the information collected through the self-certified internal control questionnaire.

# Implementing partnership management

## UNHCR Actions

- ✓ Automate the process of requesting instalments within the PROMS project.
- ✓ Re-assess the accounting for the expenses of the various types of implementing partners and suppliers once an applicable IPSAS standard is issued.



# Cash assistance to beneficiaries

## UNHCR Actions

- ✓ Elaborate in the upcoming Handbook for Designing Field Presences, the functions required at field level related to the cash-based intervention programmes;
- ✓ UNHCR will add a section on potential exit strategies in the updated standard operating procedures on CBI, taking into account the complexities, specificities and feasibility of each unique context.

# Human resources management

## UNHCR Actions

- ✓ Piloted workforce planning approach during the period 2021-2022 with some key functions and offices and plans to further adjust the approach where required and roll it out in 2023.
- ✓ Establish sample key performance indicators to help operations monitor the implementation of their HR action plans.
- ✓ Strengthen the capacity of HR colleagues and HR partners, both at the level of field operations and bureaux, in the area of workforce planning

# Procurement and supply chain

## UNHCR Actions

- ✓ UNHCR is well advanced in the process of drafting an updated chapter 8: the procurement part of the chapter is expected to be released by the third quarter of 2022
- ✓ UNHCR will review the categorization and description of item IDs in the new Cloud ERP system implementation.
- ✓ UNHCR is working to capture information related to construction contracts in a consolidated manner, as part of the new Programme Handbook currently under development

# 80 recommendations from 2020 and previous years – status update

implemented (43)

✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
✓	✓	✓							

under implementation (23)

Fleet & Fuel management(7)				IT/data protection & Registration system (3)					
Financial and administrative management (6)						Implementing partnerships (4)			
Human Resource (2)				Procurement (1)					

not yet implemented (1) / overtaken (13)


# Thank you

# Average percentage rate of implementation across UN entities

