Unified Budget, Results and Accountability Framework 2020-2021

Agenda 7.2
FINANCIAL REPORTING
Financial Highlights

• Seventh set of financial statements prepared according to IPSAS accounting standards
• Unmodified audit opinion provided by the external auditors
• All recommendations of the external audit conducted in 2018 implemented
• Financial situation has been relatively stable during 2018 – but remains tight
Financial Highlights (Continued)

• Core income totaling US$ 189 million mobilized in 2018 compared to US$ 177 million mobilized in 2017.

• Total core expenditures (expenses and encumbrances) amounted to US$ 176 million in line with 2017 level of US$ 175 million.

• The net fund balance on 31 December 2018 stood at US$ 95 million an increase of US$ 13 million when compared to US$ 82 million in 2017.)
Management of the core fund balance

millions of US dollars

<table>
<thead>
<tr>
<th>Date</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Dec 2013</td>
<td>140</td>
</tr>
<tr>
<td>31 Dec 2014</td>
<td>121</td>
</tr>
<tr>
<td>31 Dec 2015</td>
<td>83</td>
</tr>
<tr>
<td>31 Dec 2016</td>
<td>80</td>
</tr>
<tr>
<td>31 Dec 2017</td>
<td>82</td>
</tr>
<tr>
<td>31 Dec 2018</td>
<td>95</td>
</tr>
</tbody>
</table>
UBRAF Core Secretariat expenditures 2016 - 2018

- Secretariat 2018 expense of US$ 132 million is in line with that of 2017
- Represented a saving of US$ 8.3 million against the approved core budget of USD 140 million.
Cost savings and efficiency gains

- Continued emphasis on cost effectiveness and cost containment
- Overall level of expenditure under major expense categories in 2018, in line with 2017 expense.
- Savings were mainly generated under staff costs and transfers to counterparts
Funds mobilized during the last three years and 2019 estimate

- In 2018 UNAIDS mobilized US$189 million
- In 2019 it is projected to mobilize US$ 184 million – i.e. fully fund the 2019 core budget
Developments in 2019 – Income and Expenditure

• Core expenditure and encumbrances as at 31 May 2019 amounted to **US$ 102 million**.

• The Cosponsors share of the **2019 core budget of US$ 44 million** has been fully transferred to the respective Cosponsors.

• Secretariat core expenditure and encumbrances amounted to **US$ 58 million**.

• Income mobilized to date is only **US$ 33 million  lowest ever**
Comparison of revenue made available as at June of each year towards the UBRAF from 2014 to 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (millions of US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2014</td>
<td>142</td>
</tr>
<tr>
<td>June 2015</td>
<td>119</td>
</tr>
<tr>
<td>June 2016</td>
<td>100</td>
</tr>
<tr>
<td>June 2017</td>
<td>105</td>
</tr>
<tr>
<td>June 2018</td>
<td>99</td>
</tr>
<tr>
<td>June 2019</td>
<td>33</td>
</tr>
</tbody>
</table>
Internal and External Audit Reports for 2018
Proactive Management - Moving forward

• Reinforce management accountability
• New, enhanced and interconnected online management tools for Planning, Reporting and Accountability
• Identification of specific country offices and operational areas deemed at risk by UNAIDS management
• Proactive management action rolled out that respond to auditors' recommendations
2019 Internal Audit Overall Recommendations

Areas that require strengthening:

- Compliance with procurement procedures and competitive bidding process
- Consistency between fixed assets register and annual physical verifications
- Internal coordination and strategic planning between HQ, RST and CO, and strategic business plans for RSTs
- Monitoring procedures for organizational learning
- Regular review of user access rights to ERP Management System
Summary Internal Audit reports of alleged misconduct for period 2016 - 2018

<table>
<thead>
<tr>
<th>Types of reports of concern</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Failure to comply with professional standards</td>
<td>2</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Harassment</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Sexual harassment</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Sexual exploitation and abuse</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Retaliation</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>1</td>
<td>14</td>
</tr>
</tbody>
</table>
2019 External Audit Overall Recommendations

1. Issued an **unmodified opinion** on the UNAIDS Financial statements on 31 December 2018.

2. **Commended** the Secretariat on the maturity of the financial statements in compliance of IPSAS.

3. Recognised the **prompt action** by Management on the 2018 recommendations

4. Recognised **100% implementation** of the 2017 recommendations
2019 External audit recommendations

Areas identified by the external auditors where financial management and governance of resources could be improved:

1. Strengthen travel management and planning system
2. Reinforce the internal control self-assessment check list
3. Strengthen status reporting and feedback mechanisms for follow up actions related to Direct Financial contributions
4. Enhance assurance processes for Direct Financial contributions through reinforcing the segregation of duties
Comparison of revenue made available as at June of each year towards the UBRAF from 2014 to 2019

![Bar graph showing revenue in millions of US dollars from June 2014 to June 2019.](image)

- June 2014: 142
- June 2015: 119
- June 2016: 100
- June 2017: 105
- June 2018: 99
- June 2019: 33