

UNAIDS 2012-2015 Unified Budget, Results and Accountability Framework (UBRAF)

Agenda item 4.2 Financial Reporting

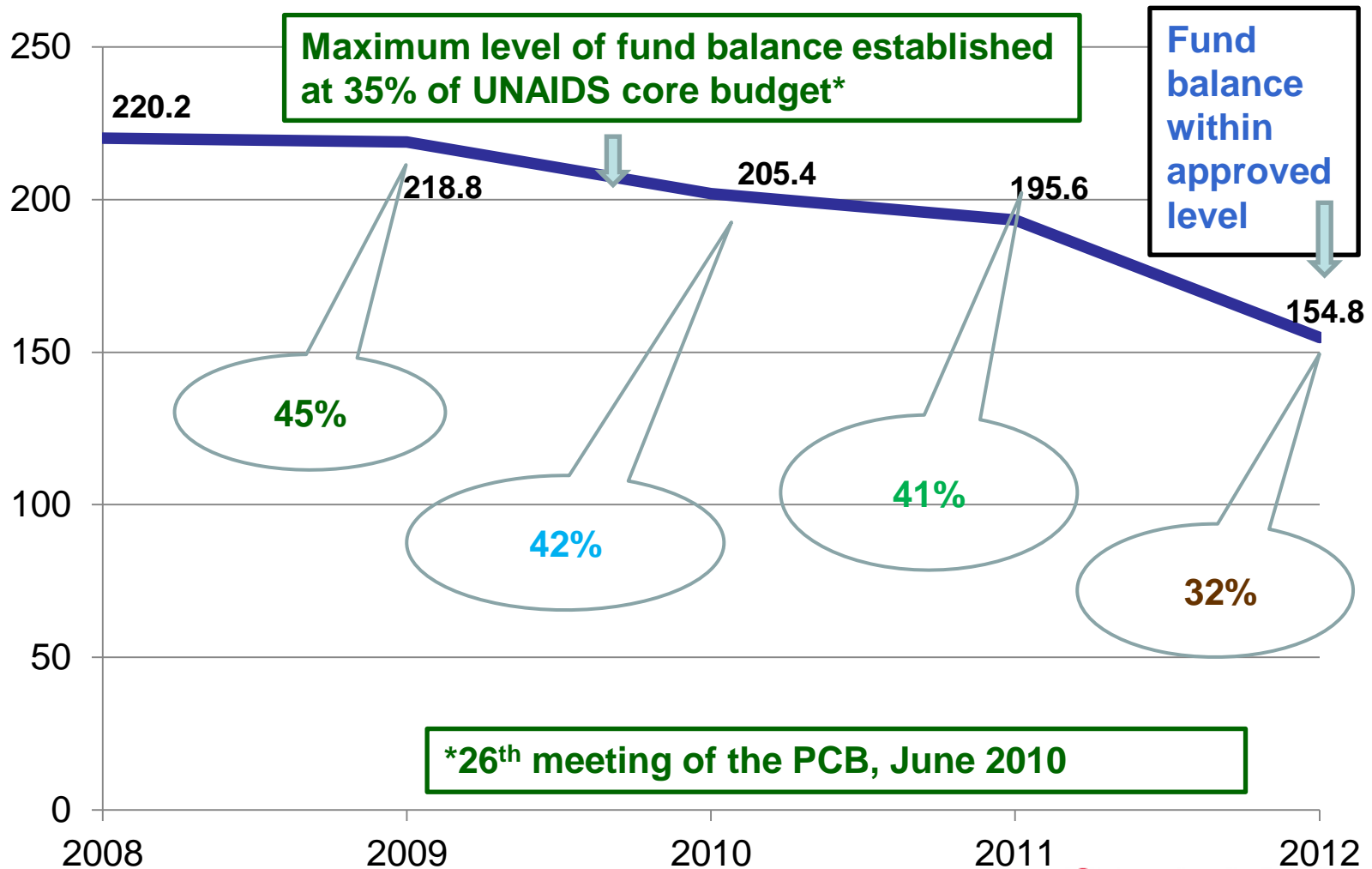
Overview of financial situation

- First set of financial statements prepared in 2012 according to new accounting standards (IPSAS)
- Unqualified opinion provided by the external auditors – “clean audit”
- Financial situation remains stable with over 90% of the resource mobilization target for 2012 reached

Highlights

- Core revenue totaling US\$220 million was mobilized in 2012 against target of US\$243 million
- Expenditures amounting to US\$240 million were incurred against the UBRAF in 2012
- Shortfall covered from the fund balance which remains in line with the PCB approved ceiling (35% of budget)

Evolution of UNAIDS fund balance (in US\$ millions)



Benefits of IPSAS to UNAIDS



Revenue recognized on signing of agreements and expense recognized on delivery principle



Accounting for property, plant and equipment and staff related liabilities



Comparison of performance over different periods

Advantages of accrual accounting

Staff-related liabilities

Currently two thirds of staff-related liabilities are funded and one third is unfunded as shown below (in US\$ millions).

	Actuarial requirement end 2012	Accrued end 2012			Under provision
		Funded	Appropriation from UBRAF	Total Accrued	
ASHI	74.7	35.9	13.9	49.8	24.9
Annual Leave	8.8	4.4	2.2	6.6	2.2
Terminal Payments	13.8	6.0	3.9	9.9	3.9
Special Account for Compensation	0.7				0.7
Total	98.0	46.3	20.0	66.3	31.7

Current situation

- Total revenue of US\$ 342 million has been raised against the core UBRAF of US\$ 485 million (70%)
- Existing donors are requested to retain and where possible increase funding to UNAIDS
- Countries who have not yet funded UNAIDS requested to become donors to expand resource mobilization base

Currency fluctuations

- Currency fluctuations are inherent in all multi-currency environments
- A comprehensive strategy is needed to mitigate risk due to currency fluctuations
- A further analysis of short and long term implications of currency fluctuations was requested by the PCB last year

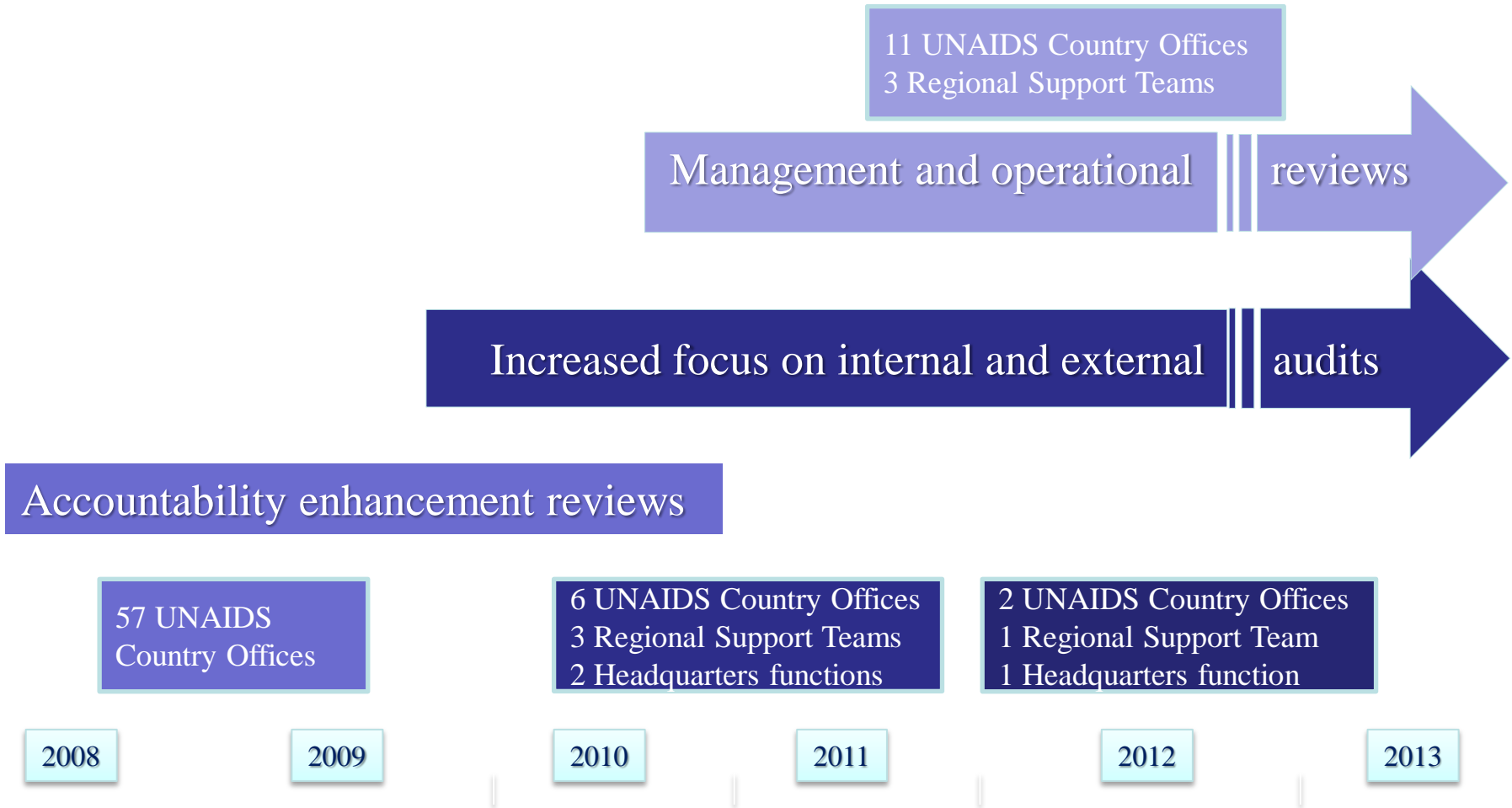
Review of measures to mitigate currency fluctuations

- Measures adopted by other organizations cannot be easily adopted given the nature and expenditure patterns of UNAIDS
- Splitting of contributions will not yield significant benefits since the currency risk would only be rolled over to member states
- In addition to hedging, cost reduction and efficiency measures have reduced Headquarters costs and Swiss franc exposure

Savings and efficiency gains

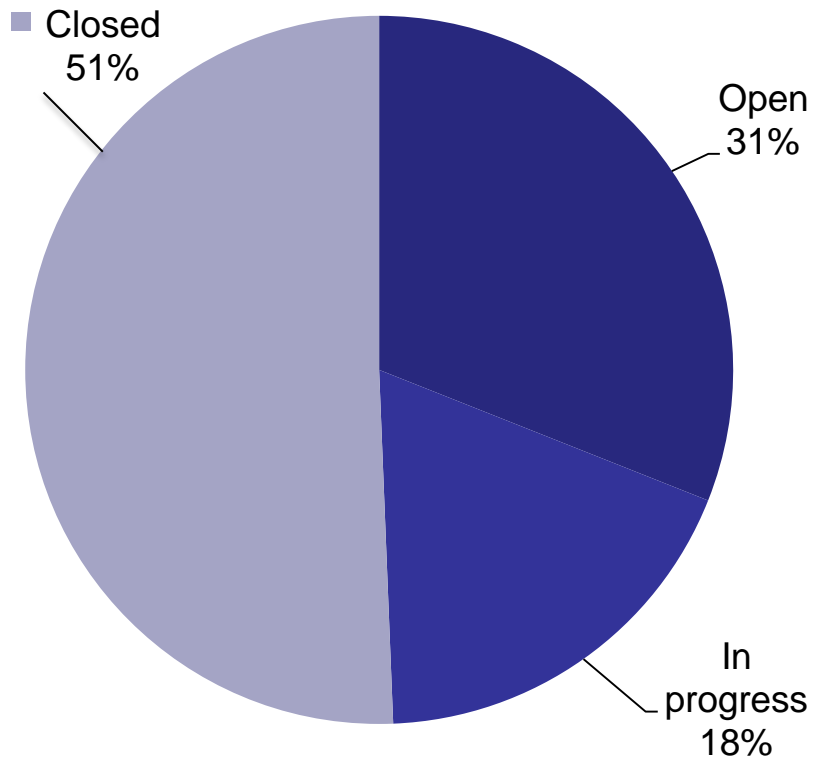
- Net decrease in total expenditure almost US\$ 42 million or 13% compared to 2011
- Contractual service costs reduced by US\$ 21 million, travel by US\$ 6 million and salaries by US\$ 5.5 million
- Decrease of 15% in Swiss franc expenditures out of total and 21% in headquarters payroll in Swiss francs

Commitment to accountability and risk management



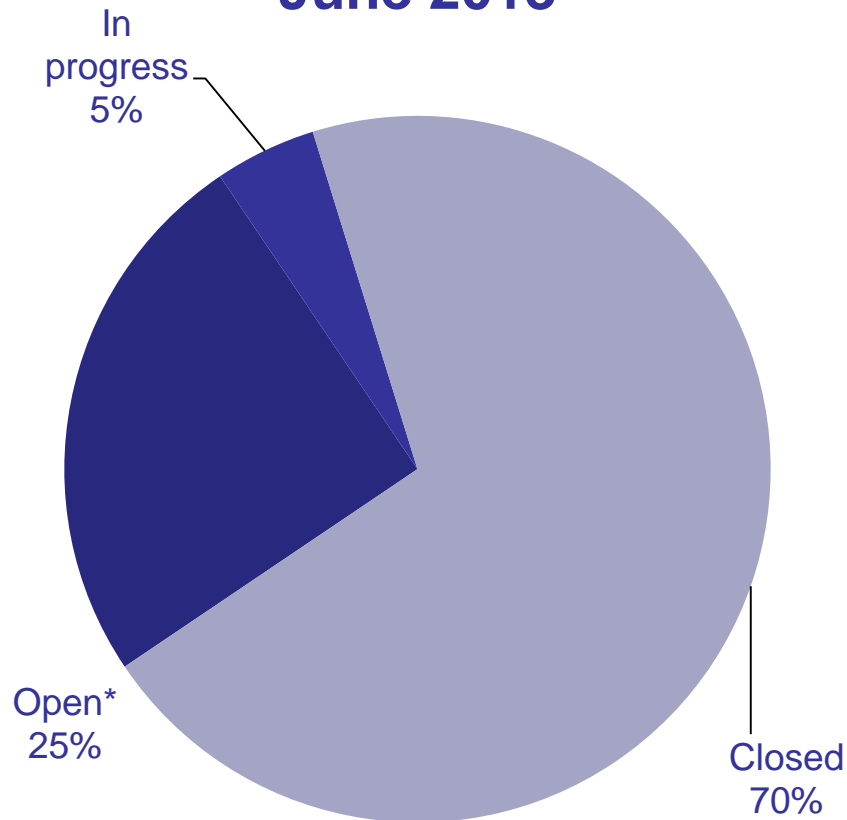
Implementation of internal audit recommendations

June 2012



158 recommendations

June 2013



*241 recommendations of which 69 not yet due

External audit observations

A clean audit opinion issued on UNAIDS first set of IPSAS compliant Financial Report and Statements.

Summary of recommendations:

- a) Document and validate benefits of IPSAS and finalize policy on fixed assets disposal
- b) Increase rate of implementation and timely completion of projects and the turnover for receivables
- c) Develop a risk management policy and implement a structured enterprise risk management strategy

Enterprise Risk Management in UNAIDS

Following the recommendations of the external auditors, a comprehensive enterprise risk management strategy is under development to:

1. Mitigate exposure to risks
2. Add value to decision making
3. Provide assurance to stakeholders and donors
4. Ensure achievement of goals and targets of the UBRAF

Road Map for Enterprise Risk Management

