

3 (a) Finance and Oversight

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

91st Standing Committee
12-13 September 2024



Key financial documents presented

5 September 2024

Advance, unedited version
(English only)

Voluntary funds administered by the
United Nations High Commissioner
for Refugees

Financial report and audited financial statements

for the year ended 31 December 2023
and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-ninth Session
Supplement No. 5E]

Advance copy of **A/79/5/Add.6**

Financial report and audited financial statements for 2023

- Completed and submitted to Board of Auditors (BoA) in May 2024
- Audited by BoA during April/ May 2024
- Unqualified audit opinion
- Introduced to the SC under ref **A/AC.96/75/4**

Advance copy

5 September 2024
English

Executive Committee of the
High Commissioner's Programme
Seventy-fifth session
Geneva, 14–18 October 2024
Item 4 (b) of the provisional agenda
* Consideration of reports of the Standing Committee
Programme budgets, management, financial control
and administrative oversight

Financial statements for the year 2023 as contained in the
report of the Board of Auditors to the General Assembly on
the audited financial statements of the voluntary funds
administered by the United Nations High Commissioner for
Refugees for the year ended 31 December 2023

Report of the High Commissioner

Addendum

Key issues and measures taken in response to the
report of the Board of Auditors for 2023*

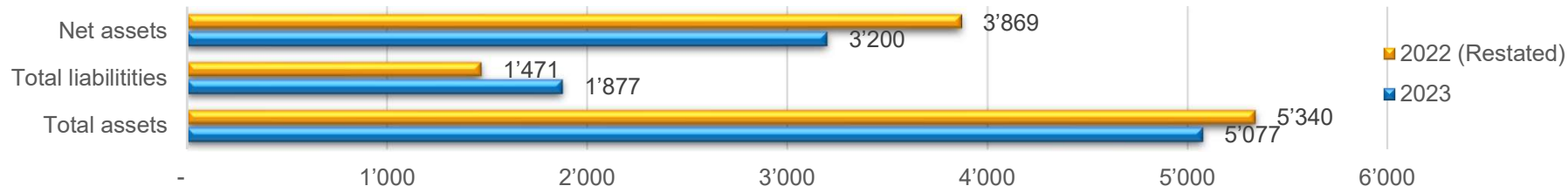
A/AC.96/75/4/ Add.1

Key issues and measures taken in response to the Board of Auditors recommendations (**A/AC.96/75/4/Add.1**)

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

UNHCR finances remain sound in 2023

Assets, liabilities and net assets 2023/2022 (in millions of USD)



Key financial ratios, 31 December

	2023	2022
Current assets to current liabilities ⁽¹⁾	5.11	8.28
Total assets to total liabilities ⁽²⁾	2.71	3.63
Cash and short-term investments to current liabilities ⁽³⁾	2.42	4.41
Cash, short-term investments and AR to current liabilities ⁽⁴⁾	3.92	6.82

(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.

I. Statement of financial position - 31 Dec. 2023

- **Balance Sheet** – Shows a snapshot of UNHCR assets, liabilities and the resulting net assets at year-end
- **Assets**
 - Net contributions receivable \$1.9b
 - Cash & equivalents \$2b
 - Other current assets \$572m
- **Liabilities**
 - Current accounts payable \$602m
 - Employee benefits \$1.2b
- **Net Assets**
 - Difference between Assets and Liabilities \$3.2b

(Thousands of United States dollars)

	Reference	31 December 2023	31 December 2022 (restated and reclassified)
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	2 018 333	2 307 447
Contributions receivable	Note 3.2	1 247 714	1 257 631
Inventories	Note 3.3	425 005	464 625
Other current assets	Note 3.4	571 574	298 897
Total current assets		4 262 626	4 328 600
Non-current assets			
Contributions receivable	Note 3.2	622 696	752 760
Property, plant and equipment	Note 3.5	190 196	234 650
Intangible assets	Note 3.6	1 209	24 096
Total non-current assets		814 101	1 011 506
Total assets		5 076 727	5 340 106
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	601 791	338 323
Deferred revenue		901	31
Employee benefits	Note 3.8	1 75 615	173 574
Other current liabilities	Note 3.9	55 226	5 313
Provisions	Note 3.10	810	5 526
Total current liabilities		834 343	522 767
Non-current liabilities			
Employee benefits	Note 3.8	1 042 081	947 720
Provisions	Note 3.10	94	94
Total non-current liabilities		1 042 175	947 814
Total liabilities		1 876 518	1 470 581
Net assets		3 200 209	3 869 525
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	3 116 073	3 854 100
Working Capital Fund for Voluntary Contributions	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	73 593	65 417
Staff Benefits Fund	Note 3.14	(312 267)	(351 238)
Self-Financing Activities Fund	Note 3.15	222 810	201 246
Total fund balances and reserves		3 200 209	3 869 525

II. Statement of financial performance for 2023

The total of all revenues and expenses that UNHCR incurred throughout the year

Revenues – 96% voluntary contributions

Expenses:

- Implementing partners (26%)
- Salaries and employee benefits (26%)
- CBI (16%)

Deficit of \$590m for 2023 driven by a higher decrease in revenue (\$1,360M) than in expenses (\$186M)

(Thousands of United States dollars)

	Reference	2023	2022 (restated and reclassified)
Revenue			
Voluntary contributions	Note 5.1	4 534 572	5 931 369
United Nations regular budget	Note 5.2	49 597	84 378
Interest revenue	Note 5.3	93 983	25 110
Other revenue	Note 5.4	29 164	26 586
Total revenue		4 707 316	6 067 443
Expenses			
Implementing partnership expenses	Note 6.1	1 392 469	1 401 430
Salaries and employee benefits	Note 6.2	1 498 942	1 411 292
Cash assistance to beneficiaries	Note 6.3	742 260	898 796
Contractual services	Note 6.4	609 333	566 074
Supplies and consumables for beneficiaries	Note 6.5	382 188	487 536
Operating expense	Note 6.6	286 626	275 105
Equipment and supplies	Note 6.7	134 111	125 181
Travel expense	Note 6.8	92 203	77 937
Other expenses	Note 6.9	37 575	29 714
Depreciation, amortization and impairment	Note 6.10	84 327	77 904
Other non-operational expenses	Note 6.11	59 697	9 770
Total expenses before FX		5 319 731	5 360 738
Foreign exchange (gains)/losses	Note 6.12	(22 309)	122 712
Surplus/(Deficit) for the year		(590 106)	583 993

III. Statement of changes in net assets

31 Dec. 2023

(Thousands of United States dollars)

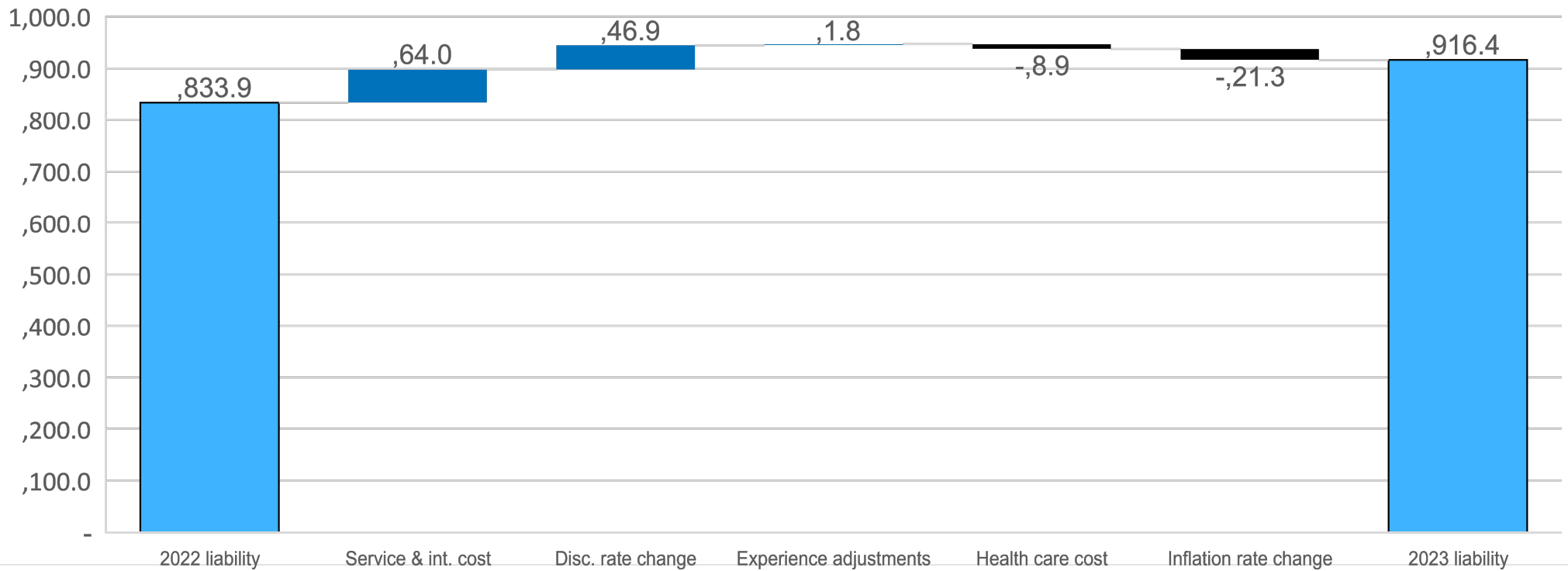
- Reveals movements in the fund balances and reserves broken down by main Funds of UNHCR, including:
 - Accumulated fund balances and reserves,
 - Working Capital Fund,
 - Staff Benefits Fund and
 - Medical Insurance Plan

Reference	Accumulated fund balances and reserves	Working Capital Fund for Voluntary Contributions	Medical Insurance Plan	Staff Benefits Fund	Self-Financing Activities Fund	Total (restated)	
Net assets at 1 January 2022	3 357 443	100 000	60 673	(850 784)	155 792	2 823 124	
Movements in fund balances and reserves in 2022							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14, 3.15	731 213	(115 408)	4 744	(77 942)	41 386	583 993
Gain/loss on actuarial valuations of post-employment benefits	Note 3.8	-	-	-	462 408	-	462 408
Transfers	Notes 3.8, 3.11, 3.12, 3.14	(234 556)	115 408	-	115 080	4 069	-
Total movements during 2022		496 657	-	4 744	499 546	45 454	1 046 401
Total net assets at 31 December 2022		3 854 100	100 000	65 417	(351 238)	201 246	3 869 525
Impact of IPSAS 41 adoption		(46 770)	-	-	-	-	(46 770)
Total net assets at 1 January 2023		3 807 330	100 000	65 417	(351 238)	201 246	3 822 755
Movements in fund balances and reserves in 2023							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14, 3.15	(774 428)	123 536	8 176	31 046	21 564	(590 106)
Gain/(loss) on after-service health insurance actuarial valuation	Notes 3.8, 3.14	-	-	-	(32 440)	-	(32 440)
Transfers	Notes 3.8, 3.11, 3.12, 3.14	83 171	(123 536)	-	40 365	-	-
Total movements during 2023		(691 257)	-	8 176	38 971	21 564	(622 546)
Total net assets at 31 December 2023		3 116 073	100 000	73 593	(312 267)	222 810	3 200 209

2023 vs 2022 ASHI Changes (\$m)

ASHI 2022 to 2023 (\$m)

■ Increase ■ Decrease ■ Total

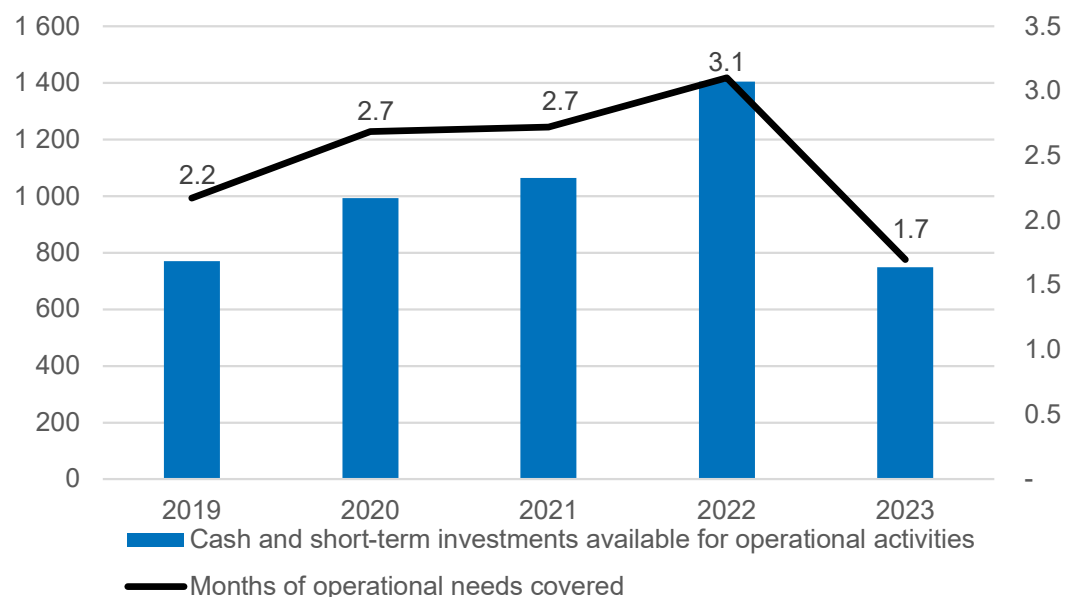


Funding of ASHI (millions of dollars)

	31 Dec 2023	31 Dec 2022
Defined benefit obligation	916.4	833.9
Funded	(706.5)	(584.8)
Unfunded obligation	209.9	249.1

Year end balances of cash and short-term investments for operational activities/months of operational needs covered 2019-2023

Months of operational needs covered 2019 to 2023
(in months)



Statement of Internal Control

Key statistics in country operations for 2023



114 operations responded



55% overall 'strong compliance'
decreased (from **58%** in 2022)



50 control questions



3.56 overall scoring rating decreased
(from **3.61** in 2022)



8 newly added or substantively revised
questions

'Strong compliance' in 3 processes
Planning & Resource Allocation
(Budgeting); Organizational Governance &
Mgt (Roles& Responsibilities, HR
Management); Financial Tracking &
Reporting (Operational Advances)



Most recurrent elements of low/ moderate
compliance over past 5 years
procurement planning and contract
management, fuel and vehicle management



Improvements in processes –
decreased low and moderate ratings:
ERM, IP Management and Procure to Pay

2023 Statement of Internal Control

Generally effective system, no material weaknesses detected

Aspects to improve:

Continue efforts of **new ERP system** to maximize benefits and enhance the use

Strengthen **procurement planning and contract management**

Continue focus on **cybersecurity controls**

Improve **workforce planning** and staffing indicators

Increase adherence of monitoring and analysis of **security risks, emergency risks** and preparedness, including **business continuity**

Improve **quality of vehicles master data** to help fleet management

Strengthen **CBI finance process** under Cloud ERP

Statement

Internal controls, while operating effectively, have inherent limitations, including the possibility of circumvention, no matter how well designed, and therefore can provide only reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Furthermore, because of changes of conditions, the effectiveness of internal controls may vary over time. I am committed to ensuring continuous improvement of the system of internal controls and to addressing weaknesses in internal controls noted during the year or brought to my attention by the oversight mechanisms.

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR operated under an effective system of internal controls and there were no material weaknesses to report for the year 2023 and up to the date of the approval of the organization's financial statements.


(Signed) Filippo Grandi

United Nations High Commissioner for Refugees



UNITED NATIONS
BOARD OF AUDITORS

Cour des comptes
FRANCE



UN BOARD OF AUDITORS

AUDIT REPORT
ON THE VOLUNTARY FUNDS ADMINISTERED BY
THE UNHCR
Financial year 2023

UNHCR Standing Committee

12 September 2024



Audit opinion

Key findings

1. Follow-up on previous recommendations
2. Finance
3. Management of budget processes
4. Management of large camps



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 2023 and its financial performance and cash flows for the year then ended in accordance with IPSAS



KEY FINDINGS

1. Follow-up on previous recommendations
2. Finance
3. Management of budget processes
4. Management of large camps



1. Follow-up on previous recommendations

- Out of 58 outstanding recommendations in 2023:
 - 34 recommendations have been implemented (representing an implementation rate of 59 per cent, compared with 40 per cent for 2022)
 - 21 recommendations are still under implementation (36 per cent)
 - 3 recommendations are considered as overtaken by events (5 per cent)
- The Board has made 19 new recommendations this year.



KEY FINDINGS

1. Follow-up on previous recommendations
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2. Finance

Financial overview

- Total revenue amounted to \$4,707.3 million, a decrease of \$1,360.1 million (22 per cent). Voluntary contributions represented 96 per cent of total revenue, amounting to \$4,534.6 million, a decrease of \$1,396.8 million (24 per cent), including a decline of \$909.3 million for the Ukraine crisis
- Expenses amounted to \$5,297.4 million, a level comparable with that of 2022 (\$5,483.5 million)
- As a consequence, the financial position for 2023 was a deficit of \$590.1 million after taking into account the effect of foreign exchange, compared with a surplus of \$584.0 million in 2022



2. Finance

Processing of financial reports from implementing partners

- Information and technology limitations stemming from the business transformation programme caused **significant delays** in the receipting and processing of implementing partners' financial reports in 2023
- In order to obtain reasonable assurance on the year-end estimate of **unreported implementing partner expenses**, the Board agreed to extend its audit period
- The total volume of implementing partner activities for 2023 was \$1,392.5 million



2. Finance

Roll-out of Cloud ERP

*As part of its ambitious transformation plan launched in 2020, UNHCR implemented a new Cloud ERP system to enable integrations and automations, a system that has **not yet delivered expected enhancements** in the reliability of financial reporting.*

- UNHCR is **unable to generate a comprehensive report from Cloud ERP** to detail uninvoiced receipts at year-end
- **Automation of processes was not completed** and led to a higher proportion of estimates and manual adjustments in the 2023 financial statements
- **User access management** in Cloud ERP shows weaknesses due to insufficient preparation before go-live
- Issues need to be addressed on the **number of IT incidents** as well as information and technology security management



2. Finance

Main recommendations

Processing of financial reports from implementing partners

- Achieve a level of processing of financial reports from implementing partners that is at least as high as in the previous ERP system at a comparable time within the annual reporting cycle.

Roll-out of Cloud ERP

- Improve the management of incidents for the Cloud ERP.
- Strengthen the management of information technology security.



KEY FINDINGS

1. Follow-up on previous recommendations
2. Finance
3. Management of budget processes
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3. Management of budget processes

The “programme budget” adopted annually by UNHCR’s Executive Committee is based on an assessment of the needs, not on estimated revenue

By approving the “programme budget”, each year, the ExCom indirectly sets the maximum funding level that the High Commissioner is authorized to raise and limits the number and type of positions that UNHCR is authorized to recruit

Budget preparation, planning and appropriation

- The “programme budget” presents **several limits**. The actual funding currently amounts to only **about half the aspirational** level set in the “programme budget”, which raises the question of the relevance of the assessment of the needs and of the approval granted



3. Management of budget processes

Resource mobilization

- The “**funding gap**” against the needs varies from region to region. In addition, only one third of voluntary contributions are **flexible**, and multi-year funding has not reached sufficient levels.
- The **funding concentration** risk is critical, with UNHCR remaining dependent on a very limited number of public donors.

Budget implementation

- Management and internal control of budget implementation rather **robust**.
- Budgetary **reporting** to the Executive Committee is aligned with governance requirements but could be strengthened.

Accountability and reporting on performance

- Quality and **relevance of results indicators also need can be improved**, and there is a margin to **increase ownership among staff** and use the performance framework as managerial leverage.



3. Management of budget processes

Main recommendations

Budget preparation, planning and appropriation

- Define a strategy to bring its **budgeting methodology** in line with the Global Compact on Refugees, with a programme of work that better describes the Organization's role and comparative advantage in relation to what is being done by other stakeholders.

Resource mobilization

- **Leverage its resource mobilization strategy**, including the new private sector engagement strategy.

Budget implementation

- Define and implement a comprehensive strategy to **increase its efficiency**, identifying desirable business process re-engineering, **taking advantage of the digital transformation** resulting from the business transformation programme and ensuring that the organization develops measures to monitor and report on that strategy.



KEY FINDINGS

1. Follow-up on previous recommendations
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4. Management of large camps

It is estimated that between 5.9 and 7.1 million of refugees currently live in camps, according to UNHCR sources and there are presently some 30 large camps. *Most of them are the result of long-standing situations and UNHCR considers such camps to be undesirable solutions.*

Strategy and knowledge of large camps

- There is great diversity among the camps, reflecting the multiple situations faced by displaced persons and the various conditions offered to them by the host countries. In this context, **ensuring up-to-date knowledge of the situation in the large camps remains challenging.**

Alternatives and exit solutions for large camps

- **Long lasting camps and protracted situations raise the issue of exit solutions.** Costs for both UNHCR and the host governments, **although insufficiently reported, provide an incentive to move towards alternatives**



4. Management of large camps

Registration processes

- The Board noted **significant discrepancies** between country offices in the procedures used for refugee registration and in the implementation of these tasks. **Registration procedures remain fragile and vulnerable to fraud risks**. This makes it difficult to know the number of forcibly displaced people living in the camps and to assess their needs

Governance of large camps, coordination and service delivery

- **UNHCR pays particular attention** to its role regarding coordination of activities in the camps. However, in certain instances, UNHCR has directly implemented part of the core mandate of **other UN agencies**
- Protection against **gender-based violence** in all its components is managed unequally and sometimes insufficiently.

Performance and accountability

- **Not enough is known** about the costs and performance of large camp management. Donors, host countries and beneficiaries are unaware of the costs of camps compared with other solutions



4. Management of large camps

Main recommendations

Alternatives and exit solutions to large camps

- Expand the initiatives to promote, where possible, a variety of **alternatives** and exit solutions for large camps

Governance of large camps, coordination and service delivery

- Strengthen its **relations with the United Nations resident coordinator** to better integrate refugee issues into the system-wide United Nations strategy in the host country, in order to develop synergies and avoid duplications.
- Better identify and mitigate the risks related to the protection of forcibly displaced and stateless persons in large camps, including those concerning gender-based violence and reinforce capacity -building in that field.