



General Assembly

Distr.
GENERAL

A/AC.96/991
1 September 2004

Original: ENGLISH

EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Fifty-fifth session

REPORT OF THE UNITED NATIONS BOARD OF AUDITORS ON THE
FINANCIAL STATEMENTS OF THE VOLUNTARY FUNDS ADMINISTERED BY
THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
FOR THE YEAR ENDED 31 DECEMBER 2003*

* An annex contains follow-up actions by the Administration to implement the Board's recommendations for 2002, as well as the comments of the Board

Contents

<i>Chapter</i>	<i>Page</i>
I. Financial report for the year ended 31 December 2003	4
A. Overview	4
B. Income	6
C. Expenditures	7
D. Reserves and fund balances	8
E. Other items of interest	9
Annex Financial highlights — 2003	10
II. Report of the Board of Auditors	11
Summary	11
A. Introduction	13
1. Previous recommendations not fully implemented	14
2. Main recommendations	14
B. Financial issues	15
1. Financial overview	15
2. United Nations system accounting standards	17
3. Financial statements' presentation and disclosure	17
4. Programme management and support costs	20
5. Banking	21
6. Unliquidated obligations	21
7. Accounts payable	22
8. Expendable and non-expendable property	23
9. Write-off of losses of cash, receivables and property	23
10. Ex gratia payments	23
C. Management issues	24
1. Implementing partners expenditure	24
2. Human resources management	26
3. The regionalization/decentralization process	26
4. Statistics and registration management at headquarters	30
5. Management of office premises	35
6. Information and communication technology	37
7. Fraud and presumptive fraud	45

D. Acknowledgement.....	47
Annex	
Summary of status of implementation of recommendations of the Board for the financial period ended 31 December 2002.....	48
III. Audit opinion	49
IV. Statement of the High Commissioner's responsibilities and approval of the financial statements	50
V. Financial statements for the biennium ended 31 December 2003	51

Chapter I

Financial report for the year ended 31 December 2003

A. Overview

1. 2003 was another challenging year financially. The gap between voluntary contributions and the annual programme budget was \$156.5 million in 2003, compared to \$179.8 million in 2002. This funding level represents 81 per cent and 78 per cent of the Annual Programme budget in 2003 and 2002 respectively (see exhibit 1).

2. The funding of the supplementary programme budget at \$268.2 million in 2003, compared to \$185.2 million in 2002, represented a funding level of 81 per cent for the Supplementary Programmes for both years (see exhibits 1 and 2).

3. As in previous years, to stay within the financial resources available and to cope with the possible shortfall in funding under the annual programme budget, a number of measures were taken in 2003. These included freezing the initial allocation of the operational reserve (of \$73.6 million) at \$37 million and reducing the level of budgetary allocations by \$54 million.

4. These budgetary reductions were made in such a way as to minimize their impact on operations and also to prevent further painful adjustments later in the year. Nevertheless, some reductions in the levels of protection and assistance activities for refugees and persons of concern were unavoidable (as noted in conference room paper EC/54/SC/CRP.3 of 19 February 2004 submitted to the Standing Committee at its 29th meeting).

5. In 2003, total income for the Unified Budget (annual programme and supplementary programme budgets) was higher than total expenditures, reversing the trend of shortfall of income over expenditures for the first time in five years. This was due primarily to higher voluntary contributions, currency exchange adjustments of stronger foreign currencies to a weaker United States dollar, and cost containment measures (see exhibit 3).

Exhibit 1

Comparative figures for the annual programme budget

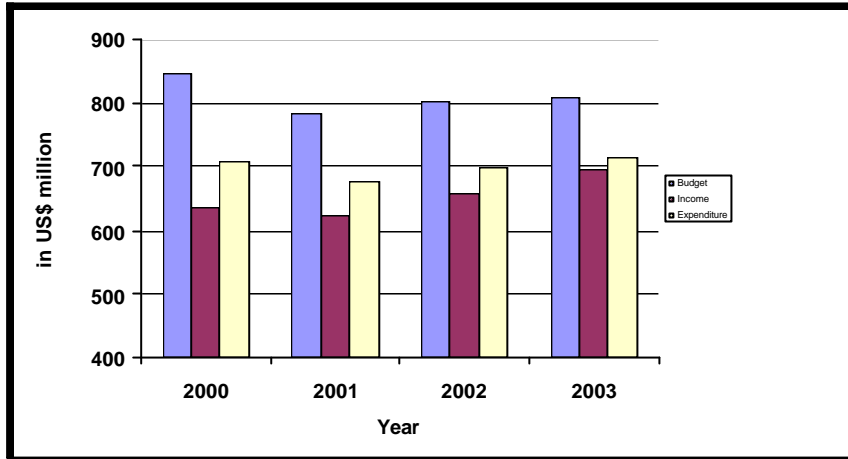


Exhibit 2

Comparative figures for the supplementary programme budget

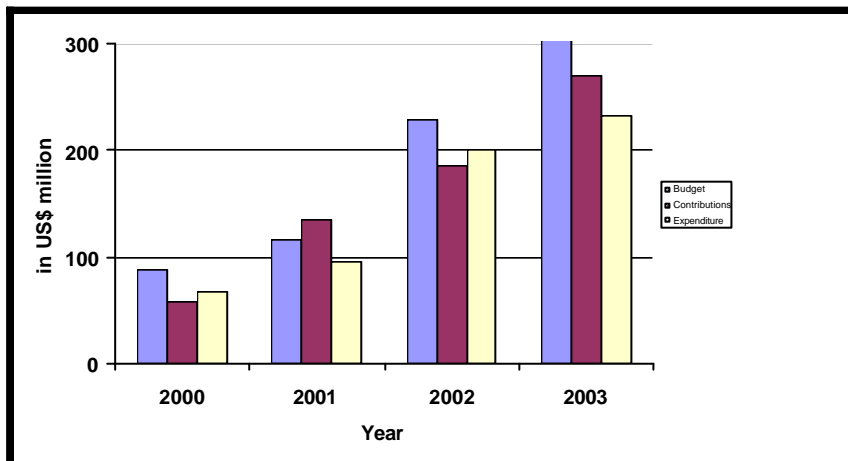
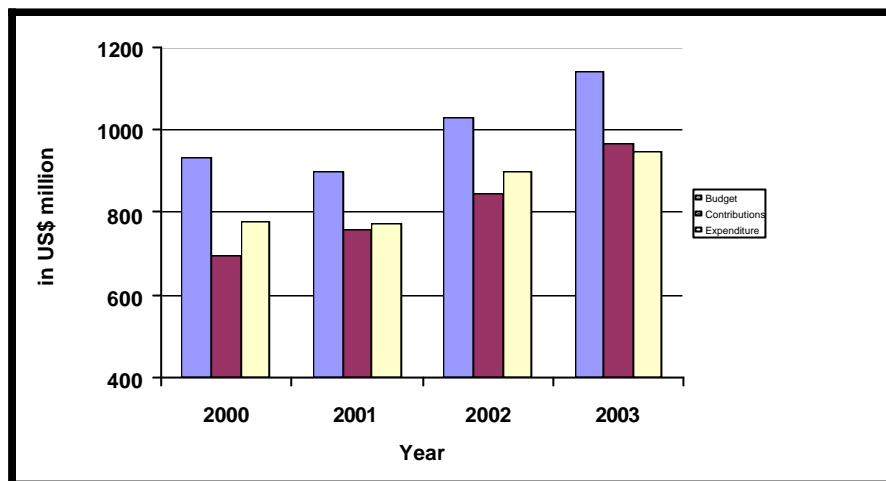


Exhibit 3

Combined figures for the annual and supplementary programme budgets



B. Income

Voluntary contributions — unified budget

6. In 2003, against a revised total budget of \$1,147.2 million (excluding the United Nations regular budget), voluntary contributions reached \$928.8 million, compared to \$815.8 million in 2002, representing an increase of \$113.0 million or 14 per cent from 2002.

Voluntary contributions — annual programme budget

7. In 2003, voluntary contributions for the annual programme budget were \$652.6 million, compared to \$621.9 million in 2002, representing an increase of \$30.7 million or 5 per cent from 2002. In 2002, voluntary contributions for the annual programme budget were \$621.9 million, compared to \$634.7 million in 2001, representing a decrease of \$12.8 million or 2 per cent from 2001. Funding for the annual programme has remained in the range of \$621.9 million to \$652.6 million for the past three years (see exhibit 1).

Voluntary contributions — supplementary programme budget

8. In 2003, voluntary contributions for the supplementary programme budget were \$268.2 million, compared to \$185.2 million in 2002, representing an increase of \$83.0 million or 45 per cent from 2002. In 2002, voluntary contributions for the supplementary programme budget were \$185.2 million, compared to \$135.3 million in 2001, representing an increase of \$49.9 million or 37 per cent from 2001. Voluntary contributions for the supplementary programme budget reached 29 per cent of total voluntary contributions for the 2003 unified budget, compared to 23 per cent in 2002 and 18 per cent in 2001. The significant increase in the supplementary programme funding is due primarily to the Afghanistan and Iraq operations (see exhibit 2).

9. Additional income was derived from currency exchange adjustments, interest income and cancellation of prior years' obligations.

Miscellaneous income — currency exchange adjustments

10. In 2003, currency exchange adjustments resulted in a gain of \$41.5 million, compared to a gain of \$32.2 million in 2002 and a loss of \$14.0 million in 2001. The gain of \$41.5 million consists of a net realized gain of \$14.2 million from contributions, a net unrealized gain of \$18.1 million from the revaluation of cash, contributions receivable, accounts receivable and accounts payable during and at the end of the year, and a realized gain of \$9.2 million from transactions that were settled during the year.

11. The significant gains from currency exchange adjustments in 2003 and 2002 are attributable principally to a weaker United States dollar against the euro and other major currencies. Approximately 50 per cent of the organization's voluntary contributions are in United States dollars, 30 per cent in euros and the remaining 20 per cent in other major currencies.

12. Management is aware of the volatility of the currency exchange markets and the significant risk that unanticipated exchange rate changes presents for operations. The significant gains from currency exchange adjustments that occurred in 2003 and 2002 will not continue indefinitely. Management will continue to assess and manage the risks posed by the volatile currency markets to the extent possible.

Miscellaneous income — interest income

13. The organization earns interest income primarily from the cash and term deposit balances it maintains throughout the year. In 2003, interest income was \$2.5 million compared to \$3.4 million in 2002, representing a decrease of \$0.9 million. This decrease reflected the continuous cut by central banks worldwide in short-term interest rates, which dropped to a 45-year low.

C. Expenditures

14. In 2003, total expenditures for programmed activities under the unified budget amounted to \$947.4 million, compared to \$898.2 million in 2002, representing an increase of \$49.2 million or 5 per cent from 2002 (see exhibit 3).

Expenditures — annual programme budget

15. In 2003, expenditures for the annual programme budget were \$714.8 million, compared to \$698.1 million in 2002, representing an increase of \$16.7 million or 2 per cent. In 2002, expenditures for the annual programme budget were \$698.1, compared to \$677.6 million in 2001, representing an increase of \$20.5 million or 3 per cent. In real terms (i.e. net of exchange rate adjustments), expenditures for the annual programme budget for 2003 and 2002 have barely increased (see exhibit 1).

Expenditures — supplementary programme budget

16. In 2003, expenditures for the supplementary programme budget were \$232.6 million, compared to \$200.1 million in 2002, representing an increase of \$32.5 million or 16 per cent. In 2002, expenditures for the supplementary programme

budget were \$200.1, compared to \$95.8 million in 2001, representing an increase of \$104.3 million or 109 per cent. The significant increase in supplementary programme expenditures is due primarily to the substantial budgets for the Afghanistan and Iraq operations. The two operations accounted for approximately 70 per cent of the supplementary programme expenditures in 2003 (see exhibit 2).

Cost structure of the unified budget

17. The cost structure of the unified budget (in terms of management and administration, programme support, and programme) has remained fairly stable over the past four years. The share of management and administration has remained low.

	2000	2001	2002	2003
Management and administration	5%	4%	4%	5%
Programme support	23%	24%	22%	23%
Programme	72%	72%	74%	72%

Implementing partner expenditures

18. In 2003, implementing partner expenditures as a percentage of total programmed expenditures amounted to 32 per cent in 2003, compared to 33 per cent in 2002 and 2001.

D. Reserves and fund balances

19. The total reserves and fund balances of the organization for 2003 amounted to \$171.0 million, comprised of \$50 million for the Working Capital and Guarantee Fund, \$48.5 million for the Annual Programme Fund (of which \$19.7 million was earmarked and the entire unearmarked balance of \$28.8 million was attributable to currency exchange gains), \$49.5 million for the Supplementary Programme Fund (all earmarked), \$7.2 million for Junior Professional Officers and \$15.8 million for the Medical Insurance Plan.

20. The total reserves and fund balances for 2002 amounted to \$119.8 million, comprised of \$50 million for the Working Capital and Guarantee Fund, \$31.1 million for the Annual Programme Fund (all of which was earmarked), \$18.4 million for the Supplementary Programme Fund, \$6.4 million for Junior Professional Officers and \$13.9 million for the Medical Insurance Plan. The significant increase in the reserves and fund balance for the 2003 Supplementary Programme Fund is attributable principally to the Afghanistan and Iraq operations.

21. The organization continues to be concerned about the low levels of reserves and fund balances. Although at the end of 2003, reserves and fund balances increased from \$119.8 million in 2002 to \$171.0 million, reserves and fund balances available for programme activities amounted to only \$148.0 million (including reserves and fund balances for the Working Capital and Guarantee Fund, the Annual Programme and Supplementary Programme Funds). This represents approximately eight weeks' expenditure for the organization.

Cash balances

22. Cash and term deposits at the end of 2003 increased to \$191.7 million, compared to \$138.7 million and \$140.5 million in 2002 and 2001 respectively. The increase was due primarily to the cash receipt of \$179 million in contributions in December 2003.

E. Other items of interest

Unfunded liabilities

23. In 2003, the liabilities for after-service health insurance, accrued leave and termination benefits were \$290 million, compared to \$263 in 2002 and \$228 million in 2001. These liabilities are unfunded. In order to assess possible options for funding the liabilities, the organization is awaiting a report from the United Nations Secretariat due to be submitted to the General Assembly on possible measures to fund these liabilities over time. UNHCR has also been discussing the matter with other United Nations organizations that have unfunded liabilities, with the object of formulating a comprehensive approach to this issue.

Unliquidated obligations

24. Owing to better planning, the proportion of unliquidated obligations to total programmed activity has remained relatively stable, despite a considerable increase in activities. In 2003, unliquidated obligations represented 9.0 per cent of total programmed activity, compared to 8.6 per cent in 2002 and 9.5 per cent in 2001.

Cancellation of prior years' obligations

25. Cancellations of prior years' obligations amounted to 23 per cent of prior years' unliquidated obligations in 2003, compared to 17 per cent in 2002 and 30 per cent in 2001. The increase in 2003 compared to 2002 was due primarily to the significant increase in the supplementary programme budget. The organization continues to pay close attention to the amounts recorded as unliquidated obligations throughout the year.

Annex

Financial highlights — 2003

(in millions of United States dollars)

	2003				2002				2001				2000			
	Annual programme	Supplementary programme	Other funds*	Total	Annual programme	Supplementary programme	Other funds*	Total	Annual programme	Supplementary programme	Other funds*	Total	Annual programme	Supplementary programme	Other funds*	Total
Budget	809.1	330.6	7.5	1 147.2	801.7	228.1	7.0	1 036.8	782.1	117.0	7.0	906.1	844.9	88.6	6.8	920.2
Total income	697.5	269.8	13.9	981.2	657.5	185.8	14.9	858.2	622.9	135.3	16.4	774.6	637.2	57.9	14.0	709.1
Income — voluntary contributions	652.6	268.2	8.0	928.8	621.9	185.2	8.7	815.8	634.7	135.3	9.2	779.2	640.2	57.9	7.3	705.4
Interest & miscellaneous income	5.0	-	5.9	10.9	4.0	-	6.2	10.2	2.2	-	7.2	9.4	5.0	-	6.7	11.7
Currency exchange adjustment	39.9	1.6	-	41.5	31.6	0.6	-	32.2	(14.0)	-	-	(14.0)	(8.0)	-	-	(8.0)
Total expenditures	714.8	232.6	10.0	957.4	698.1	200.1	10.2	908.4	677.6	95.8	9.2	782.6	707.5	67.2	9.1	783.8
Management & administration	43.1	-	-	43.1	36.4	-	-	36.4	34.8	-	-	34.8	35.0	-	-	35.0
Programme support	199.3	18.9	-	218.2	186.5	12.2	-	198.7	181.8	6.2	-	188.0	171.0	7.4	-	178.4
Programme	472.4	213.7	10.0	696.1	475.2	187.9	10.2	673.3	461.0	89.6	9.2	550.6	501.5	59.8	9.1	570.4
Reserves and Fund balances	48.5	49.5	73	171.0	31.1	18.4	70.3	119.8	43.7	48.9	56.3	148.9	53.6	7.3	66.1	127.0
Loan from working capital	-	-	-	-	-	-	-	-	12.0	-	-	12.0	-	-	-	-
Cash and term deposits	62.5	57.0	72.2	191.7	41.5	28.3	68.9	138.7	31.0	54.8	54.7	140.5	44.8	13.7	65.2	123.7
Unliquidated obligations	50.9	34.2	0.2	85.3	49.3	29.0	0.2	78.5	50.6	23.4	0.2	74.2	51.2	15.0	0.2	66.4
Cancellation of Previous Years' obligations	11.4	6.4	0.2	18.0	11.4	1.5	0.2	13.1	17.7	2.2	0.1	20.0	45.5	3.7	0.3	49.5

Note: All budget figures exclude the United Nations regular budget.

* Includes the Working Capital and Guarantee Fund, Medical Insurance Plan and the Junior Professional Officer scheme.

Chapter II

Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the period from 1 January to 31 December 2003. The Board has also reviewed the operations of the voluntary funds administered by the High Commissioner at the headquarters of the Office of the United Nations High Commissioner for Refugees (UNHCR) in Geneva and at several field offices in the same period.

The Board's main findings are as follows:

(a) As in other United Nations entities, unallocated available reserves at the end of 2003 (\$78 million) were insufficient to cover the staff termination liabilities, estimated at some \$290 million;

(b) Although progress has been made, the value of non-expendable property disclosed in the financial statements at 31 December 2003 remained not fully accurate. This was attributed to errors in data entry and non-recording of assets;

(c) The 2003 operational expenditure not yet supported by implementing partners' financial reports amounted to \$9.6 million as at 15 June 2004, which was an improvement over previous years;

(d) The accounting for unliquidated obligations was improved in line with United Nations Accounting Standards, but their disclosure at year-end was not fully accurate;

(e) The decentralization of the Africa Bureau between 1999 and 2001 was conducted hastily and without a preliminary budget; after spending an estimated \$13 million in two years, UNHCR eventually recentralized its structure;

(f) UNHCR did not have a fully reliable basis to compute statistics on refugees. The sources of information, which include registration, estimates and surveys, are sometimes of an unknown nature. The statistical unit has been understaffed and UNHCR has not devoted all appropriate means to the project Profile launched to improve its registration and statistical process;

(g) UNHCR has not fully monitored the management of its many offices and buildings around the world, and has had no proactive policy to comply with the policy of sharing United Nations common premises;

(h) The data conversion to the new information system was largely satisfactory, but could have benefited from a better end-user involvement;

(i) The inter-agency coordination regarding information and communication technology strategies, developments and procurement remained limited;

(j) UNHCR had yet to develop and implement a plan against the risk of corruption and fraud.

The Board made recommendations to improve financial management and reporting, information technology management and programme management. It has noted that, in most respects, UNHCR has actively responded to recommendations, although some have yet to be implemented. By July 2004, the Administration planned to implement a number of appropriate remedies.

A list of the Board's main recommendations is provided in paragraph 12 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the period from 1 January to 31 December 2003, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.
2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January to 31 December 2003 had been incurred for the purposes approved by the Executive Committee; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of the voluntary funds administered by the High Commissioner for Refugees presented fairly the financial position as at 31 December 2003, and the results of operations for the period then ended. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered it necessary to form an opinion on the financial statements.
3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under United Nations Financial Regulation 7.5 and article 11.4 of the Financial Rules for voluntary funds administered by the High Commissioner for Refugees, principally on the management of decentralization, and statistics, information and communication technology strategy and data migration. The audit was carried out at UNHCR headquarters in Geneva and at its offices in Argentina, Armenia, Egypt, Georgia, the Islamic Republic of Iran and Sri Lanka for the same period.
4. The General Assembly, in paragraph 6 of its resolution 57/278 of 20 December 2002, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations System. **The Board noted that UNHCR had not taken any action in this regard. UN HCR indicated to the Board that it intended to do so wherever feasible.**
5. The General Assembly also requested the Board to follow up on previous recommendations and to report to it accordingly. These matters are addressed in paragraphs 9, 10 and 11 below.
6. The Board continued its practice of reporting the results of specific audits through management letters containing audit findings and recommendations to the Administration. The practice allowed an ongoing dialogue with the Administration.
7. The present report covers matters, which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and

conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

8. A summary of the Board's main recommendations is contained in paragraph 12 below. The detailed findings are discussed in paragraphs 14 to 196.

1. Previous recommendations not fully implemented

9. UNHCR had yet to implement a recommendation dating back to 1996 on non-expendable property, as mentioned in paragraph 65 below. For the year ended 31 December 2002, out of a total of 34 recommendations, 16 (47 per cent) were implemented by June 2004 and 18 (53 per cent) were under implementation. None remained unimplemented. The comments of the Board have been summarized in the annex to the present chapter.

10. The General Assembly, in its resolution 58/249 of 23 December 2003, noted with concern the shortcomings identified by the Board of Auditors in the management of financial and human resources. The General Assembly urged the High Commissioner to continue to implement the Board's recommendations, and requested him to report regularly to the relevant governing bodies on progress made in that regard. The High Commissioner reported accordingly on the status of implementation of the recommendations to the 29th meeting of the Standing Committee in March 2004, and planned to continue to report regularly to both the Standing and the Executive Committees.

11. The Board has reiterated, in paragraphs 21, 46 and 76 of the present report, previous recommendations that had not yet been implemented. The Board invites the Administration to assign specific responsibility and establish an achievable time frame to implement them.

2. Main recommendations

12. The Board's main recommendations are that UNHCR:

(a) **Monitor accurately its commitments against future financial periods (para. 36);**

(b) **Monitor centrally the validity of its year -end unliquidated obligations (para. 57);**

(c) **Correct its assets database in a timely manner and improve assets reporting by field offices (para. 67);**

(d) **Take further steps to obtain and verify in a timely manner all subproject monitoring reports from implementing partners (para. 74);**

(e) **Fully take into account, in its change-management initiatives, the lessons learned from its Africa Bureau decentralization/recentralization process (para. 96);**

(f) **Continue its efforts to improve the precision of the statistical inputs on refugees (para. 119 (a));**

(g) **Obtain as much data as possible through refugee registration (para. 119 (b));**

(h) **Improve its coordination with other United Nations organizations on information and communication technology strategy and development (para. 138);**

(i) **Review the coordination with software users for its information and communication technology developments and validate the calendar for field office deployment of its new information system after the shortcomings the Board identified have been solved (para. 175).**

13. The Board's other recommendations appear in paragraphs 21, 33, 40, 46, 48, 60, 62, 76, 79, 122, 125, 131, 142, 149, 151, 154, 157, 160, 165, 167, 169, 177, 179, 181, 183, 185, 192, 196.

B. Financial issues

1. Financial overview

14. Table 1 provides the figures of the statement on income and expenditure and changes in reserves and fund balances over the past five years.

Table 1
Statement of income and expenditure and changes in reserves and fund balances for the years 1999-2003

(In millions of United States dollars)

	1999	2000	2001	2002	2003
Total income	927	710	775	858	981
Total expenditure	1 023	784	783	908	957
Excess (shortfall) of income over expenditure	(96)	(74)	(8)	(50)	24
Prior year adjustments ^a	45	57	29	21	27
Reserve and fund balances, end of year	145	128	149	120	171

^a The table includes adjustments to prior years' contributions, adjustments to prior years' expenditure and cancellations of prior years' obligations.

15. The UNHCR statement on income does not include resources received from the United Nations regular budget (General Fund), as mentioned in note 1 to the financial statements (\$28 million in 2003).

16. After five years of a declining trend, reserves at year's end increased to \$171 million, a significant upturn although still below the \$196 million level of 1998. This was due to a 14 per cent increase of voluntary contributions, from \$815 million in 2002 to \$929 million in 2003, whereas the reported increase in expenditure was 5.4 per cent. As regards the liquidity position, the assets-to-liabilities ratio increased from 2.1 at the end of 2002 to 2.4 at the end of 2003, with assets of \$291 million and short-term liabilities of \$120 million.

17. However, this positive result of \$24 million should be considered with caution. For example, exchange rate fluctuations have had contradictory effects on the result. The depreciation of the dollar increased the overall budget expenditures by \$42 million, a cost which was almost nullified by the currency exchange adjustments

which resulted in a gain of \$41.4 million. Similarly, the effects of delayed programme implementation should be considered. For example, the contributions received in 2003 for the Iraqi programme were \$75 million, whereas expenditures were \$55 million, leading to a carry-over of \$20 million: this alone, for a single programme not fully implemented, in economic if not in accounting terms, accounted for most of the apparent excess of income over expenditure in 2003.

18. The excess of income over expenditure increased the reserves, as reflected in table 2 below (financial statement 1). The only funds not earmarked amount to the statutory \$50 million in the Working Capital and Guarantee Fund, and to \$28.8 million in the balance of the Annual Budget Fund. The other funds are totally earmarked for annual and supplementary programme funds, junior professional officers and the Medical Insurance Plan.

Table 2

Reserve and fund balances at year's end, for the years 1999-2003

(In millions of United States dollars)

	1999	2000	2001	2002	2003
1. Earmarked	75	75	57	70	93
2. Not earmarked	70	53	92	50	78
Total	145	128	149	120	171

19. The reserves could therefore not cover, once again and by far, the \$290 million in long-term liabilities for after-service health insurance, accrued annual leave and termination benefits. The figures reported up to 2000 proved to be unreliable. The liabilities have since then been estimated by a consulting actuary, as indicated in note 15 to the financial statements and table 3 below.

Table 3

Liabilities for end-of-service and post-retirement benefits for the years 2001-2003

(In millions of United States dollars)

	2000	2001	2002	2003
After-service health insurance	260	91	120	136
Accrued annual leave	18-20	21	22	25
Termination benefits	105	116	121	129
Total	383-385	228	263	290

Source: UNHCR, calculated since 2001 on an accrued liability basis.

20. The decision of the General Assembly, in its resolution 58/153, to remove the temporal limitation on the continuation of the Office of the High Commissioner contained in its resolution 57/186 and to continue the Office until the refugee problem is solved has not removed the issue of unfunded liabilities. Voluntary-funded organizations such as UNHCR are particularly vulnerable to the risk of a downturn in income, which could lead to significant expenditures in this matter

while no funds are set aside to cover them. Management has discussed this matter with other United Nations agencies and awaited a report by the United Nations Secretariat on the full extent of the unfunded staff termination and post-service liabilities and proposed measures in this respect.

21. The Board reiterates the recommendation that UNHCR, in conjunction with the United Nations Secretariat, review the funding mechanism for end-of-service and post-retirement benefits liabilities.

2. United Nations system accounting standards

22. The Board assessed the extent to which the UNHCR financial statements for the year ended 31 December 2003 conformed to the United Nations system accounting standards. The review indicated that the financial statements were consistent with the standards.

3. Financial statements' presentation and disclosure

23. In paragraph 12 of its resolution 55/220 of 23 December 2000, the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations, in conjunction with the Board of Auditors, to continue to evaluate what financial information should be presented in the financial statements and schedules and what should be presented in annexes to the statements. The Board has thus conducted a preliminary review of the general presentation and disclosure in the financial statements for the year ended 31 December 2003.

24. UNHCR has taken into consideration the Board's recommendations with regard, inter alia, to "Unliquidated obligations" for the financial statements for the year ended 31 December 2003.

25. The Board did not review governance issues as listed below, but noted that the governance principles may already be applied in documents issued to the Executive Committee or other governing bodies as part of UNHCR's normal reporting process. These include, inter alia, annual report of the High Commissioner, the *Statistical Yearbook 2001 on Refugees, Asylum-seekers and Other Persons of Concern*, the *Global Report*, the *Mid-Year Progress Report*, and the *Global Appeal*, the annual programme budget document, the report on UNHCR oversight activities, and individual and country offices reports.

Financial highlights

26. The commentaries in the financial highlights prepared by UNHCR (chapter I of the Board's report on the financial statements) do not mention the governance issues discussed below.

Performance reporting and non-financial information

27. There is no mention in chapter I of performance in terms of its organizational objectives and mandate. While programme expenditure per country and per region is presented in financial terms in schedule 3, non-financial information disclosures seem to have been overlooked in the preparation of the current and prior reports. No mention was made of key objectives, such as providing international protection to refugees and seeking durable solutions to refugee problems. Such performance information and non-financial information disclosures are more likely to be of value

to the relevant stakeholders over and above the mandatory financial information disclosures.

Social accounting issues

28. Recent international stakeholder surveys have noted that consideration should be given to the desirability of reporting to stakeholders such social accounting information as environmental reporting; employee and/or human capital reporting, such as an analysis of the composition of staff, an analysis of the skills of current staff compared to the skills needed and details on future staff requirements (including the continuity plan/rotation policy); health and safety issues; and social reporting and “greening”. UNHCR does not include such data in its “financial highlights” or related documents.

Risk management, continuity and internal control

29. The survival of most organizations is dependent, inter alia, on the constant identification of risks and continuous development of systems and controls to address those risks. As such, risk information disclosures are relevant to the needs of financial statement users. As a rule, such disclosures would deal, at a minimum, with the measures put in place to address financial risks, to safeguard assets and financial records, and to ensure continuity in the event of a disaster. UNHCR does not include such data in its financial highlights or related documents.

30. While the financial highlights provided a summary of the financial statements of 2003, no key indicators-ratios such as current ratio and current liabilities as a percentage of total liabilities were included.

31. UNHCR does not mention the existence of a disaster management and recovery plan; internal measures to manage risks, internal code of ethics and conduct and enforcement thereof among employees; the internal audit function; details of any oversight committee reviewing the work of internal audit; or measures put in place to safeguard the integrity of management and financial information.

32. UNHCR is not so far considering the possibility of disclosing such data with their future financial statements, in order to keep the financial statements focused on their core business. However, UNHCR indicated to the Board that it might consider referencing the already available information related to corporate governance, and that it would consider including in future financial statements those items that the United Nations community would deem relevant.

33. The Board recommends that UNHCR consider disclosing items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNHCR should revert to paragraph 6 of resolution 57/278, by which the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.

Deferred expenditures

34. UNHCR was unable to provide an exhaustive list of multi-year contracts inducing deferred charges and in force in 2003. Contrary to article 10.4 of the UNHCR Financial Rules, which requires that a record of commitments for future periods be maintained, there was no recording of commitments for the following years either in the field or at Headquarters.

35. UNHCR therefore cannot check the accuracy and exhaustiveness of the information recorded in the accounting system, and is not in a position to ensure that all deferred charges are properly accounted for in the annual financial statements. During the Board's review, a multi-year contract was identified and is now reflected as a deferred charge in the accounts.

36. UNHCR agreed with the Board's recommendation to monitor accurately its commitments against future financial periods.

Currency exchange and other adjustments

37. The improvement in the balance of reported income and expenditure would not have occurred if there had not been a positive trend in currency exchange adjustments, which in 2003 generated an income of \$41 million (\$32.2 million in 2002), of which \$9.2 million was realized gains on transactions settled during the year (\$7.1 million in 2002).

38. Note 2 (h) to the financial statements provides that "Currency exchange adjustments include exchange losses and gains on transactions and losses and gains from revaluation of year-end asset and liability balances based on the United Nations operational rate of exchange. Apart from the unrealized gains or losses on contributions receivable, which are charged to the respective funds, exchange differences are charged to the Annual Programme Fund, unless required to maintain the Working Capital and Guarantee Fund."

39. UNHCR charges unrealized exchange gains and losses on contributions to the respective funds, without documenting the basis for doing so, while it charges realized gains and losses to the Annual Programme Fund only (for instance, two realized exchange gains of \$300,270 and \$154,305 were charged to the latter). The result of this practice is that transactions are not posted consistently.

40. UNHCR agreed with the Board's recommendation to charge exchange gains and losses on contributions to the appropriate funds, and planned to implement a consistent practice in 2004.

41. UNHCR reported the overall impact of the exchange rate depreciation of the dollar, mainly on staff costs, to be an additional expenditure of \$43 million for 2003.

42. UNHCR's recosting methodology is to revise all budgets during the year in order to take into account the new rates of exchange and the changes in the requirements, based on actual expenditure. It accordingly decided on cost-saving measures and closely monitored their implementation. This eventually contributed to the reported excess of income over expenditure. This was a first step towards complying with paragraph 6 of resolution 58/249, in which the General Assembly requested the High Commissioner to examine the causes of continued operating deficits with a view to ensuring that the Office usually operates within its income for each financial year.

4. Programme management and support costs

Operational and administrative expenditure

43. In paragraph 30 of its previous report,¹ the Board recommended that UNHCR assess the adequacy of the level of its non-programme expenditures. Table 4 below shows the breakdown of expenditures by operational project (series 100-500), "programme" expenditure as defined by UNHCR (including the above and series 700, subtotal D), programme support and administrative expenditure (series 800 and 900). In order to assess the share of administrative expenditure, the table includes the expenditure funded from the United Nations regular budget (line E), which relates to headquarters administrative expenditure. Conversely, it excludes expenditures of the Medical Insurance Plan and of the Working Capital Fund.

Table 4

Expenditures

(In millions of United States dollars)

<i>Series</i>	<i>Type of assistance</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003/2001</i>
100	Emergency	54.1	129.3	48.1	-11%
200	Care and maintenance	192.7	165.7	182.2	-5%
300	Repatriation	91.0	132.5	183.5	102%
400	Local settlement	89.0	101.6	110.5	24%
500	Resettlement	4.6	4.2	3.3	-28%
A	Subtotal operational projects	431.3	533.3	527.6	23%
700	Protection, monitoring and coordination	119.2	129.8	158.4	33%
B	Subtotal "Programme" A + series 700	550.5	663.1	686	25%
800	Programme support	188.0	198.6	218.2	16%
900	Management and administration	34.8	43.6	43.1	24%
C	Subtotal 800 and 900	222.8	242.2	261.3	17%
D	Total expenditure funded by voluntary contribution	773.4	905.4	950.8	23%
E	Regular budget expenditure (900 series costs)	20.4	21.0	28.2	38%
F	Total expenditure (D + E)	793.8	926.4	979	23%
A/F	Operational expenditure/total expenditure	54%	58%	54%	
B/F	Programme expenditure/total expenditure	69%	72%	70%	
F-A	Non-operational expenditure	362.5	393.1	448.3	- 85.8
F-B	Non-programme expenditure	243.2	263.3	293	- 49.8
G	Non-operational expenditure/total expenditure	31%	28%	30%	
H	Non-programme expenditure/total expenditure	31%	28%	30%	

Source: UNHCR.

¹ Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 5E (A/58/5/Add.5).

44. The expenditures on the Iraqi programme (\$55 million) represented almost 10.5 per cent of series A expenditures.

45. The share of “non-programme” expenditure against total expenditure (line H) slightly increased to 30 per cent in 2003. However, the respective shares of programme support and management and administration have remained stable at 26 to 28 per cent during the last four years, the balance being for programme expenditures. UNHCR is continuing the review of classification of all expenditures to assess the trend.

46. The Board reiterates its recommendation that UNHCR continue to monitor the adequacy of the level of its non-programme expenditures.

5. Banking

47. On 31 December 2003 UNHCR made a provision for \$1.2 million, representing the funds deposited in a Liberia subsidiary of an Italian bank. UNHCR explained that the bank “is in the process of an agreed liquidation. The Liberian Central Bank has confirmed that the assets ... kept with the Central Bank are sufficient to cover creditors’ deposits. (UNHCR) has made the provision because there are concerns that the Central Bank might delay the liquidation procedures and payments to the creditors.” The High Commissioner discussed the matter with the Liberian authorities.

48. The Board recommends that UNHCR continue efforts to recover the amount of \$1,219,002 deposited in a bank based in Liberia.

6. Unliquidated obligations

49. The unliquidated obligations for 2003 (statement II) amounted to \$85.3 million, an increase of 8.6 per cent over 2002. This increase was mainly due to the growth of the volume of the transactions under the supplementary budget, by 18 per cent as compared to 2002. This resulted in an increase in unliquidated obligations for the supplementary budget of \$7.9 million for 2003, compared to 2002. UNHCR also explained that “in 2003, an amount of \$897,515 was committed for UNOG After-Service Health Insurance subsidy for UNHCR retirees, based on a billing established on a monthly basis and some \$3 million for People Soft of which \$2,094,732 represents the last instalment to be paid ... according to the contract signed in March 2003. This justifies the increase of the unliquidated obligations that are reported under headquarters.”

50. The Board of Auditors has repeatedly stressed that UNHCR has retained large amounts of funds at the end of each year in unliquidated obligations which it then cancels in the following years. In 2003, UNHCR explained that “with the implementation of the Management Systems Renewal Project (MSRP), the appropriate expenditure recognition policy and accounting practices will be set in accordance with United Nations system accounting standards”.

51. The UNHCR practice with regard to unliquidated obligations that was used until 2002 was to charge as expenditure the amounts in the “letters of instruction”. These letters are internal spending authorizations for administrative and operational projects. At year’s end, UNHCR reported as unliquidated obligations the difference between the amounts in the letters of instruction — i.e., the available budget — and the disbursements, whether or not they represented actual commitments.

52. With the migration to Management Systems Renewal Project, UNHCR properly instructed all budget holders, through an inter-office memorandum/field office memorandum (IOM/FOM) dated 4 November 2003, to ensure that unliquidated obligations “represent firm commitments supported by either a contract, locally issued purchase order, outstanding invoice, locally issued PT8 and Global Travel Authorisations (GTA)”.

53. A total amount of \$17,964,496 of unliquidated obligations for 2002 and prior years was cancelled by 15 January 2003. Out of a sample of 40 per cent of this amount, the Board found that \$1,689,755 (21 per cent) of these unliquidated obligations had no justification at all.

54. The Board reviewed the unliquidated obligations reported as at 31 December 2003 by a few offices representing 6.7 per cent of the total. Out of \$6.8 million in unliquidated obligations, \$3 million was not valid. UNHCR cancelled these in time for the final financial statements.

55. Unliquidated obligations reported by the field offices are entered in the accounts after compilation in headquarters by the Desks (for Operational Projects) and the Budget Section (for Administrative Projects). There appeared to have been little or no headquarter review of the back-up documentation, since UNHCR could not provide any such documentation.

56. This casts a serious doubt on the validity of the unliquidated obligations, which were therefore still overstated in the financial statements. In view of the above observations, the Board expresses its concern about the extent of continued overstatement of such obligations, but welcomes the compliance introduced by UNHCR, for the first time in 2003, with rules on the computation of unliquidated obligations.

57. UNHCR agreed with the Board’s recommendation to monitor centrally the validity of its year-end unliquidated obligations.

7. Accounts payable

58. The Board noted two accounting methods used for accounts payable. On the one hand, an individual invoice received is first posted as a payable, and, if found in order, is settled immediately and debited to expenditure; if it is disputed, it remains as a payable. This is compliant with United Nations system accounting standards. On the other hand, an inter-office voucher payable to another United Nations entity is posted as a payable only when undisputed by UNHCR; if disputed, it is put on hold until solved.

59. UNHCR provided no formal justification for using two different methods for similar accounting records. Not disclosing all payables to other United Nations agencies if they are disputed is not consistent with the principle of exercising prudence in preparing financial statements, as provided by paragraph 5 of the United Nations system accounting standards.

60. UNHCR agreed with the Board’s recommendation to align its accounting procedures for payables with the United Nations system accounting standards.

61. The 2003 financial statements include long-outstanding payables for \$1.06 million recorded in 2000 or earlier (7.7 per cent of the total amount) without documented justification.

62. **The Board recommends that UNHCR review and reconcile long - outstanding payables to ensure that only valid payables are recorded in the accounts.**

8. Expendable and non-expendable property

63. The Board recommended in paragraph 44 of its previous report that UNHCR actively pursue its efforts towards reducing the default values in its asset management system and providing an accurate disclosure of non-expendable property.

64. According to note 13 to the financial statements, the acquisition value of non-expendable property recorded in the asset track database was \$385,261,292 (of which \$12,988,925 at headquarters) on 31 December 2003. Their depreciated value was \$120,307,163, which was significant as compared with the amount of \$43,559,269 at the end of 2002. As UNHCR explained in the note, these figures must be considered with caution. For headquarters' assets, the Board was provided with the physical report it had recommended: UNHCR verified the inventory in November/December 2003 and converted the updated asset track data into the new computing system. UNHCR tracked down 6,070 items out of 12,681 recorded in its database, i.e., only 48 per cent. UNHCR has undertaken action to clarify the status of the missing 52 per cent of items.

65. For assets granted to implementing partners, the Board's field visits showed that the figures in asset track were not entirely reliable: physical inventories were not conducted in all sites of implementing partners (the Islamic Republic of Iran, Armenia), and it was not possible to reconcile the list of assets held by implementing partners and the asset track data (Sri Lanka, Georgia, Armenia). Many old assets were not precisely located, and their custodians were sometimes recorded as "unknown" (Sri Lanka). The depreciated value of some items reported under the asset track was sometimes over the acquisition value (Egypt).

66. UNHCR explained that it has undertaken a quality control of all databases, and was making progress. In December 2003, detailed procedures were published in an updated chapter to the UNHCR Manual covering all steps to be taken from receipt to disposal of assets.

67. **The Board recommends that UNHCR (a) correct its assets database in a timely manner, while (b) pursuing its efforts to improve asset reporting by the field offices.**

9. Write-off of losses of cash, receivables and property

68. UNHCR wrote off a total of \$1,879,188 of cash, receivables and property in accordance with UNHCR financial rules 10.6 and 10.7. Within this total, an amount of \$601,349 was written off in respect of unrecoverable balances due from various entities and theft/losses of cash. Also within this total, an amount of \$1,277,839 was written off with regard to non-expendable property.

10. Ex gratia payments

69. UNHCR reported two ex gratia payments amounting to \$19,426, during the financial period ended 31 December 2003: a payment of \$438 to a fund for a former

employee shot while on official duty; and compensation of \$18,988 following an accident.

C. Management issues

1. Implementing partners expenditure

Audit certificates

70. UNHCR properly requires its implementing partners to supply audit certificates delivered by external auditing firms on their local operations funded by it. The certificates are compulsory for partners having projects with an annual aggregate value of \$100,000 and above, except for United Nations and related agencies, for which there is direct external audit coverage. In its reports for year 2001² and for 2002,³ the Board expressed its concern about the recurrent, unsatisfactorily low percentage of audit certificates received by December of the second year following the completion of a project. The situation has improved. Table 5 below shows that as at 31 January 2004 UNHCR had received 68.5 per cent of the audit certificates for expenditure related to projects implemented in 2002, as compared with 47.5 per cent at 31 January 2003 for 2001.

Table 5
Data on audit certificates received as at 31 January 2004

	<i>For year 2001</i>			<i>For year 2002</i>		
	<i>Funded</i>	<i>With audit certificates</i>	<i>% audit certificates</i>	<i>Funded</i>	<i>With audit certificates</i>	<i>% audit certificates</i>
Governmental partners (all projects)	83.7	56.3	67.26	88.2	52.2	59.18
International non- governmental organizations (all projects)	119.5	105.5	88.28	137.9	109.5	79.41
Local non - governmental organizations (all projects)	69.1	43.4	62.81	80.8	41.3	51.11
All subprojects	272.3	205.2	75.36	306.9	203	66.15
<i>Of which subprojects > \$100,000</i>	259.8	202.96	78.12	293.1	200.9	68.54

Source: UNHCR.

71. In its above-mentioned reports, the Board also pointed out that the rules for partner audit certification were inadequate to provide assurance about the proper use of funds. Following the Board's recommendation, the UNHCR Oversight Committee endorsed recommendations issued by its Internal Audit Service to improve the audit certification process, which led to the issuance on 8 December 2003 of IOM/FOM 61/2003. For projects beginning on 1 January 2004, audit certificates are to show a clear expression of opinion and to be accompanied by a

² Ibid., *Fifty-seventh Session, Supplement No. 5E (A/57/5/Add.5)*.

³ See footnote 1.

management letter. A summary progress report on audit certificates received at headquarters is to be submitted every six months to the Oversight Committee. This is mandatory for projects implemented by governmental and national non-governmental organization partners with an aggregate value of \$100,000 and above and for projects implemented by international non-governmental organization partners in the same country with an aggregate value of \$300,000 and above. The audit certificate should be submitted by an independent audit firm contracted by UNHCR within six months of the final date for liquidation of commitments. **The Board commends UNHCR for setting these procedures.**

Subproject monitoring reports

72. Funds transferred to implementing partners amounted to \$304.6 million in 2003. They are directly recorded as expenditures in the financial statements. The payments and the use of the funds are recorded in a project ledger account (X.21) used on an ongoing basis for the monitoring of these expenditures. An additional payment is released when the partner has justified the use of the funds (at least 70 per cent of previous instalments) through the remittance of a subproject monitoring report. The usual liquidation date of projects and subprojects is on 31 January of the following year. The final reports are due 15 days after the liquidation date, usually in February of the following year. At the end of a financial year, the X.21 closing balances are carried forward as opening balances and then continue to get cleared as the reports arrive. As at 31 December 2003, the X.21 expenditure not yet justified amounted to \$118.97 million, i.e., 40 per cent, while it had amounted to \$90.6 million (31 per cent) a year earlier.

73. UNHCR stated that these reports had in fact been received in a timely manner, but that their recording and recognition in the new computer system was delayed during the initial stage of implementation. UNHCR eventually brought the balances down to \$70 million as at 30 April 2004 and to \$9.5 million as at 15 June 2004, a significant improvement over the previous year (\$14.2 million as at 11 June 2003). Out of that amount, \$1.8 million was for projects extended up to 31 March 2004, and \$4.8 million for projects extended up to 31 October 2004.

74. UNHCR agreed with the Board's recommendation to take further steps to obtain and verify in a timely manner all subproject monitoring reports from implementing partners.

Receivables

75. UNHCR made provisions for doubtful accounts receivable from implementing partners amounting to \$1,280,944 as at 31 December 2003. The Board reviewed a sample of \$596,689; most files (\$386,890 or 64 per cent of the sample) lacked subproject monitoring reports from the implementing partners. Those projects dated back to the period 1994-2001, but the Board's recent field visits have shown that there is still room for improvement in this area. Considering that paragraph 10 of the statute mentions that the High Commissioner has to select the "best qualified" implementing partners, the Board is of the view that UNHCR should continue its efforts to select the best qualified implementing partners, and to take into account internal audit findings in this respect. UNHCR commented that the Operational Policy Committee would review this issue in June 2004.

76. The Board reiterates its recommendation that UNHCR continue to assess the qualifications of those implementing partners whose accounting systems and internal controls are not adequate.

2. Human resources management

77. After an extensive audit of human resources management, the Board recommended in paragraph 87 of its previous report that the High Commissioner restore full control of the staffing table and disclose comprehensive staff statistics in the budget and financial reports. In January 2004, UNHCR introduced, in addition to the already established post and staff report, a system to track staff members assigned to Temporary Assistance as approved by the Operational Review Board. UNHCR commented that in the planning process for 2005 it would undertake a comprehensive review of the existing and required staffing (on post or charged to Temporary Assistance) to ensure full control of the staffing table.

78. UNHCR disseminated new Rules and Procedure Guidelines of the Appointments, Posting and Promotions Board, through the IOM/FOM of 3 November 2003. The rules addressed the main concerns of the Board by, inter alia, establishing a new contract policy for the Professional category, redefining the policies on rotation, on staff in between assignments, and on accelerated vacancy management to meet urgent operational needs. UNHCR made similar progress regarding recruitment as well as the administration of the Housing Maintenance Element, and an "e-Learning" policy.

79. The Board commends UNHCR for timely implementation of some of its recommendations and will follow up on their full implementation.

80. The Board recommended that UNHCR review the finance staffing, based on workload indicators and on benchmarking with comparable United Nations entities. UNHCR stated that the staffing level of finance functions would be reviewed in conjunction with the 2005 budget process, taking into account changes in the nature of work. UNHCR has undertaken staffing benchmarking with other United Nations agencies.

3. The regionalization/decentralization process

81. UNHCR headquarters has had a culture of a centralized authority, but programme implementation has been carried out through country-based structures and mechanisms. The increased involvement of the Office in cross-border and regional operations, involving large population movements, forced it to pay more attention to regional structures and arrangements. It was felt that many decisions referred to headquarters could be taken by the field, thereby improving decision-making and effectiveness and providing for a lighter headquarters structure; that political, social and economical issues are too complex to be managed from a central location; that there is a need for a quicker response as the pace of events accelerates; and that such changes are facilitated by new information and communication technologies. A major effort to move towards a more decentralized management structure thus took place at the end of the 1990s.

82. The Board has reviewed the decision process, the present status of regionalization and the cost of decentralization of Regional Directorate Offices in Africa, a continent which represented 40 per cent of UNHCR programme

expenditure in 2002. The Board did not review the UNHCR regional management in other continents.

The creation of African Directorates

83. The High Commissioner's IOM/FOM of 18 February 1999 put into place one reunited Africa Bureau at headquarters, and three field-based Regional Directorate Offices with full authority over their own operations. The main rationale was to have both an Africa-wide view of operations, while increasing decision-making in the field. The Regional Directorate Offices were located in Addis Ababa for the Great Lakes and the Horn of Africa regions, Pretoria for southern Africa, and Abidjan for West and Central Africa. A Regional Service Centre (Nairobi) offered protection support, external relations, health, nutrition and community services, procurement, and Great Lakes region support.

84. There had been little cost-benefit analysis beyond the undocumented assumption that savings would offset the costs of decentralizing. The IOM/FOM of 8 October 1999, stated a restructuring cost of \$1.2 million in 1999, to be offset by the year 2001 through rationalizing headquarters structure and streamlining tasks in field locations.

85. Management encountered and documented difficulties in the implementation of the decentralized structure. According to comprehensive reviews, the regionalization/decentralization process did not reduce the role of headquarters, especially because many decisions continued to be referred to Geneva. The change in the management structure may not have been adequately supported by a full devolution of authority, information systems, tools and other mechanisms required to make the change successful. The decentralization process of the Africa management structure did not fully address the issue of decentralization and delegation of authority and how this related to the job descriptions of key posts (e.g., Senior Resource Managers who managed few resources, Liaison Units that acted as former Desks). The creation of the Regional Directorates implied the delegation by headquarters of the authority to take decisions and manage human and financial resources related to delegated functions. But it also implied the development of the responsibility and accountability of the managers, which was not fully done.

86. Decentralization consisted largely of high-level decisions such as the creation of the Regional Directorate Offices and as some key management posts. Insufficient attention was paid to the work procedures, lines of authority, coordination and interface with Geneva-based support units. Designing a management structure did not follow the redesign of work processes. While the Africa Bureau was "decentralized", the rest of the organization, including all support processes on which the Africa Bureau continued to depend, remained firmly centralized in Geneva.

87. With regard to Eastern Africa, the existence of two sites resulted in a split between a policy-making and operational management structure (Addis Ababa) and a technical support structure (Nairobi), depriving the Regional Directorate of some indispensable synergies.

88. UNHCR then stopped the decentralization process halfway because there had not been a clear strategic plan. Despite the confirmed potential of the reform, after

carefully reviewing the advantages and disadvantages linked to the management structure in Africa, as well as the operational developments in the region, the High Commissioner discontinued, in accordance with the IOM/FOM of 13 December 2001, the three Regional Directorates and moved from a "cluster approach" to a more "situational" approach in Africa. The revised, more centralized Africa Bureau management structure became fully effective as of April 2002.

89. This reversal was decided two years after the beginning of the process. The short delay did not allow for a reliable return on investment (see para. 92 below), and the impact on staff morale and motivation were reported as having been significant.

90. Although the process was intended to make the organization more flexible and to reduce headquarters expenditures and costs, the two structural ratios (headquarters expenditures compared to total expenditures and number of staff in headquarters compared to total number of staff) worsened during the regionalization process, from 1999 to 2002, at a time when Africa represented on average over 40 per cent of the total UNHCR expenditures. Table 6 below covers the period 1999-2002 as this matter was reviewed by the Board before the 2003 figures were finalized.

Table 6
UNHCR expenditures and staff from 1999 to 2002

<i>Expenditures: before year-end adjustments</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2002/1999</i>
1. People of concern	21 500 000	22 300 000	21 800 000	20 500 000	-4.7%
2. Headquarters expenditures	\$113 534 650	\$111 588 452	\$113 725 420	\$130 393 192	14.8%
3. Number of posts at headquarters	691	698	712	758	9.7%
4. Field expenditures	\$845 998 590	\$739 557 058	\$659 200 850	\$778 590 461	-8.0%
5. Number of field posts	4 210	4 169	3 763	3 649	-13.3%
6. Expenditure headquarters/total expenditure	11.83%	13.11%	14.71%	14.34%	21.2%
7. Posts headquarters/total posts	14.10%	14.34%	15.91%	17.20%	22.0%
8. Africa/total field expenditure	40.1%	40.9%	45.2%	41.5%	
9. Africa/total posts (line 3 + line 5)	39.7%	37.4%	42.3%	40.0%	

91. As reported by UNHCR, the cost of moving to and from a decentralized pattern for Africa was estimated by UNHCR at \$13 million in staff transfers, rental of premises, acquisition of cars and computers and other costs which would not have otherwise been incurred. This estimate does not include the direct and indirect costs of travel from headquarters to the field, training, brainstorming and meetings. The surge of regional expenditure in 2000-2001 (line 1 to 3) reflects budget transfers at that time to the new offices.

Table 7
Africa expenditures from 1998 to 2002
(In thousands of United States dollars)

	1998	1999	2000	2001	2002	2002/1998 (per cent)
<i>Regional Directorates' expenditures</i>						
1. Staff	3.562	3.443	8.620	8.674	3.537	-0.7
2. Non-staff	1.277	1.254	3.240	2.876	1.604	25.6
3. Subtotal	4.838	4.697	11.861	11.550	5.141	6.3
<i>HQ Africa Bureau expenditures</i>						
4. Staff	5.664	4.709	4.298	4.330	5.369	-5.2
5. Non-staff	662	597	824	490	500	-24.5
6. Subtotal	6.326	5.306	5.122	4.820	5.869	-7.2
7. Total	11.164	10.003	16.983	16.370	11.010	-1.4
8. Total Africa field costs	328.158	292.181	280.968	306.589	315.106	-4.0
9. Number of posts at headquarters	60	36	45	45	57	-5.0
10. Number of posts in the field	1,885	1,783	1,846	1,717	1,756	-6.8
11. Number of refugees (thousands)	3,162	3,340	3,437	3,093	NA	
12. Percentage line 7/8	3.4%	3.4%	6.0%	5.3%	3.5%	
13. Expenditure per staff member, line 8/(9+10)	168	161	149	174	174	3.6
14. Percentage line 9/10	3.2%	2.2%	2.4%	2.6%	3.2%	
15. Cost per refugee line 8/11	\$103	\$87	\$82	\$99	NA	

Source: UNHCR.

92. Table 7 shows that staff for the Africa region at headquarters represented 2.2 per cent of the number of staff posted in Africa in 1999 (line 14) before regionalization; that increased to 2.6 per cent in the course of regionalization in 2001, contrary to the expectation of UNHCR that it would decrease. The percentage of expenditures of headquarters and Regional Directorate Offices increased during regionalization, from 3.4 per cent in 1998-1999 to 6 per cent in 2000, and back to 3.5 per cent in 2002 (line 12). The cost per refugee decreased in the first year before increasing the year after (line 15). The two-year duration may not have been sufficient to fully evaluate the impact of the change on expenditures per refugee.

Dissolution of the Regional Directorate Offices

93. The dissolution of the Regional Directorates in Africa — none were created elsewhere — ended the experience, but a strong network remains at the “regional” level, as confirmed by the fact that by mid-2003, there were 116 staff posts in functional categories and locations classified as “regional”, i.e., responsible for more than one country. Out of those, 48 were strictly “regional” — functions in regional offices, which cover the same region as the office, and 68 were “area”

posts — functions in country, regional or sub-offices (or even sub/field offices), with a narrower geographical scope.

94. UNHCR did not develop a regionalization policy. Regional offices have been established for numerous purposes and often without clear terms of references. Regional functions are being created, located and managed in an ad hoc manner by individual parts of the organization (e.g., Bureaux or functional units).

95. UNHCR again addressed the issue in an IOM/FOM dated 29 August 2003. It determined that the key recommendations of a report concerning “regional global posts” should be implemented, with managerial and operational advantages to be achieved by grouping regional functions together within clearly defined management structures through the establishment of “Regional Support Hubs”. A final report dated 16 December 2003 included an initial cost analysis of grouping the regional global posts for the regional support hubs.

96. The Board recommends that UNHCR fully take into account, in its change-management initiatives, the lessons learned from its Africa Bureau decentralization/recentralization process.

4. Statistics and registration management at headquarters

97. UNHCR reported a total of 19.7 million persons of concern as at 31 December 2001, the last year with officially published figures. This comprised 12 million refugees, 940,000 asylum-seekers, 462,000 returned refugees, 5 million internally displaced persons, 241,000 returned internally displaced persons and 1.04 million other people of concern to UNHCR.

98. During the present audit, the Board found that UNHCR did not have a single and fully reliable basis to compute these numbers. The sources of information include registration, estimates, surveys, various methods, and are sometimes of an unknown nature. Moreover, in some instances, various methods would be used in the same geographical area to arrive at the total number of persons of concern.

99. For the implementation of the 1951 Convention and the 1967 Protocol, relating to the Status of Refugees, the statute of UNHCR (chapter I) states that the “United Nations High Commissioner for Refugees ... shall assume the function of providing international protection ... to refugees”. Information-gathering on the “persons of concern” is the basis for ensuring legal and physical protection and managing operations. UNHCR assists about 37 per cent of the persons of concern, and therefore needs to know with a degree of accuracy the number of potential beneficiaries who are expected to benefit from its projects, in order to realistically plan field staffing levels and headquarters support, and raise funds.

100. Article 35, paragraph 2, of the Convention on the Status of Refugees states that “the Contracting States undertake to provide [UNHCR] ... data requested concerning: (a) the condition of refugees, (b) the implementation of this Convention, and (c) laws, regulations and decrees ... relating to refugees”. Article 8 (f) of the UNHCR statute states that the High Commissioner shall provide for the protection of refugees by “obtaining from Governments information concerning the number and conditions of refugees in their territories”. In many countries, UNHCR is involved in the design, planning and implementation of registration and population data management activities, at the request of Governments.

101. The Board noted in paragraph 98 of its report on the 2000 financial statements⁴ that “UNHCR needs to know the number of beneficiaries, with a relative degree of accuracy, who are expected to benefit from its projects in order to realistically plan field staffing levels and headquarters support. However, in three field offices the Board found that UNHCR did not have access to an up-to-date record of the number of refugees or internally displaced persons”, and in paragraph 100 recommended that “UNHCR establish a suitable system to ensure that accurate information is maintained on the size and characteristics of the refugee population”.

102. UNHCR Executive Committee in Conclusion No. 91 of 2001 on registration of refugees and asylum-seekers requested States to take all necessary measures to register and document refugees and asylum-seekers in their territory.

103. UNHCR reported that voluntary repatriation for 2000-2002 concerned 2.4 million persons, and that resettlement departures amounted to 29,294 persons in 2001. However, the information on voluntary repatriation includes some estimates for spontaneous returns and is therefore not very reliable. To approximate the total population to which it provides emergency assistance, UNHCR relies on data reflecting new arrivals. For care and maintenance coverage, it considers the number of UNHCR-assisted refugees in asylum countries. The consequence is that the registration and statistical procedures for persons of concern do not fully coincide with the statistical data on project beneficiaries. It calls into question the relationship between UNHCR project beneficiaries and its statistical and registration procedures.

104. UNHCR does not collect data on the number of people assisted by some categories of assistance (emergency, local settlement), although such data would be necessary for appropriate budgeting and monitoring procedure.

105. According to the *Statistical Yearbook 2001*, the latest available for audit at the time of the Board’s review, the expenditure in operational activities amounted to \$19 for each of the some 20 million persons of concern to UNHCR. This is not a fully accurate ratio, since the precise number of persons of concern is not known with full assurance. “Persons of concern” are either:

(a) Refugees, persons recognized as refugees under the 1951 Convention relating to the Status of Refugees;

(b) Asylum-seekers, persons whose application for asylum or refugee status is pending in the asylum procedure or who are otherwise registered as asylum-seekers;

(c) Returned refugees, refugees who have returned to their place of origin during the year;

(d) Internally displaced persons, persons displaced within their country and to whom UNHCR extends protection and/or assistance;

(e) Returned internally displaced persons, persons of concern who have returned to their place of origin during the year;

⁴ *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 5E (A/56/5/Add.5).*

(f) Others of concern, persons of concern to whom UNHCR extends protection and assistance but who do not fall into any of the above-mentioned categories; most of these persons are located in the former Russian Federation.

106. Refugees assisted by UNHCR refers to the beneficiaries of UNHCR programmes (emergency, care and maintenance, voluntary repatriation, local settlement, resettlement, etc.).

107. In the *Statistical Yearbook 2001*, the total number of persons of concern to UNHCR was 19,760,988, as reflected in table 8 below:

Table 8
Data (by source) on persons of concern to UNHCR, 2001

	<i>UNHCR</i>	<i>Governments</i>	<i>Non-governmental organizations</i>	<i>Various sources</i>	<i>Not available</i>	<i>Total</i>
1. Refugees	3 443 537	1 303 397	10 571	5 398 094	1 874 300	12 029 899
2. Asylum-seekers	76 043	853 462		10 721		940 226
3. Returned refugees	236 243	155		225 915	134	462 447
4. Internally displaced persons	268 058	2 919 639		1 860 253		5 047 950
5. Returned internally displaced persons					240 950	240 950
6. Other persons of concern	168 961	148 790		721 765		1 039 516
Total	4 192 842	5 225 443	10 571	8 216 748	2 115 384	19 760 988
	<i>21.2%</i>	<i>26.4%</i>	<i>0.1%</i>	<i>41.6%</i>	<i>10.7%</i>	<i>100%</i>

Source: UNHCR.

108. The last column, "Not available", reflects figures for which the origin of the data is unknown. It reflects statistical tabulations that do not indicate what multiple sources have been used. This does not allow for identifying the correct source or for checking the reliability of data coming from different sources.

109. For the data collection as reflected in table 9 below, UNHCR uses various methods:

(a) Registration, which is the recording, verifying and updating of individual information on persons of concern;

(b) Estimates (the number and/or composition of the population has been approximated on the basis of available evidence);

(c) Surveys (the number, composition or characteristics of the population is obtained from a sample of the population rather than a population as a whole in such a manner that the results of the sample could be extrapolated and reasonably considered applicable to the population as a whole);

(d) "Various" (the total of components established on different bases, e.g., registration and estimates);

(e) Some 10 per cent of the statistics are based on methods the nature of which is not available.

110. The portion of data directly originating from UNHCR is very small compared to other sources. Out of the 19.7 million persons of concern, 4.1 million (21 per cent) have been recorded by the organization, 26 per cent by Governments. Very few of them (0.05 per cent) have been recorded by non-governmental organizations. Table 9 below also shows that 50 per cent of the data has a "various" origin, 41 per cent from multiple sources and 10 per cent for which the source is not available. The category "Various" represents 69 per cent of the source of the category "Other persons of concern", which means that for two thirds of the other persons of concern the source of data collection remains unknown to users of UNHCR data.

111. Concerning the method of data collection for the 2001 *Statistical Yearbook*, table 9 shows that 22 per cent of the data came from registration, 15 per cent from estimates, 50 per cent from a mix of various methods and 10.7 per cent from unknown methods of calculation (column 5).

Table 9
Methods of data collection, 2001

	(1) <i>Registration</i>	(2) <i>Estimates</i>	(3) <i>Survey</i>	(4) <i>Various</i>	(5) <i>Not available</i>	<i>Total</i>
1. Refugees	2 125 004	2 709 112	4 941	5 316 542	1 874 300	12 029 899
2. Asylum-seekers	940 226					940 226
3. Returned refugees	180 288	32 624	90 012	159 389	134	462 447
4. Internally displaced persons	1 082 407	196 116		3 769 427		5 047 950
5. Returned internally displaced persons					240 950	240 950
6. Other persons of concern	155 329	139 452		744 735		1 039 516
Total	4 483 254	3 077 304	94 953	9 990 093	2 115 384	19 760 988
	22.7%	15.6%	0.5%	50.5%	10.7%	100%

Source: UNHCR.

112. Column 1 should provide the full statistics on registration. However, column 4 also includes data from registration, as well as from other methods. This is due again to the absence of methodological indications in the statistical publications based on data from Governments, implementing partners and UNHCR.

113. This situation impairs UNHCR efforts to improve the recourse to registration. The Board is also concerned about other factors that affect reliability of the information.

114. For one Member State, the figure was either 2.3 million refugees (according to the Government) or 1,868,000 (according to UNHCR, 2001). For another Member State, the estimate provided by the Government was 3.3 million as compared to 2 million reported by UNHCR.

115. Concerning the qualitative aspect of data collection, UNHCR carried out in 2002 a baseline survey on registration in preparation for the roll-out of new standards, procedures and tools to support registration in the field. The main conclusions concerned the 134 countries that replied, at least partially, covering more than 50 per cent of the persons of concern to UNHCR. Out of these, 58 per cent stated that they issued an individual identity card or something related (refugee certificate, letter of attestation, protection letter, etc.) either to the entire caseload or only part of it. In contrast, only 40 per cent indicated that they issued family identity cards although this is an important aspect of protection as stipulated in article 27 of the 1951 Convention. Increasing the proportion of persons of concern registered on an individual basis has been defined as one of the core priorities of project "Profile".

116. UNHCR has decided that each registration process should include identity photographs, but out of the approximately 7.7 million persons for whom this type of information on collection of photographs is available according to the replies to the survey, only 1.3 million (or 17 per cent) had been photographed.

117. The baseline survey showed that 50 per cent of the populations had been registered within the first month of their arrival and an additional 17 per cent within the first three months, but that 12 per cent were registered more than one year after their arrival.

118. In addition to the issue of statistical reliability, the core problem is that of the planning and budgeting process. For instance, UNHCR could improve the accuracy of its budgeting process if a greater percentage of the statistics were obtained through a reliable registration process. UNHCR has yet to set objectives for the development of registration, and, as a follow-up to the Board's audit, plans to do so.

119. The Board recommends, and UNHCR agrees with the Board's recommendation, that UNHCR continue its efforts (a) to improve the precision of the statistical inputs, (b) to obtain as much data as possible through refugee registration and (c) to have refugees registered and photographed promptly.

Expenditures and staffing

120. For the field, an indicative budget in the Registration handbook shows an indicative cost for full individual registration of a population of 80,000 persons at \$0.74 per person. However, UNHCR does not monitor this unit cost, computed below for the Board's audit, because expenditures related to registration activities are recorded among data ("O.22") that encompasses not only registration but also status determination and identity cards issuance.

Table 10
Sector O.22 expenditures

	2000	2001	2002
Expenditure under O.22	\$8 231 477	\$10 021 088	\$9 873 382
Number of refugees assisted by UNHCR	6 853 411	6 760 520	5 647 311
O.22 cost/refugee	\$1.20	\$1.48	\$1.78

121. The amount of expenditures for statistics in 2002 was unknown at headquarters. While statistics are recognized as an essential part of the UNHCR overall international protection function, there is only one statistician in the Population and Geographic Data Section. A post of statistician at the P-3 level created in 2003 was eliminated almost immediately as part of a budget saving exercise. Therefore, the unit copes with all statistical tasks, with the "Profile" project described below, and such additional work as the UNHCR *Statistical Yearbook* initiative launched in 2001. The Yearbook is the first of a new series which is expected to provide relevant and consistent data on people of concern to UNHCR.

122. The Board recommends that UNHCR (a) identify the expenditures related to its registration activities, with a view to setting related objectives and to monitoring their implementation, and (b) review the adequacy of the staffing in regard to the strategy to be implemented on statistics.

123. As a response to the Board's report on the 2000 financial statements, UNHCR informed the Board in 2001 that it had completed the study of a project (Profile) to address the collection of basic and reliable population information at the field level and to enhance recording at the regional level. The main objectives are to design new processes and standards to improve quality of registration and revise guidelines accordingly; to train the staff on procedures, standards and tools for carrying out registration activities; to provide direct support to field registration; to develop or redesign simple tools such as standard cards, forms, software and biometrics to help make registration tasks more uniform and effective.

124. The project was launched in September 2002, with a budget of \$10 million over three years, and the project core staff was in place in January 2003. A global survey of registration practices and operations due in October 2002 was delivered in March 2003. The revision of the 1994 UNHCR Handbook for Registration, which was due early 2003, was issued in a provisional form in September 2003. The roll-out of new registration software for 30 countries was scheduled for January 2004, but by November 2003 no contract had yet been signed to develop it. UNHCR attributed such delays to the limited size and technical capacity of the workforce, which is not only assigned to the project but also provides ongoing support to field registration. Management also noted the difficulty in reaching a consensus on the recommendations of the 2001 study, some of which are now deemed not sustainable, or technologically impractical.

125. The Board recommends that UNHCR devote the necessary efforts and resources to implement its project "Profile" within the planned time frame.

5. Management of office premises

126. From 1999 to 2003, overall rental of premises and related expenditure amounted to some \$16.5 million per year. The Board's review aimed to assess the cost-effectiveness of the management of headquarters premises, and how rules and policies were implemented for field offices.

127. UNHCR does not own premises in Geneva, where it leases 20,600 square metres of office and 1,815 square metres of warehouse space (2003). The major part of its office premises (15,622 square metres) is rented through the FIPOI (*Fondation des Immeubles pour les Organisations Internationales*, a not-for-profit Swiss

foundation); in 2001, the Parliament readjusted the rental rates of FIPOI, leading to a rent of \$2.4 million per year — instead of \$3.3 million previously charged. The average annual rental cost per square metre for all the headquarters offices accordingly was reduced from 280 Swiss francs for year 1999 to 220 Swiss francs for year 2002 (24,986 square metres at that time) and a competitive 180 Swiss francs for 2003.

United Nations House initiative

128. UNHCR owns only two field office buildings among its more than 200 field locations. It has no policy regarding purchase of premises as opposed to renting them. In the period 1999-2003, it spent some \$8 million per year for rental plus \$5.5 million in related charges for office premises throughout the world, headquarters not included. Only 5 per cent of its offices were shared with other United Nations entities in 2003. Governments provided another 12 per cent of the sites free of charge.

129. As UNHCR has the status of a unit of the United Nations Secretariat, the relevant provisions of General Assembly resolutions apply without the need of any submission to its governing body. The subject of common premises and services in the field has been recurrently addressed by the General Assembly, for instance in its resolutions 44/211 of 22 December 1989, 46/219 of 20 December 1991, 47/199 of 22 December 1992 and 48/209 of 21 December 1993. In 1995, the Secretary - General recommended that “*organizations should normally be housed in common premises at the country level, wherever economically feasible*”.⁵ Since the 1997 reform programme, the Secretary -General has reinforced the development of shared administrative services through the “United Nations House” initiative. Several reports of the Secretary-General to the Economic and Social Council stressed the importance of continuing this policy, among them the report on progress in the implementation of General Assembly resolution 56/201 of 21 December 2001.⁶ According to the UNHCR Manual, Heads of Office should in the first instance attempt to secure rent-free premises from the Government and, should this not be possible, make efforts to obtain accommodation in common United Nations premises.

130. Management recognized that it does not have a clear picture of the current situation of the numerous buildings it uses worldwide, that it does not monitor it and that no proactive policy has been put in place to comply with the policy mentioned above. There is no forecast of the savings that could be achieved through resorting to joint United Nations buildings.

131. The Board recommends that UNHCR closely monitor the management of its premises in the field and endeavour to further comply with the Secretary-General’s “United Nations House” initiative.

⁵ A/50/202, para. 105.

⁶ E/2003/61 of 9 May 2003.

6. Information and communication technology

Strategy

132. In 2003-2004 the Board reviewed the management of the Office's information and communications technology (ICT) strategy, and benchmarked it with 22 other departments, funds, programmes and institutes covered in the Board's annual or biennial reports to the General Assembly. The Board's focus was on the economy and efficiency of the processes that support the ICT strategy: governance, alignment and execution. The review relied on well-established methodologies and best practices, in particular the COBIT guidelines (Control Objectives for Information Technology, published by the Information Systems Audit and Control Association).

133. The aggregated reported expenditures for information and communications technology at UNHCR were \$53 million for 2003 (i.e., nearly one seventh of the estimated \$350 million reported per year in 2002 and 2003 by the 23 United Nations entities, including UNHCR, whose information and communications technology strategies the Board reviewed). The latter figure was derived from United Nations documents; UNHCR and the Board agree that it is only an approximation. It does not include indirect costs related to information and communications technology management.

Coordination

134. Regarding coordination, UNHCR has participated in several ICT inter-agency boards and related initiatives, including the former Information Systems Coordination Committee and the Information and Communications Technology (ICT) Network. However, UNHCR did not reflect in the documentation provided a significant degree of operation, inter-agency cooperation, and some outsourcing mentioned later.

135. Like all the major United Nations entities, UNHCR has, however, developed its information and communications system in relative isolation from other United Nations system entities. Documents on all ICT strategies, including the UNHCR strategy, have been posted on the web site of the High-Level Committee on Management (HLCM). However, there do not appear to have been explicit efforts to seek commonalities and synergies in the development and implementation of these strategies, such as for Enterprise Resource Planning systems or security policies, except as mentioned below.

136. UNHCR is a member of the Information Technology Network. As part of the structure of the United Nations System Chief Executives Board for Coordination (CEB), the network is the latest body tasked with developing coordination of ICT activities across the entire United Nations system. To its credit, it has undertaken initiatives towards the implementation of a United Nations system Extranet and of a United Nations system search engine, and it reported work in progress in such areas as information security, procurement and knowledge sharing.

137. UNHCR also participates in one longer-established coordination group, the Inter-Agency Telecommunications Advisory Group, set up in 1997. It is particularly concerned with telecommunications facilities for the field, focusing on interoperability and umbrella contracts.

138. **The Board recommends that UNHCR, in cooperation with other United Nations organizations, further improve coordination between the various information and communications technology boards or steering committees with a view to benefiting further from United Nations system-wide experience.**

Strategic Plan

139. UNHCR has developed a strategy, documented in “Information Technology and Telecommunications Services: A Strategic Plan (2002)”. The documents available did not, however, include a number of standard items, such as estimated costs or quantitative benefits expected from their future investment plans, as reflected in table 11 below.

Table 11
ICT strategy documents

<i>Heading/content</i>	<i>UNHCR</i>
<i>Basic plan and date of issue</i>	<i>Strategic Plan, March 2002</i>
SWOT ^a analysis	In part
ICT governance	No
Time horizon of the strategy	Short
Coordination and synergies	Yes ^b
Information management	Yes
Information security	No
Systems for mission support	Yes
Systems for administrative support	Yes
Web strategies (Intranet/Extranet)	No
Knowledge work: dissemination	No
Knowledge work: sharing	No
Knowledge work: capacities	No
Proposed priorities	No
Estimated costs	No
Discussion of known constraints	Yes
Risk analysis	No
Benefits: description	No
Benefits: quantification	No
Infrastructure standards	Partly
Infrastructure improvements (computing, networking)	Yes
Consolidation/rationalization	No
Disaster recovery/business continuity	No
Sourcing operational work	Some

^a SWOT: Strengths, weaknesses, opportunities and threats, one of the main tools for a comprehensive analysis of ICT.

^b Enterprise Resource Planning discussion and outsourcing with UNDP.

140. The number of missing items in this checklist creates the risk that ICT expenditures may not always be focused on adding value and on appropriately supporting the achievement of UNHCR objectives. UNHCR cannot ascertain on such an imperfect basis that its ICT organization delivers all results with the resources available (time, funding, people). This shows that management still has to take fully into account lessons learned in previous years, through the problems the Board of Auditors mentioned in several reports and management letters.

141. The UNHCR ICT strategy document deals only with “finance, budget and other management functions”, thus excluding support to the refugees, refugee statistics, etc. There is a lack of knowledge about the proportion of ICT expenditures for the direct support of the core mission as distinct from the support of administrative and other activities of a general nature. The qualitative and quantitative role of ICT in support of the UNHCR core mission does not appear to be based on an explicit strategic decision. This entails a risk of diverting resources towards less productive investments.

142. The Board recommends that UNHCR: (a) review and develop the completeness of its information and communications technology strategic documents; and (b) benchmark them with other organizations of the United Nations system, in order to ascertain that its strategy properly delineates key alignment issues and objectives, the contribution of each project to these objectives, expected costs and benefits, as well as the main risks and technical challenges involved.

Enterprise Resource Planning system implementation

143. While financial and personnel rules are largely common among United Nations entities, there is considerable extensive diversity of ICT solutions. The Management System and Renewal Project and its selection confirm the findings of the Joint Inspection Unit in its report on management information systems.⁷

144. UNHCR launched this new Enterprise Resource Planning system, at a cost of \$37 million. The Joint Inspection Unit indicated in its report on management information systems that multiple solutions of ICT in this area represented substantial expenditures, estimated to be in the range of \$1 billion over the last decade. This included a significant amount of resources at UNHCR, which did not document a clear figure for the full period 1994-2003.

145. There has, however, been no common solution sought between the various entities with a significant number of field offices: peacekeeping operations use the Integrated Management Information System of the United Nations (IMIS); UNICEF implemented another — standard — solution (with a separate system for field offices) several years ago. However, several international organizations use the same core system from the same supplier, as in the case of the new system “Enterprise Resource Planning” system at the United Nations Development Programme (first phase implemented in January 2004), the United Nations Population Fund, the United Nations Office for Project Services, the World Bank, the International Committee of the Red Cross, as well as the International Monetary Fund.

⁷ See A/58/82, note by the Secretary-General of 22 May 2003, transmitting the report of the Joint Inspection Unit (JIU/REP/2002/9).

146. UNHCR commented that because of its field offices network its requirements are substantially different from those of headquarters-based organizations. The main argument often put forward to justify the diversity in the Enterprise Resource Planning systems is this perceived need for custom development to support specific processes and rules. Organizations have endorsed this view in responses to the report of the Joint Inspection Unit.

147. They have not shared, to a significant degree, economies of scale or returns on experience, which could have already occurred at the development stage. The use of such a software package does not mean that the solutions are anywhere similar: it is essentially a collection of templates for common business functions that can be configured and implemented in many different ways. UNHCR commented that collaboration could be encouraged, with frame agreements for licensing solutions, but that in its view it cannot be expected that the whole United Nations system would choose one single system.

148. UNHCR did sign a memorandum of understanding on 24 March 2003 with UNDP, which set the general principles governing the objectives, scope and principles of their cooperation in co-managing their respective new systems. A second memorandum of understanding was signed on 5 September 2003 “to share outsourcing services” for their respective Enterprise Resource Planning system, using the same software. However, although a number of the implementation issues raised are likely to have occurred, UNHCR has not reported a large number of solutions coordinated between both parties to similar technical problems, glitches or risks — or of shared procedures such as on access rights and security management. Nor has it reported receiving much information from UNDP. Therefore UNHCR lost part of the potential savings in time and costs, and of the added cost-effectiveness and performance that could be secured by a proper synergy.

149. The Board recommends, and UNHCR agreed with the Board’s recommendations, that UNHCR review its cooperation with UNDP, with a view to achieving savings through greater synergy between the two similarly sourced major software developments.

Development of security policies

150. UNHCR has not provided the Board with documents on its security policy. Information security policies document what constitutes appropriate use of the organization’s information resources and the mechanisms to protect information from unauthorized disclosure or modification. UNHCR could learn from other experiences: the United Nations Joint Staff Pension Fund engaged a consultant to assist them in the analysis and production of their information security policies; the United Nations Secretariat has prepared a set of information security policies; UNICEF has developed and issued information security policies.

151. UNHCR agreed with the Board’s recommendation that it optimize more proactively the use of resources by cooperating further with other United Nations agencies towards such steps as (a) reducing in the long term the diversity of solutions for systems that are, by nature, not specific to its core mission, and (b) benefiting from lessons learned in such fields as data and communication security policies.

Budget monitoring

152. UNHCR benefits from no United Nations system-wide formal method for the costing of ICT investments and expenditures, beyond standard procurement procedures. It does apply an internal, standardized format for a project proposal document “vetted by directors of business units and, if deemed worthwhile, submitted to the Deputy High Commissioner for consideration”. This does not, however, constitute a formal, full-fledged costing methodology, such as an “activity-based costing” approach.

153. UNHCR rightly commented that figures include different components, including for central functions, according to organizations, and therefore shares no agreed model with other United Nations entities on what to include under “the cost of ICT”. The ICT Network has recognized this problem, but has not provided a solution so far. In the absence of such common definitions, UNHCR and its large field network may not have a comprehensive view of ICT costs.

154. The Board recommends that UNHCR (a) adopt with the other organizations of the United Nations system a common methodology for determining the total cost of ownership of ICT, in order (b) to determine the variations in cost in different parts of the organization, (c) to assess whether or not outsourcing of ICT activities may be a viable option, and to evaluate ICT projects, their benefits, costs and risks, based on best practices.

Post-implementation benefit audits

155. The Office of Internal Oversight Services has provided some coverage of ICT activities, although there is a paucity of specialized internal auditors.

156. UNHCR could not, however, provide any reports or examples of post-implementation benefit audits for ICT systems or of lessons learned through such audits with other United Nations entities. Management cannot therefore ascertain that completed and significant projects — for instance of over \$1 million in direct and indirect costs — conform to what was originally approved and whether the expected benefits were achieved.

157. UNHCR agreed with the Board’s recommendation that it subject all significant ICT projects to a post-implementation audit.

Information management

158. Internally, UNHCR has developed its own formal architectures for technology and for data. The ICT headquarters function is not responsible for information management. UNHCR has decentralized responsibility for computer systems (applications) to a substantial degree. This creates the risk of internal heterogeneity in some data, which the Board did not audit.

159. UNHCR has no inter-agency information management forum in which to participate. As a case in point, in the human resources field, UNHCR shared no inter-agency data standards. Even the data definition of a “staff member” differed in structure and format from one organization to another, impairing the reliability of staff statistics for the entire United Nations system. This creates significant barriers to the exchange of data, both technical and financial, by UNHCR with other entities. It may come at a cost for communication with, for example, the United Nations Joint Staff Pension Fund. The latter indicated to the Board that the heterogeneity of the ICT systems of the participating agencies requires specific data conversion

interfaces, one for each system, to allow pension information to be updated — at an additional cost for all participating entities that eventually finance the Pension Fund's overhead.

160. UNHCR agreed with the Board's recommendation to improve the consistency of its data standards and policies, in conjunction with other United Nations entities.

Inter-agency procurement coordination

161. While budgetary constraints are stringent, ICT plays an increasingly critical role in the support of the work of UNHCR, including growing demands for round-the-clock support and disaster recovery capabilities. The cost of additional ICT resources needed to achieve this level of performance could be further reduced through consolidation, rationalization and the selective use of outsourcing.

162. UNHCR signed a contract with a major software supplier some years ago that was open to other organizations to share in, but has not documented its actual impact. It has developed a joint action with UNDP regarding Management Systems Renewal Project outsourcing, as mentioned above.

163. By buying on its own, UNHCR may obtain attractive special offers, which the Board did not review, that might not be available through joint sourcing with other United Nations entities. But UNHCR does not compute the true cost of these items, which would include the procurement workload in issuing requests for offers, evaluating the offers, placing the order, processing payment, etc. When purchasing at a relatively low volume, the full cost for a purchase can be significantly higher than the supplier's bill.

164. UNHCR has considerable inter-agency opportunities in Geneva, owing to the number of United Nations system offices, but it has made limited use of only two common services that deal with ICT: the Copenhagen-based UNDP Interagency Procurement Services Organization and, for a mainframe operation, the Geneva-based United Nations International Computing Centre (ICC). The absence of common and meaningful units of total cost measurement may have contributed to this situation.

165. The Board recommends that UNHCR research, in conjunction with other United Nations entities, opportunities for cooperation and rationalization in ICT procurement.

Peer review

166. UNHCR has not implemented peer reviews that could improve the benefits to be gained through lessons learned. Lessons learned could usefully be benchmarked against best practices, but UNHCR has done so to a very limited extent with other agencies. UNHCR indicated that while no formal peer review process existed, there were multiple sharing opportunities through meetings, conferences and the like at which information is informally shared.

167. The Board recommends that UNHCR join other organizations of the United Nations system project peer reviews, towards limiting in the long term the cost of the multiplicity of solutions answering similar strategies and needs.

Skills and training

168. UNHCR reported staff training data by training activities, but there was no specific reporting available on ICT training. Training is the measure most frequently mentioned by organizations to ensure that their staff has the necessary skills to use data and information systems and facilities. The reported lack of training at UNHCR on ICT strategy creates the risk of incomplete and poorly developed strategies. This may lead to inadequate decisions in project priorities and to deficiencies in staff skills in the use of data and information systems and facilities; it may then create the risk of underusing ICT facilities and of significant losses of productivity in knowledge work.

169. The Board recommends, and UNHCR agreed with the Board's recommendations, that UNHCR assess actual staff skills in ICT strategy and organize appropriate training sessions.

Data conversion and access security

170. The Board also reviewed the reliability of data conversion between the former Financial Offices System software and the Enterprise Resource Planning that has replaced it. Financial Offices System had been in place for 18 years, based on a mainframe architecture. UNHCR has done no major enhancement in recent years because in 1999 it launched a first project towards an integrated information system. The initial project was to cover the finance, supply chain and human resources functions, but was suspended in 2001 due to such factors as a lack of readiness to migrate to a new information system.

171. UNHCR restarted the project in 2002. In 1999, it had purchased the Enterprise Resource Planning package for approximately \$2.5 million. It reported expenditures of \$16 million for 2003 and budgeted \$18.2 million for 2004, i.e., a total of \$37 million at that time, with further developments yet to be funded, such as the human resources application.

172. Phase 1 went into production on 5 January 2004. About 500 UNHCR staff members were using Enterprise Resource Planning by March 2004. By the time of the Board's review, not all users were completely familiar with the new processes, as they had been using them for less than three months. UNHCR had yet to choose the pilot field offices and a deployment calendar.

173. The Management Systems Renewal Project team prepared user acceptance tests to validate that the configuration fitted needs, but did so with limited participation of the key users, who did not have enough time to perform their own tests.

174. While the project had been under consideration for four years, the Board noted expressions of user dissatisfaction, often attributed to deficiencies in internal coordination of the project's management. Users did not always have a full view of their own processes on such issues as entry data validation and follow-up, errors management, general ledger data control, data traceability, end-of-year closing procedures, or available reports. The risks involved are those of less-than-satisfactory development and cost-effectiveness, and potential loss of data reliability.

175. UNHCR agreed with the Board's recommendation that it (a) review the coordination of the Management Systems Renewal Project with software users

and (b) validate the calendar for field office deployment of its new information system after all the shortcomings the Board identified have been solved.

176. The data conversion reconciliation and adjustments were made directly in the production environment. This was not compliant with best practices, which are to dedicate a separate environment to perform the tests and the eventual adjustments; only then should the validated data be uploaded into the production environment. By not doing so, the team in charge of the data conversion performed their tests with a risk of unintentional data modification.

177. The Board recommends, and UNHCR agreed with the Board's recommendation, that UNHCR test any future data conversion in a dedicated environment.

178. The Board was able to validate the general ledger data migration regarding 2002. The migration of the 2003 data was under completion at the time of the Board's audit, with only 470 transactions yet to be entered, out of 1.5 million transactions.

179. UNHCR agreed with the Board's recommendation to document (a) the data conversion process, including all tasks and controls implemented, and (b) all the conversion discrepancies.

180. The Board found that the Management Systems Renewal Project response time was adequate for daily use, but that many batch treatments were long. It was still in a tuning phase. When more than three batch treatments are launched in parallel, the Enterprise Resource Planning may not run the additional batches. The users have no information if their treatment did not run, risking data loss. UNHCR was planning to improve batch processing and to introduce alerts to the users should their treatments not be launched.

181. The Board recommends, and UNHCR agrees with the Board's recommendation, that UNHCR improve its monitoring of Management Systems Renewal Project availability and batch processing.

182. UNHCR activated user accounts and profiles as soon as the appropriate training had been provided, but with no formal user access management, and in regard to staff member rotation or termination. There has also been no specific anti-fraud information or measures.

183. The Board recommends, and UNHCR agrees with the Board's recommendation, that UNHCR extensively review its Management Systems Renewal Project security policy on such items as access rights management and fraud prevention.

Outsourcing

184. UNHCR planned to outsource the hosting of the Management Systems Renewal Project systems (comprising hardware infrastructures, services, migration, connections, and reporting servers), under a formal contract signed by UNDP with an outsourcing provider. However, that contract did not mention UNHCR. The Board agreed with a recommendation of the Office of Internal Oversight Services that there should be a legal commitment between UNHCR and the outsourcer.

185. UNHCR agreed with the Board's recommendation to formally join, as appropriate, outside contracts, when using a common outsourcer with a third party.

7. Fraud and presumptive fraud

186. As required under the Financial Regulations and Rules of the United Nations, which are applicable in this matter in the absence of any specific rules in the Financial Rules of UNHCR, the Administration reported 19 cases of fraud and presumptive fraud to the Board of Auditors for the financial period ended 31 December 2003. For 2002, UNHCR had reported eight cases to the Board, and that it did not incur financial losses in the six cases reported below under (a), (b), (c) and (e).

187. The extent of potential losses for the cases reported below under (d) has yet to be determined by UNHCR since those cases were still pending. Altogether, UNHCR had recovered \$41,500 out of \$150,000 in alleged fraudulent losses by 31 December 2003.

(a) In four cases, staff members were alleged to have misused UNHCR assets in outside activities or in lucrative activities to which they were linked (three cases) and one staff member inadequately reported the damage of an UNHCR vehicle used by the staff member without authorization. Depending on the importance of the fraud, the staff members have been reprimanded (two cases), suspended (one case) or dismissed (one case). In the fourth case, the staff member took an agreed termination;

(b) In three cases, staff members attempted to claim excess staff benefits: education grant for \$39,000, fraudulent travel claim (\$753) and dependency benefits (\$19,276.06). The staff members have been summarily dismissed (one case), separated before the finalization of the disciplinary process (one case) or the disciplinary measures have still to be determined (one case). The amounts at stake have been recovered or are in the process of being recovered;

(c) UNHCR reported two cases of corruption: a staff member received \$7 from a UNHCR contractor and another one accepted a bribe from a refugee (\$420). In the first case the staff member was reprimanded and in the second case the disciplinary measures have not been issued at the time of the Board's audit;

(d) Eight cases were related to financial transactions: a forged bill for refugee food items (\$18 involved), an altered cheque (\$363.60), a series of fraudulent transactions and payments (\$43,447), a staff member self-approved his own salary advances and slowed the deduction of recovery of rental, the selling of visas (\$39,000 involved), a petty cash and safe content robbery (\$7,994), two cases of financial fraud and outside activities. Depending on the importance of the fraud, the staff members have been reprimanded (two cases), separated for abandonment of post (one case), dismissed (one case) or the contract was not renewed (one case). In the three remaining cases, disciplinary action is still under consideration;

(e) In two cases, staff members favoured or participated in the fraudulent resettlement of a refugee. Both staff members have been summarily dismissed.

188. These may not reflect the entire universe of fraud cases system-wide that may be under review by other offices, units or oversight bodies. For example in 2003, the Inspector General's Office referred to Regional Bureaux 27 cases not falling within its competence. These cases related to allegations of misconduct related to implementing partner staff. This includes among others some cases of fraud. The precise breakdown figure by type of cases referred to Bureaux is not available.

189. At the time of reporting, UNHCR could not inform the Board of the controls that had been implemented to prevent recurrence of such cases, and reported no

training or workshop on ethics, corruption and fraud-awareness in 2003. An inter-office memorandum of 9 October 2003 contains specific provisions making managers responsible and accountable for responding to allegations of misconduct, including fraud. UNHCR issued in January 2004 a set of guidelines for managers on the Code of Conduct. It also informed the Board that it was making a concerted effort through structured facilitation sessions in all headquarters units and field duty stations to introduce the Code of Conduct.

190. UNHCR thus included some anti-corruption and anti-fraud elements in different rules, procedures and internal controls. It has also planned to join the working group for risk-assessment and a joint definition of fraud which the Finance and Budget Network of the High-Level Management Committee decided on 4 March 2004 to create. It does not, however, have a proactive anti-fraud and corruption strategy and plan, which means that such internal risks are not properly addressed. This may limit donor confidence. Due to this lack of a comprehensive anti-fraud plan, UNHCR has:

(a) No formal corruption and fraud risk assessment mechanism; and no corruption and fraud-prevention committee;

(b) Conducted no ethics, anti-corruption and fraud-awareness training sessions and workshops, until a 2004 training plan for 100 staff members in managerial positions;

(c) No appropriate resolution mechanisms for reported and detected incidents and allegations of corruption and fraud (although it relies on OIOS to do so);

(d) Not replied fully to an OIOS questionnaire on investigations, as reported by the latter to the General Assembly in its report on "Strengthening the investigation functions in the United Nations"⁸ in compliance with resolution 57/282 of 20 December 2002, in which the General Assembly called for a review of the practice involving programme managers in investigative processes with specific attention to independence, training and proper guidelines.

191. UNHCR commented that it plans to institute in 2004 a system of accountability for non-compliance with oversight reports, and to take further steps in 2005.

192. The Board recommends that UNHCR develop, document and implement a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, in coordination with the Administration of the United Nations and other funds and programmes to obtain the benefit of best practices, where available.

193. The High Commissioner did not recommend in 2003 to the Secretariat's Office of Legal Affairs that any fraud case be referred to justice, among either the above or those of previous years. The authority to do so rests with the Secretary-General. Summary dismissal and a degree of actual reimbursement were the harshest sanctions applied, in contrast to standard, rule-of-law criminal codes applied by Member States to their nationals.

194. UNHCR commented that the issue of taking a case of fraud to the national authorities of a country has often been discussed within the United Nations system, also with the Office of Legal Affairs. The factors which are generally taken into

⁸ See A/58/708.

account when reaching such a decision include the cost of litigation as opposed to the chances of recuperating money from the culprit, the reliability of the national legal system concerned, the potential risk of exposing the organization to counter-claims. There were two instances in 1999 and 2001 (one case and a separate set of cases) involving former/present UNHCR staff members in which the assistance of the local authorities in prosecuting has been sought, after consultation with the Office of Legal Affairs.

195. There is no justification to extend the immunities and privileges of the United Nations to criminal behaviour, although there are circumstances under which the reluctance to refer delinquent staff members to local justice may be understood. UNHCR mentioned that the assurance that due process will be applied by the judicial system to which the case is referred, the reliability of the forum, the cost of such proceedings compared to the loss to the organization, the chance of success should constitute the key elements to refer any fraud case before national courts. UNHCR agrees to formalize its policy on the issue. UNHCR will recommend to the Secretary-General the referral before national courts of all fraud cases, if and when the various elements mentioned above have been reviewed and considered appropriate to such proceedings. It should be recalled that UNHCR has no delegated authority to waive its immunity (a requirement *sine qua non* for appearing in court). This authority rests with the Secretary-General.

196. **The Board recommends that UNHCR review its policy on the referral of fraud cases to penal courts, with a view to developing a more dissuasive stance on fraud sanction.**

D. Acknowledgement

197. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the High Commissioner and his staff.

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The members of the Board of Auditors have signed only the original English version of the report.

Annex

Summary of status of implementation of recommendations of the Board for the financial period ended 31 December 2002^a

<i>Topic</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Total</i>	<i>Relevant paragraphs in the present report</i>
A. Financial issues					
Accounting for expenditure		Para. 27		1	
Programme expenditure	Paras. 30, 60, 63, 66 and 68	Para. 34		6	43-46
End-of-service liabilities		Para. 22		1	19-21
Receivables/payables		Para. 40		1	75-76
Medical Insurance Plan		Paras. 36 and 38		2	18, 43
VAT		Para. 42		1	
B. Management issues					
Human resources	Paras. 84, 91, 110, 115, 120, 124, 127, 133, and 149	Paras. 75, 82, 87, 94, 101, 104 and 129		15	
Asset management		Para. 44		1	63-67
Training	Paras. 136 and 147	Paras. 140 and 144		4	168-169 189-190
Field operations		Para. 58		1	
Total number	16	18	0	34	
Percentage	47	53			

^a See *Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 5E (A/58/5/Add.5)*.

Chapter III

Audit opinion

We have audited the accompanying financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, comprising statements numbered I to III, schedules numbered 1 to 5, and the supporting notes for the year ended 31 December 2003. These financial statements are the responsibility of the High Commissioner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conforming with international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the High Commissioner, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2003 and the results of operations and cash flows for the period then ended in accordance with the United Nations High Commissioner for Refugees stated accounting policies set out in note 2 of the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of the High Commissioner for Refugees Fund that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees.

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The members of the Board of Auditors have signed only the original English version of the audit opinion.

Chapter IV

Statement of the High Commissioner's responsibilities and approval of the financial statements

The United Nations High Commissioner for Refugees is ultimately responsible for the content and integrity of the financial statements contained in the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees which are submitted to the Executive Committee of the High Commissioner's Programme and to the General Assembly of the United Nations.

To fulfil its responsibility, UNHCR operates within prescribed accounting policies and standards and maintains systems of internal accounting controls and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the United Nations Board of Auditors, during their respective audits.

In this context, the following financial statements, comprising statements I to III, schedules 1 to 5, annexes I and II, an appendix and supporting notes, were prepared in accordance with UNHCR financial rules (A/AC.96/503/Rev.7) and the United Nations common accounting standards. In the opinion of management, the accompanying financial statements present fairly the financial position of the Office as of 31 December 2003, and the results of its operations and its cash flows of individual Programmes, Funds and Accounts for the year then ended.

The accounts are hereby

Approved:

(Signed) Ruud **Lubbers**

United Nations High Commissioner for Refugees

Certified:

(Signed) Saburo **Takizawa**

Controller and Director

Division of Financial and Supply Management

Geneva
11 May 2004

Chapter V

Financial statements for the biennium ended 31 December 2003

(See document A/AC.96/990. Voluntary Funds administered by the United Nations High Commissioner for Refugees)