



United Nations

**Voluntary funds administered by the
United Nations High Commissioner
for Refugees**

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

**General Assembly
Official Records
Seventy-fifth Session
Supplement No. 5F**



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High Commissioner for Refugees**

**Financial report and audited
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Report of the Board of Auditors



United Nations • New York, 2020

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 31 March 2020 from the Controller and Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees and the United Nations High Commissioner for Refugees addressed to the Chair of the Board of Auditors

Pursuant to the financial rules for voluntary funds administered by the Office of the United Nations High Commissioner for Refugees, we have the honour to submit the financial statements for the year ended 31 December 2019, certified and approved in accordance with article 11.3 of those rules ([A/AC.96/503/Rev.10](#)).

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2019:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.
2. The financial statements have been prepared and presented in accordance with:
 - (a) The International Public Sector Accounting Standards (IPSAS);
 - (b) The Financial Regulations of the United Nations;
 - (c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;
 - (d) The accounting policies of the organization, as summarized in note 2 to the financial statements.
3. The property, plant and equipment, the intangible assets and the inventories disclosed, respectively, in notes 3.5, 3.6 and 3.3 to the financial statements are owned by the organization and are free from any charge.
4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.
5. All material accounts receivable have been included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable amounts, recorded under the allowance for doubtful accounts, we expect all significant accounts receivable at 31 December 2019 to be collected.
6. All known accounts payable and accruals have been included in the financial statements.

7. The commitments of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2019, have been disclosed in note 9.2 of the financial statements. Commitments for future expenses have not been recognized as liabilities.

8. All known legal or contingent liabilities as at 31 December 2019 have been disclosed in note 9.3 of the financial statements.

9. All expenses reported during the period were incurred in accordance with the financial rules of the organization and any specific donor requirements.

10. All losses of cash or receivables, ex gratia payments, presumptive fraud and fraud, wherever incurred, were communicated to the Board of Auditors.

11. Disclosures were made, in the financial statements, of all matters necessary to enable them to present fairly the results of the transactions during the period.

12. There have been no events since the UNHCR reporting date of 31 December 2019 that necessitate revision of the information presented in the financial statements thereto.

(Signed) Hans G. **Baritt**
Controller and Director
Division of Financial and Administrative Management

(Signed) Filippo **Grandi**
United Nations High Commissioner for Refugees

**Letter dated 21 July 2020 from the Chair of the Board of Auditors
addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2019.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position (statement I) as at 31 December 2019 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2019 and the financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the voluntary funds administered by the United Nations High Commissioner for Refugees, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 12 to the financial statements, entitled “Events after the reporting date”, in which the effects of the coronavirus pandemic on the Office of the United Nations High Commissioner for Refugees are described. We also draw attention to note 6.1 to the financial statements, in which disclosures concerning implementing partnership expenses are provided. Our opinion is not modified in respect of these matters. Further details are provided in paragraph 14 and paragraphs 176 and 177 of the long-form report.

Information other than the financial statements and the auditor’s report thereon

The United Nations High Commissioner for Refugees is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2019 and the statement of internal controls, both contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The United Nations High Commissioner for Refugees is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the United Nations High Commissioner for Refugees is responsible for assessing the voluntary funds administered by the High Commissioner with regard to the Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the voluntary funds administered by the High Commissioner or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the voluntary funds administered by the United Nations High Commissioner for Refugees to which the financial reporting process is applicable.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the voluntary funds administered by the United Nations High Commissioner for Refugees.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the voluntary funds administered by the United Nations High Commissioner for Refugees to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the voluntary funds administered by the High Commissioner to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of the voluntary funds administered by the United Nations High Commissioner for Refugees that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees.

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

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors
(Lead Auditor)

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

21 July 2020

Chapter II

Long-form report of the Board of Auditors

Summary

Audit opinion

The Board of Auditors has audited the financial statements and reviewed the operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2019. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The finances of UNHCR remain sound with high levels of liquid assets. In 2019, the total revenue slightly decreased compared with 2018. As in prior years, the liquidity is affected by the inclusion of donor commitments and agreements made for future years.

More than 80 per cent of the donations are earmarked and can only be used with geographical or thematical restrictions, or are at least limited to strategic objectives. The earmarking continues to bring challenges for management in focusing on priorities and to deploying resources flexibly to meet demand across all areas of activity.

At the same time, emergency situations such as the coronavirus pandemic and steadily increasing numbers of persons of concern require an operational readiness of unprecedented proportions.

Meanwhile UNHCR is undergoing a number of parallel reform initiatives that pose challenges to the workforce. In particular, the decentralization and regionalization, and the results-based management reform project need attention and time to adapt.

Financial overview

The voluntary contributions slightly decreased, by \$166.9 million (3.9 per cent) to \$4,093.8 million and represented 97.9 per cent of the organization's total revenues of \$4,183.1 million. The expenses increased by \$175.8 million and amounted to \$4,258.3 million. The increase resulted mainly from increased salaries and employee benefits (\$127.9 million), and increased cash assistance to beneficiaries (\$97.3 million), whereas implementing partnership expenses and foreign exchange losses decreased by \$30.1 million and \$18.5 million, respectively. The 2019 deficit amounted to \$75.1 million, compared with a surplus of \$255.8 million in 2018.

UNHCR maintains a high ratio of current assets to meet its current liabilities. However, the strong appearance of its liquidity is significantly affected by the inclusion of \$1,102.4 million in donor agreements made for future years. There also remain constraints with regard to the use of resources. Unrestricted funds represented only 18 per cent of 2019 contributions.

Furthermore, there remains a heavy reliance on a limited number of donors, since 80 per cent of 2019 contributions were derived from ten donors, with one donor accounting for almost half of all contributions.

Key findings

Finance-related findings

Based on the findings of the Board in the previous audit report, UNHCR recalculated and increased the after-service health insurance liabilities by \$21.1 million in 2019. The reason for the need to recalculate was that UNHCR did not have comprehensive information about the service and health-care plan participation history of its staff members. For the 2019 calculation, UNHCR used an alternative source of data and obtained additional data from the United Nations Joint Staff Pension Fund to cross-check the estimate. However, the current elements of the census data are still not well suited for this purpose. The time-dependent eligibility is determined on the basis of entry-on-duty dates. The entry-on-duty date might be chronologically correct, but it is not suitable for valuing after-service health insurance liability. For the after-service health insurance valuation, a data field such as “accumulated qualifying months of participation” would be useful.

The Board made a number of observations that showed room for improvement in the inventory process. The Board found, inter alia, that the whereabouts of inventories recorded on the account “in transit” in the amount of \$16.6 million were not clear and had to be verified in a cumbersome and time-consuming effort. In several cases, inventory items had been processed entirely outside the inventory module of the enterprise resource planning system. In some cases, inventory in transit from suppliers was distributed without the mandatory material stock request and the physical inventory verification processes did not reveal the existing discrepancies between actual and system quantity. The Board holds that additional steps need to be taken to ensure that control mechanisms work effectively to avoid weaknesses in the process.

The Board noted that the update process for roles in the procure-to-pay process and the review of conflicting roles is manual, cumbersome and carries the risk of errors. The Board holds that an electronic, systemized tool would be helpful to simplify the process, to save time and resources, to have increased assurance through system-integrated controls and to improve oversight.

Reform initiatives

In 2019, the decentralization and regionalization process focused on the restructuring of the regional bureaux. In August 2019, UNHCR issued new resource allocation procedures for resource planning and management in a regionalized organizational design. In October 2019, UNHCR released three documents outlining the roles, accountabilities and authorities for country offices, regional bureaux and divisions. From January 2020, the seven regional bureaux became operational.

The Board reviewed the new structure in the light of the three-lines-of-defence model and found potential for clarification. The Board noted that the same areas of responsibility were assigned to the country operations as the first line of defence and the bureaux as the second line of defence. Furthermore, the same functions were assigned to the bureaux and headquarters divisions as the second line of defence. The Board holds that UNHCR needs to revise the roles, accountabilities and authorities in these areas to eliminate overlaps and clarify the respective roles.

With the new regional bureaux, new positions were created. The Board found that the concrete roles and responsibilities of these new positions were not clearly and transparently defined.

The evaluation is an important aspect of any reform or change project. Organizations need a mechanism to measure progress and change, costs and benefits. Only then can the organization provide accountability to its staff, the governing bodies

and other stakeholders for what has been achieved and what was spent. The Board found that UNHCR had monitored only progress aspects of the decentralization and regionalization project. However, UNHCR has not started with the overall evaluation.

Implementing partners

In 2019, a total of \$784.7 million (58 per cent) of the implementing partnership expenses related to the procurement of goods and services by partners. Before a partner is entrusted with procurement activities, the country offices need to analyse whether procurement by a partner would have a comparative advantage. The Board reviewed a sample of such analyses and noted that the country operations had not quantified the comparative advantage. Where partners were not exempted from value added tax, the country operations did not quantify the financial impact either.

The project description of the partnership agreement provides detailed information about the project to be implemented and its link with the operations plan. The description includes impact indicators with baselines, targets and associated outputs with performance indicators and performance targets to measure the progress and impact of the project. The Board reviewed a sample of partnership agreements and found weaknesses in the definition of indicators and outputs. For example, a baseline and/or target was not always defined. In one agreement, the outputs were not adapted, although the budget of the project had increased.

Global fleet management

Global fleet management was intended to operate as a fund, with the result that the budget is not restricted to one budget cycle but resources can be carried forward. The Board found that, currently, global fleet management is not operating as a fund. The unit rather acts as a programme and depends on a cumbersome budget allocation process governed by the Programme Budget Service and/or the budget committee. Therefore, the unit operates in an environment of uncertain liquidity. The Board found that the current revenue allocation process is not compliant with the relevant internal instruction and with the central global fleet funding element, according to which a global fleet management unit had been established. Between 2016 and 2019, revenues of almost \$9 million from the rent and sale of light vehicles were not allocated to the global fleet management budget. That negatively affected the efficiency of the unit's operation. The Board holds that the budget process requires simplification and alignment with the instruction as well as with the central funding element for the global fleet.

The Board found that, in more than 50 per cent of cases, operations order new light vehicles on short notice and without advance planning. A reliable needs assessment does not exist. This results in an uneconomically high number of stored light vehicles at the vehicle hub in Thailand. As at March 2020, available stock amounted to 688 vehicles with tied-up funds of around \$15 million. The Board holds that UNHCR should exhaust all possibilities to improve the needs assessment for light vehicles and establish a meaningful overall procurement plan.

United Nations Office for Project Services assignment and expenditures procedures

UNHCR engages individual contractors under agreements with the United Nations Office for Project Service (UNOPS). UNHCR spent \$62,4 million in 2018 and \$87,8 million in 2019 for the provision of services. The Board noted that UNHCR did not record all the necessary data in its enterprise resource planning system for reporting on and monitoring those agreements. As a result, UNHCR did not have reliable data on those agreements. The inconsistency of the data leads to the risk that

the current method of data processing is cumbersome and prone to errors, and that it requires a high number of manual interventions.

UNHCR used purchase orders to commit budget to the contractual assignments with UNOPS. The Board observed that UNHCR did not always liquidate the remaining balance of the purchase orders after settling UNOPS invoices. The appropriate obligation of funds is deemed necessary. The Board considers it important that UNHCR monitor the committed balance of purchase orders regularly to ensure compliance with accurate expense recognition.

According to UNHCR, 3,063 contractor agreements were concluded in 2019. The Board noted that the UNHCR framework does not define sufficient preconditions for using the services of a contractor under UNOPS agreements. The engagement of contractors through UNOPS should be based on a clear vision of the quality and quantity required regarding the external service. UNHCR should define more clearly under what circumstances the engagement of such contractors is considered to be reasonable and necessary for its operations.

Deployment of a new registration and case management system and data protection

In 2015, UNHCR began the roll-out of version 4 of the Profile Global Registration System (proGres v4) to the country operations. Each country office is responsible for maintaining and updating local information and communications technology (ICT) systems, including the previous registration system, and for making backups of its own data. The Board noted that UNHCR has no overview of the decommissioning processes and of where data have been completely deleted from the previous registration system and where those data are still being used.

When elaborating new systems, projects or policies that may negatively affect the protection of the personal data of persons of concern, UNHCR needs to carry out a data protection impact assessment. Although proGres v4 had already been deployed in 2015, a data protection impact assessment had never been conducted. The Board holds that data protection impact assessments help to detect data protection difficulties at an early stage and to design and build safeguards. The data protection policy does not stipulate which function or organizational entity is the data controller whenever data protection impact assessments have to be carried out at the global or the regional level.

Key recommendations

The Board has made several recommendations based on its audit. They are contained in the main body of the report. The main recommendations are that UNHCR:

Finance

- (a) **Obtain and maintain accurate data on the service and health-care plan participation history of its staff members, utilizing enhanced data fields;**
- (b) **Implement additional measures to ensure the functioning of key controls in the inventory process;**
- (c) **Explore the option of an electronic delegation of authority process that is an integral part of the enterprise resource planning system and encompasses all modules of the system;**

Reform initiatives

- (d) **Make the distinction between the first and the second line of defence clearer in the new framework of roles, accountabilities and authorities;**
- (e) **Clearly distinguish between the roles and responsibilities of the regional bureaux and the divisions as the second line of defence;**
- (f) **Define the roles and responsibilities of new functions in the regional bureaux in a clear and transparent manner;**
- (g) **Measure, track and evaluate the intended results and the costs of decentralization and regionalization;**

Implementing partners

- (h) **Review the templates for entrusting procurement to implementing partners in order to ensure a meaningful analysis, a calculation of costs and a justified decision. This should include a calculation of costs whenever a partner is not exempted from value added tax;**
- (i) **Analyse the weaknesses in the selection/definition of impact indicators, outputs and performance indicators and explore options for better supporting country operations in preparing partnership agreements;**

Global fleet management

- (j) **Simplify the budget process for global fleet management and comply with the relevant internal instruction and the global fleet central funding element, according to which rental and sales revenues generated by the global fleet should be made available to the self-sustained global fleet management fund;**
- (k) **Take measures to establish a meaningful overall procurement plan for light vehicles based on each operation's needs assessment and disposal plan;**

United Nations Office for Project Services assignment and expenditures procedures

- (l) **Establish compliance controls to ensure that its staff enters reliable data into the enterprise resource planning system to report on and monitor UNOPS agreements and to prevent any inconsistency of data;**
- (m) **Take measures to ensure regular monitoring of and follow-up to the budget committed in the purchase orders, in particular to release the remaining balances of the purchase orders once the UNOPS invoices have been settled;**
- (n) **Define more clearly under what circumstances the use of individual contractors under UNOPS agreements is considered to be reasonable and necessary for its operations;**

Deployment of a new registration case management system and data protection

- (o) **Continue to build on the provisional guidance on decommissioning the previous registration system and establish a process of confirming the decommissioning to headquarters so that headquarters can monitor the decommissioning process;**
- (p) **Carry out a data protection impact assessment at an early stage to ensure that the results of that assessment can be taken into account when planning and designing new ICT systems and enhancing major features of prevailing ICT**

systems, and to ensure systems interoperability for the processing of personal data;

(q) Designate data controllers at the global and regional levels in the data protection policy.

Previous recommendations

As at 15 May 2020, out of the 96 recommendations made for 2018 and previous years, 48 (50 per cent) had been implemented, 43 (45 per cent) remained under implementation and 5 (5 per cent) had not been implemented or had been overtaken by events (see annex). The Board welcomes the overall progress made in implementing prior years' recommendations.

Key facts	
\$8.64 billion	Final budget based on a global needs assessment
\$4.18 billion	Revenue reported (including \$1.10 billion for future years)
\$4.26 billion	Expenses incurred in 2019
86.5 million	Persons of concern to UNHCR
12,833	UNHCR staff
130	Countries of operation, with 507 offices

A. Mandate, scope and methodology

1. In 2019, UNHCR provided protection and assistance to approximately 86.5 million persons forcibly displaced within or outside their countries of origin. It is a devolved organization with more than 12,800 staff working in 507 offices located in 130 countries. Its mandate encompasses delivering support to long-term and protracted situations and responding to humanitarian emergencies. Large-scale displacements of people have continued, not only as a result of the situation in Bangladesh and Myanmar, as well as the situations in the Democratic Republic of the Congo, the Syrian Arab Republic, South Sudan, Yemen and the Bolivarian Republic of Venezuela but also as a result of the crisis in the Sahel, where violence and instability continued to displace hundreds of thousands of people across Burkina Faso, Mali and the Niger. UNHCR is funded almost entirely by voluntary contributions, representing \$4.09 billion of overall total revenues of \$4.18 billion. Recognized revenue from donor agreements included \$1.10 billion relating to future years. Total expenses were \$4.26 billion.

2. The Board audited the financial statements of UNHCR and reviewed its operations for the financial year ended 31 December 2019 in accordance with General Assembly resolution [74 \(I\)](#) of 1946. The audit was conducted in conformity with the Financial Regulations of the United Nations, the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees and, where applicable, the Financial Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNHCR as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations ([ST/SGB/2013/4](#)) and the financial rules for the voluntary funds administered by the High Commissioner for Refugees ([A/AC.96/503/Rev.10](#)). 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 necessary to form an opinion on the financial statements.

4. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which requires that the Board make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and,

in general, the administration and management of operations. The Board has commented, among other things, on UNHCR reform initiatives, cash assistance to beneficiaries, implementing partner management, global fleet management, United Nations Office for Project Services (UNOPS) individual contractor agreements, deployment of a new registration and case management system, and data protection.

5. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the offices in Budapest and Copenhagen. The Board examined field operations in Bangladesh, Belize, Ecuador and Panama, and visited the regional bureaux in Senegal, South Africa and Thailand. Since 16 March 2020, the Board has conducted the necessary audit procedures remotely owing to the coronavirus pandemic. This included some weeks in the final audit phase during which the audit team was not able to travel to Budapest and Geneva. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) to provide coordinated coverage. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with UNHCR management, whose views have been appropriately reflected.

B. Findings and recommendations

1. Previous recommendations

6. The Board noted that there were 96 recommendations pending up to its report for the financial year ended 31 December 2018. The Board assessed that 48 recommendations (50 per cent) had been implemented, and 43 recommendations (45 per cent) are considered to be under implementation. Details of the status of implementation of the 96 recommendations are shown in table II.1 and the annex to the present report.

Table II.1

Previous recommendations

<i>Year</i>	<i>Total</i>	<i>Fully implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2014	1	0	0	0	1
2015	1	0	0	0	1
2016	3	2	0	0	1
2017	27	14	13	0	0
2018	64	32	30	2	0
Total	96	48	43	2	3
Percentage	100	50	45	2	3

7. Out of the 43 recommendations under implementation, 30 relate to 2018 and 13 relate to 2017. The Board sees continuing progress in implementing recommendations that are pending. The Board welcomes the overall progress made in implementing and closing older recommendations. Some recommendations under implementation relate to projects and initiatives that are still being rolled out or developed, such as the development of a revised results-based management system.

2. Financial overview

8. Net assets decreased by \$212 million to \$2.11 billion in 2019. Accumulated fund balances and reserves amounted to \$2.56 billion (2018: \$2.74 billion) and included cash and investments of \$1.31 billion (2018: \$1.22 billion).

9. Overall, the key financial indicators remain at a comparably robust level. In its financial report, UNHCR management indicates that liquidity is positively affected by the inclusion of \$1,102.4 million in donor agreements made for future years (see chap. IV, para. 36). The Board's analysis of the key financial ratios demonstrates that UNHCR meets all its liabilities (see table II.2).

Table II.2

Ratio analysis

Description of ratio	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Current ratio ^a (current assets: current liabilities)	7.9	9.5	9.9	8.1	8.6
Total assets: total liabilities ^b	2.7	3.4	3.0	2.7	2.7
Cash ratio ^c (cash + investments: current liabilities)	3.7	4.0	4.3	4.0	4.6
Quick ratio ^d (cash + investments + short-term accounts receivable: current liabilities)	6.7	8.1	8.4	6.9	7.5

Source: UNHCR financial statements.

^a A high ratio indicates an entity's ability to pay off its short-term liabilities.

^b A high ratio is a good indicator of solvency.

^c The cash ratio indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents and invested funds available in current assets to cover current liabilities.

^d The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

10. In 2019, voluntary contributions received slightly decreased by 3.9 per cent to \$4,093.8 million (2018: \$4,260.8 million). Voluntary contributions represent 97.9 per cent of the total revenues of UNHCR of \$4,183.1 million.

11. Expenses (including foreign exchange gains/losses) increased by \$175.8 million and amounted to \$4,258.3 million, compared with \$4,082.5 million in 2018. Main expense increases pertained to salaries and employee benefits (\$127.9 million), in particular after-service health insurance and salaries.

12. In 2019, UNHCR incurred a deficit of \$75.1 million compared with a surplus of \$255.8 million in 2018. The decrease of \$330.9 million resulted mainly from decreased voluntary contribution revenue (\$166.9 million), increased salaries and employee benefits (\$127.9 million) and increased expenses for cash assistance to beneficiaries (\$97.3 million). Expenses relating to implementing partnerships decreased by \$30.1 million.

13. In 2019, the global assessed needs of UNHCR were \$8.64 billion, compared with \$8.22 billion in 2018. Considering available funds of \$4.83 billion in 2019 (\$4.71 billion in 2018), the funding gap amounted to \$3.81 billion (\$3.51 billion in 2018). The level of demand for UNHCR interventions further increased with ongoing

emergencies, an increased number of persons of concern and a continuously challenging donor environment. These circumstances are likely to create additional pressure in 2020 and beyond.

14. As in prior years, up to 80 per cent of the voluntary contributions is derived from a limited number of top donors. One of those top donors accounted for over 40 per cent of all contribution revenues as at 30 September 2019. The coronavirus outbreak is still unfolding and might result in funding constraints and uncertainties with regard to humanitarian aid programmes. In the light of the heavy reliance of UNHCR on a limited number of donors and the fact that \$1.1 billion in donor agreements are made for future years, the Board highlights uncertainties and constraints associated with the coronavirus pandemic.

15. A total of 82 per cent of contributions to UNHCR are earmarked (see table II.3). In 2019, unrestricted contributions increased by three percentage points compared with 2018. Earmarked contributions place constraints on management's ability to deploy resources flexibly and to meet demand across all areas of activity. The Board notes that donor commitments slightly decreased by 4 per cent in 2019 compared with 2018. Governments and intergovernmental organizations continued to be the major donors of UNHCR.

Table II.3

Monetary contributions by type of earmarking in 2019

(Millions of United States dollars)

<i>Type of earmarking</i>	<i>2019</i>	<i>2018</i>	<i>2019 (percentage)</i>	<i>2018 (percentage)</i>
Earmarked	2 111	2 141	52	51
Tightly earmarked ^a	736	841	18	20
Unearmarked	713	647	18	15
Softly earmarked ^b	502	601	12	14
Total monetary contributions	4 062	4 230	100	100

Source: UNHCR financial statements.

^a Tightly earmarked contributions can only be used for a specific project or are restricted both geographically and thematically.

^b Softly earmarked contributions can be used for a specific geographical region or strategic objective only.

3. Audit findings, observations and recommendations

After-service health insurance liability

16. After-service health insurance liabilities have a large impact on the financial situation of UNHCR. Amounting to \$0.8 billion, they accounted for 63 per cent of total liabilities as at 31 December 2019. The after-service health insurance liabilities rose by \$0.2 billion compared with the previous financial year. The main reasons for the increase were actuarial losses of \$119.7 million (including the effects of lower discount rates) and past service costs of \$47.4 million. Further details can be found in note 3.8 to the financial statements.

Valuation of the after-service health insurance – prior service costs

17. In its previous report, the Board recommended that UNHCR review the treatment of prior service times for the valuation of the after-service health insurance liabilities (A/74/5/Add.6, paras. 27 to 33). For the 2019 financial statements, UNHCR estimated prior service times and participation in health care plans based on an

alternative source of data, namely job application forms that included staff members' self-declared history of prior service. Upon recommendation of the Board, UNHCR also obtained prior service data from United Nations Joint Staff Pension Fund (UNJSPF) concerning past periods of pension contributions and used these data to cross-check the estimate. As a result of the estimation of prior service times, UNHCR increased the after-service health insurance liabilities by \$21.1 million.

18. While UNJSPF data are suitable for an estimation, it does not fully match times of service eligible for after-service health insurance. For example, staff members might be enrolled in UNJSPF without participating in a United Nations health-care plan. Precise staff service and participation data still need to be obtained. Currently, UNHCR does not have comprehensive information about the service and health-care plan participation history of all its staff members. Not only is that information required for the valuation of after-service health insurance liabilities, it would also facilitate various business processes. For example, when a staff member leaves or retires, the Division of Human Resources Management could calculate various benefits without delay.

19. In addition, the current elements of the census data are not well suited to reflect the variety of cases that may occur. The time-dependent eligibility is determined on the basis of entry-on-duty dates. However, there are cases where staff members interrupt service and rejoin UNHCR at a later date. Also, staff members often join UNHCR on a contract that does not count towards after-service health insurance eligibility. In such cases, the entry-on-duty date might be chronologically correct, but is not suitable for valuing after-service health insurance liability. For the after-service health insurance valuation, a data field such as "accumulated qualifying months of participation" would be useful.

20. The Board recommends that UNHCR obtain and maintain accurate data on the service and health-care plan participation history of its staff members, using enhanced data fields.

21. UNHCR concurred with the recommendation and stated that the recalculation of liabilities performed with the alternative data source provided the requisite assurances that 2019 liabilities and expenses were materially correct. Further data cleansing and verification is planned in 2020 to improve the basis for after-service health insurance liability calculations in future years.

Valuation of the after-service health insurance – actuarial assumptions

22. To measure after-service health insurance liabilities, actuarial assumptions such as demographic variables (e.g., employee turnover or mortality) and financial variables (e.g., medical cost trends) are used. The liabilities are measured on a discounted basis, since they are settled many years after the employees render the related service, which requires assumptions on the interest rates used for the discounting.

23. The actuarial assumptions have a significant impact on measuring the liabilities. A sensitivity analysis, as disclosed in note 3.8 paragraph 106 to the financial statements, shows that, for example, an increase of 1 per cent in the health-care cost trends would increase the liabilities by \$240 million, while a 1 per cent decrease of the discount rate would increase the liabilities by \$253 million.

24. One of the objectives of implementing IPSAS was to enhance comparability of financial reporting across United Nations system organizations. The Board noted that the Task Force on Accounting Standards under the Chief Executives Board for Coordination was commissioned to harmonize the principles guiding liability valuation (see General Assembly resolution [71/272](#) B, sect. IV; [A/71/698](#), paras. 47–56;

A/71/815, paras. 22–26). While the Task Force noted that certain actuarial assumptions would not be universally applicable across the system of United Nations organizations, given the diversity of demographic profiles and contract policies, the Task Force agreed on harmonizing a number of assumptions. Those harmonized assumptions included discount rates, inflation rates and health-care cost trends, currency exchange rates and pension fund projections (see A/73/662, paras. 9–18). The Chair of the Task Force distributed a memo to all United Nations system organizations with information on the harmonized assumptions for 2019.

25. The Board compared the actuarial assumptions for the after-service health insurance liabilities used by UNHCR with the assumptions suggested by the Task Force. The Board noted significant deviations in the underlying actuarial assumptions. The health-care cost trend rate used by UNHCR deviated by 1.7 per cent from the rate proposed by the Task Force with an approximate effect of \$415 million. The Board also noted that for the discount rates, the calculation base deviated from the proposal of the Task Force. UNHCR stated that the discount rates proposed by the Task Force had been used where appropriate. UNHCR further stated that it had disclosed (as in previous years) a single equivalent average discount rate that had been based on the application of those common rates for each group of liabilities (by currency and duration).

26. The Board holds that major actuarial assumptions such as health-care cost trends and discount rates should be harmonized to the extent possible. Minor changes in these assumptions have a significant impact on the valuation of the liabilities. The Board holds that UNHCR should adhere to the harmonized assumptions as proposed by the Task Force to the extent possible. While some assumptions leave room for justified deviations, others do not. The Board noted that, in the financial statements, UNHCR has not transparently disclosed that it deviates from the harmonized assumptions and what the reason is for doing so. Readers should be able to assess the valuation in comparison with other entities.

27. The Board recommends that UNHCR transparently disclose the reasons for deviations from the harmonized assumptions of the Task Force on Accounting Standards to enhance comparability concerning the valuation of after-service health insurance liabilities.

28. UNHCR did not accept this recommendation. UNHCR maintains that it did, in fact, use the harmonized discount rate assumptions as the basis for calculating its after-service health insurance liabilities. Concerning health-care cost trend assumptions, careful analysis and discussion with the expert actuaries led to the conclusion that the use of the common assumption would have resulted in excessive reserving strength vis-à-vis the chosen assumption method. This is because of UNHCR use of comparatively cautious “age-utilization factors”. These factors describe how much more medical care an average individual takes in retirement compared with while in service. In the context of the estimates applied with actuarial advice, UNHCR holds that management exercised essential and appropriate judgment in its choice of estimates for each relevant and unique population. UNHCR believes that a one-size-fits-all approach to employee benefit assumptions across the United Nations system for the sake of superficial comparability would reduce the quality of the UNHCR financial statements. At the same time, UNHCR accepts that deviations between United Nations system entities in the style and detail of related accounting disclosures make comparison difficult and thus accepts the value of harmonizing the disclosure practices across the United Nations system. UNHCR stands ready to participate in any system-wide disclosure harmonization activities.

29. The Board holds its position that information on deviations from the harmonized assumptions of the Task Force are currently not available to readers of the financial statements and thus should be included in the future.

Regular budget-funded posts

30. With regard to past service costs, \$36.5 million pertain to the first-time inclusion of posts partially funded from the regular budget in the after-service health insurance liabilities. UNHCR not only accrued the after-service health insurance liabilities resulting from these posts but also started to fund those liabilities. That means that voluntary contributions are set aside to fund after-service health insurance for posts that are designated as supported by regular budget funding. Setting aside funds for after-service health insurance liabilities for posts funded exclusively from voluntary contributions has been a practice for several years (see note 3.14 to the financial statements for details).

31. However, the Board recalls that, for the regular budget, the General Assembly decided to maintain the pay-as-you-go funding of the United Nations after-service health insurance obligations (see General Assembly resolution 73/279 B, sect. II, para. 8). In the present case, after-service health insurance costs for posts partially funded from the regular budget may have to be paid for with voluntary contributions. The Board trusts that the governing bodies are informed about this particular set-up.

Asset recognition, valuation and presentation

Asset recognition process

32. UNHCR has started a process to select a different enterprise resource planning system. The current system, known as Managing Systems, Resources and People (MSRP) will be replaced in the near future. Units that use MSRP are therefore composing a list of requirements that should be fulfilled by the new system. UNHCR intends to enter into the tendering process by the end of 2020.

33. Under the current asset recognition process in MSRP, three steps are processed in relation to the capitalization of assets in the asset register. First, the receipt of an asset creates an addition in the asset management module and generates a corresponding accounting entry in the general ledger on a clearing account. Second, the supplier's invoice is recorded as a liability with the corresponding accounting entry on an expense account. Third, at month's end, the Accounts and Financial Service collects the expenses from property, plant and equipment related accounts payable transactions and transfers them to the clearing account in order to offset the transactions that were created from the asset management module. UNHCR stated that these month-end adjustments were made manually for each monthly IPSAS management reporting in order to have the correct expense amounts at each month's end. UNHCR further stated that coordinated controls were needed to mitigate the risk of error in the month-end closing process.

34. From an IPSAS accounting perspective, items that fulfil the definition of an asset are to be capitalized. Such items may not be recorded as expenses. The Board noted that the current asset recognition process commingles asset and expense recordings. The reason for using expense accounts in the process was to facilitate the daily tracking of budget-checked expenditure, which was of primary importance for UNHCR. Therefore, MSRP had been configured to use the expense accounts instead of, for example, clearing accounts.

35. The Board holds that the current procedure of manual month-end adjustments is cumbersome and prone to errors. The Board holds that the process should be simplified in order to make best use of the resources available. The Board noted that

the reason for the current process was comparability at the individual account level for budgetary purposes. The Board holds that UNHCR should take budget requirements into consideration when exploring simplification options for the accounting process in the new enterprise resource planning solution.

36. The Board recommends that UNHCR opt for a simplified asset recognition process and a reduced need for manual month-end adjustments in the selection of a new enterprise resource planning solution.

37. UNHCR partially accepted the recommendation. While UNHCR accepts the need to explore ways to simplify the asset accounting model as part of the implementation of a new enterprise resource planning solution, it asserted its position that the current mechanisms reflects the ongoing need to maintain both budgetary and IPSAS accounting.

38. The Board took note of the partial acceptance and holds its position that the asset recognition process should be simplified under the new enterprise resource planning system.

Second leg transportation cost

39. Under IPSAS, items of property, plant and equipment are to be recorded at their cost, which also includes any cost of bringing the item to the location and into a condition necessary for it to operate in the manner intended. The Board noted that the costs for the transportation from the supplier to the stockpile or directly to the field (first-leg transportation) were linked to the transportation purchase orders and thus automatically allocated by the system. Concerning the deployment of assets from the stockpile to the country operations (second-leg transportation), the Board noted that those transportation costs were allocated manually. Global fleet management provided a report with the purchase orders that were shipped, and the Accounts and Financial Service identified the transport costs and manually adjusted the acquisition cost. The Board holds that manual allocation of transportation costs is cumbersome and prone to error.

40. The Board recommends that UNHCR explore options for the automated allocation of the second-leg transportation costs in the selection of a new enterprise resource planning system.

41. UNHCR agreed with the recommendation.

Valuation of property, plant and equipment

42. Under IPSAS 21, impairment is defined as a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortization. IPSAS require that, at each reporting date, an entity assess whether there is any indication that an asset may be impaired. If such an indication exists, the entity is required to make a formal estimate of the recoverable service amount of the asset. Evidence of physical damage to an asset is one of the typical impairment indicators mentioned in IPSAS 21.

43. The Board identified 768 assets with a net book value of \$2.3 million and an asset status "damaged" or "grounded". Another 388 assets with a total net book value of \$14.0 million had the asset status "in transit" and "received (not in service)". Those assets were acquired in the financial years from 2012 to 2018 and have thus reached an age of more than one to seven years. So far, no depreciation has been recorded for those assets. Ageing is a factor that can decrease the value of assets even if the assets have not yet been put to use. Therefore, the Board holds that an impairment exercise for these assets is required. UNHCR stated that the total loss of value related to assets

identified as damaged or grounded was not material in 2019, so no material impairment had been incurred. UNHCR also stated that impairment accounting standards did not apply to individual (immaterial) assets but rather to whole material classes of assets, locations or very major (material) individual assets. The Board could find no evidence that an impairment review had been conducted. In view of the identified impairment indicators, the Board holds that the impairment review procedures can be strengthened.

44. The Board recommends that UNHCR incorporate the review of property, plant and equipment for any evidence of impairment and reduction in value as a compulsory element in the year-end closure procedures.

45. UNHCR partially accepted the recommendation and stated that, while an impairment exercise had been performed and had resulted in the confirmation that no impairment was required for property plant and equipment, the self-certification questionnaire distributed at year-end would make more explicit reference to the required annual impairment review process. In addition, UNHCR stated that the Accounts and Financial Service would incorporate into the year-end closure schedule a formal requirement for operations to report any potential indicators of impairment for a class of assets.

46. The Board holds that the more explicit reference in the self-certification questionnaire and the formal requirement for operations to report any potential indicators of impairment in the year-end process appear to be appropriate measures to implement the recommendation.

Asset status of redeployed property, plant and equipment

47. The Board noted that there are two different categories of property, plant and equipment with the same asset status “in transit”: one category refers to assets that are brand new and first deployed from a stockpile to a country operation. Upon deployment of those assets, the status is changed from “received (not in service)” to “in transit”. Depreciation is not yet calculated for these assets in transit. Depreciation begins as soon as the assets are brought into service by the receiving operation. Another category refers to assets that are redeployed from one field operation to another. For those assets, the status is changed from “in service” to “in transit”. For those assets, the depreciation has already started at the original in-service date. The status “in transit” does not trigger the suspension of the depreciation. Therefore, depreciation keeps running for these assets.

48. The “in transit” phase for both types of transit can last a certain period of time, in some cases even years, owing to import restrictions or other formalities. An asset that is not ready for use, for example, because it is in transit, should not be depreciated. UNHCR should ensure that assets that are in transit for longer periods are not depreciated.

49. The Board recommends that UNHCR clearly distinguish between assets deployed for the first time and redeployed assets, and ensure that assets that are not in use for a substantial period of time are not subject to depreciation.

50. UNHCR did not accept the recommendation, as UNHCR maintains that the in-transit status of redeployment did not, and should not, stop IPSAS depreciation. The in-transit status was, however, required for operational purposes for assets currently being redeployed. UNHCR stated that, crucially to the recommendation’s accuracy, it was appropriate that depreciation was not started or stopped by the status change to “in transit” for redeployments. UNHCR specified that if the asset had not been depreciable before deployment, it would not be placed in service with the status

change to “in transit”. Similarly, if the asset had already been in service, the status change would not stop depreciation.

51. The Board’s recommendation is aimed at a clarification of the process. The identification of inconsistencies is facilitated if asset status combinations are unique and meaningful. Under the current asset status configuration, the status “in transit” does not allow for a plausibility check of the depreciation status. The Board continues to hold that, in cases where the redeployment takes a long time, the depreciation should be suspended.

Inventories

Inventory process

52. In 2019, UNHCR distributed inventory items to beneficiaries in the amount of \$238.2 million. The Board selected 57 samples and reviewed the inventory processes in detail by means of a questionnaire and interviews. The Board found that, out of 10 samples in the category “inventory on hand”, 7 samples were no longer on hand and had already been distributed. The inventories had meanwhile been distributed without triggering a distribution entry in the inventory category of the MSRP system. The Board selected 17 additional samples. Those revealed additional discrepancies regarding the quantity, documentation and matching of key documents and the processing of documents in the MSRP system. However, the additional samples were still on hand and had not been distributed. Upon inquiry, UNHCR provided a report detailing \$16.6 million in inventories for which a clearing exercise had been started in the fourth quarter of 2019 to determine whether or not those items were still on hand. By the end of 2019, UNHCR had verified that, out of those \$16.6 million, items in an amount of up to \$5.0 million were no longer on hand and had to be corrected in the MSRP inventory module. By the end of February 2020, the outstanding amount stood at \$1.7 million. Finally, UNHCR recorded an approximated provision of \$2.1 million.

53. The Board’s major findings are set down below:

- (a) Inventories in the amount of \$5 million were reviewed in detail, and of that amount, \$2.1 million has been recorded as an approximated provision;
- (b) The inventory opening balance was overstated by \$0.6 million. The items had already been distributed in 2018;
- (c) Several inventory items had been processed entirely outside the inventory module of the MSRP system;
- (d) Some inventory items in transit from suppliers had been distributed without the mandatory material stock request;
- (e) The physical inventory verification processes did not reveal the discrepancies between actual and system quantity during the year-end and several quarterly physical counts;
- (f) Goods received notes were not forwarded or posted in a timely manner in some instances;
- (g) In several cases, information on key documents did not match, was not comprehensible or was lacking entirely.

54. Based on the findings, the Board holds that the inventory process shows room for improvement. The Board welcomes the fact that UNHCR undertook a cumbersome and time-consuming effort to verify the whereabouts of inventories in the amount of \$16.6 million. The Board acknowledged the new draft standard operational procedure for reporting short-landing, loss, damage and/or rejection of goods, determining

liabilities and adjusting stock in MSRP. The procedure stipulates actions for faster clearance of short landings on the in-transit account. The standard operating procedure was still at the draft stage at the time of the audit and its implementation was postponed until September owing to the coronavirus pandemic. The Board welcomes that the procedure has meanwhile been finalized and holds that it should be implemented as soon as possible. As the standard operating procedure addresses only cases of short landings, additional steps need to be taken to ensure that control mechanisms work effectively to avoid any weaknesses as those mentioned above.

55. The sample check revealed one case in which the date of a commercial invoice (draft invoice) was used to post the accounts payable instead of the date of the final invoice. As a result, the foreign exchange rate was inaccurate. In the current process, inventory distribution starts with the material stock request, which is initiated by the programme unit. Based on the initial request from the programme unit, the supply unit raises the material stock request in MSRP. The programme unit then approves it before the physical issuance of the items from the warehouse. The signed material stock request is intended as documentation of the request from the programme unit. However, in the samples reviewed, the material stock request did not show the required explicit information on for example, the requester, the approver and the approval date. The initial request is a mandatory element in end-to-end inventory process documentation. The Board would welcome audit-proof solutions for such cases in the new enterprise resource planning system that UNHCR intends to procure in the future.

56. The Board recommends that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process. UNHCR should opt for end-to-end process documentation and audit-proof functionalities in the selection of a new enterprise resource planning system.

57. UNHCR did not accept the recommendation and stated that an end-to-end process documentation and audit-proof functionalities were available in the current MSRP and that goods received notes, material stock requests and inventory adjustments had been generally recorded in a timely manner. Errors and inaccuracies noted by the Board would be addressed through improved monitoring, such as regular reviews of the inventory pipeline. UNHCR acknowledged that system enhancements and appropriate process simplifications would need to be considered in the design of the new enterprise resource planning system, which was expected in 2021.

58. The Board holds that the findings show that there is a need for additional control measures.

Inventory items stored in the care of implementing partners

59. In general, implementing partners receive inventory items from UNHCR for distribution to beneficiaries. Such items are stored in the care of the implementing partners until they are needed for distribution. The items are treated as if distributed to beneficiaries and expensed in the category “supplies and consumables for beneficiaries” when they are shipped directly from the supplier or from UNHCR to the implementing partners. From then on, the items are no longer recorded as inventory of UNHCR in MSRP. Nevertheless, the partners in charge of distribution need the approval of UNHCR before the items can be distributed. Irrespective of the general acceptance of the accounting procedure, the Board holds that it is necessary for UNHCR to have an overview of stock in the partners’ care that is still available for distribution. The information is also helpful in deciding on replacement procurements.

60. The Board recommends that UNHCR review its accounting process regarding inventory issuance to distributing partners and ensure that there is an overview of the items stored in the care of partners and still available for distribution.

61. UNHCR agreed with the recommendation and stated that it was currently developing guidance for operations to systematically monitor and review stocks that are in the care of partners prior to further releases.

Capitalization of fuel

62. Pursuant to the UNHCR manual, inventories also include other materials and supplies such as fuel if the items are of material value. Currently, 18 UNHCR country operations have the capacity to store about 2 million litres of fuel for a maximum amount of approximately \$5.2 million. By the end of 2019, stored fuel had a value of approximately \$2.0 million. The two operations with the highest capacity and stock of fuel were those in Chad and South Sudan, for an amount of \$0.5 million each. UNHCR considers the overall value of fuel to be immaterial. Accordingly, fuel is currently expensed right away and not capitalized as inventory.

63. The Board holds that fuel has a considerable value in the countries where UNHCR operates and stores larger quantities. Under those circumstances, it is important to maintain appropriate controls regarding the quantity on hand and the consumption. UNHCR would gain additional control and oversight if operations had to report the physical quantities as part of their inventory verification exercise and had to disclose the respective figures in their reporting to headquarters.

64. The Board recommends that UNHCR improve the controls over fuel stock, for example, by treating fuel kept at operations in considerable quantities as inventory.

65. UNHCR accepted the recommendation and stated that there was potential to improve the controls over fuel stocks at operations where considerable quantities of fuel are maintained. UNHCR went on to state that treating fuel as inventory could be one possible approach to achieving this and that UNHCR was planning to conduct a feasibility study on optimizing the management of fuel as part of which operational, control and accounting aspects would be considered prior to taking a decision on the matter.

Accruals

Year-end accrual process

66. IPSAS provide that an accrual must be recognized for goods and services delivered to and accepted by an entity for which an invoice from the vendor has not yet been received. In addition to the regular year-end accrual procedures, UNHCR records a lump-sum accrual of \$3.0 million to cover cases that would require an accrual posting but have not been captured through the usual year-end process due to late receipting. The Board reviewed the accuracy of the 2019 accruals by means of samples, which were selected from expenses recorded in 2019 and 2020, disbursements in 2020 and open purchase orders. The Board also conducted analytical reviews of accrual data, such as a comparison of accruals versus expenses at the operational level.

67. The Board found five cases that would have required an accrual posting for a total amount of \$2.8 million but for which no separate accrual had been recorded. Further analytical reviews showed implausible accrual figures in a number of cost centres; the Board compared the expenses made throughout the year with the year-end accrual amount of 48 cost centres and noted that the ratio was below 2 per cent and thus appeared implausible from a mere analytical point of view.

68. UNHCR stated that the lump-sum accrual of \$3.0 million had explicitly been set up to cover cases not detected in the year-end closure monitoring processes. However, the Board holds that, if the limited number of cases in the sample check already add up to nearly the amount of the lump-sum accrual, the accrual is likely to be understated. This applies in particular to the additional ratio analysis the Board has

conducted. Accordingly, the Board sees reason to believe that the lump-sum accrual and additional steps taken by UNHCR are not sufficient to ensure accurate accrual records at year-end.

69. The Board recommends that UNHCR implement additional year-end accrual review procedures, such as expenditure versus accrual ratio analysis, analysis of the average period of outstanding purchase orders, goods and services receipt and invoice receipt, to ensure accurate accrual accounting at year-end. Country operations with implausible accrual figures should systematically be reviewed.

70. UNHCR did not accept the recommendation. UNHCR stated that the value of additional analytical reviews and detailed follow-up and inquiry at the operational level, as compared with the current approach, was not clear given the extensive efforts already applied to ensure that the accruals were materially reasonable for the organization as a whole. UNHCR stated that it would nevertheless reflect on the ideas recommended by the Board and continue to ensure that the year-end accrual review process was fit for purpose.

71. Based on the findings of the Board and the potential additional cases identified, the Board holds that an additional ratio analysis followed by a review of country operations with implausible ratios would be beneficial to the process.

Annual leave accrual

72. The annual leave accrual as at 31 December 2019 amounts to \$76.6 million. The Board found that UNHCR erroneously included staff members who were transferred, seconded or loaned to other organizations in this computation. These staff members carry their accrued annual leave credit to the receiving organizations and thus should not be included in the computation.

73. The Board recommends that UNHCR review and amend the annual leave accrual computation and exclude staff members who are transferred, seconded or loaned to other organizations.

74. UNHCR accepted the recommendation. However, it added that the accrual amounts resulting from transferred, seconded and loaned staff members are not material, given the total amount of the annual leave accrual.

75. The Board agrees that an estimated error of approximately \$1 million is not material in mere relation to the amount of the accrual. However, since this represents a systematic, repetitive error, the Board found the recommendation necessary.

Various corrections in the draft financial statements

76. UNHCR included staff members holding a temporary appointment in the draft calculation of the after-service health insurance liability. The Board pointed out that the recognition criteria for liabilities were not met. In such cases, UNHCR has no present obligation that results from a past event. Services under a temporary appointment do not count towards after-service health insurance eligibility and there is no obligation to convert temporary contracts to ordinary contracts. UNHCR agreed to correct the valuation. This led to an adjustment of the after-service health insurance liabilities of \$20.9 million.

77. The Board pointed out that IPSAS 39 requires the disclosure of a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period. The sensitivity analysis is to show how the defined benefit obligation would be affected by changes in the relevant actuarial assumption that are reasonably possible at that date. IPSAS 39 defines the discount rate as one of the significant actuarial assumptions. Based on the comment of the Board, UNHCR complemented the disclosure in note 3.8 by

including a sensitivity analysis for discount rates of the after-service health insurance and for the discount rates and salary increase rates for the repatriation benefits liability.

78. Based on the findings of the Board, note 9.1 was corrected to include additional operating leases of \$8.5 million in the disclosure. Furthermore, UNHCR corrected the presentation in table 3.2.2 under note 3.2 by disclosing \$17.4 million of contribution receivables with the correct due date in 2020 instead of 2019. UNHCR also complemented the disclosure in note 5.1 by providing additional information on the nature of earmarking in view of an amended presentation.

79. The Board noted a small number of cut-off errors, of which one in the amount of \$5.7 million was adjusted. One error in the area of implementing partnership expenses revealed a miscommunication between the field operation and headquarters. Based on a lack of information, headquarters deferred expenses in the amount of \$1.3 million. The Board holds that the controls in this area should be improved.

80. The Board recommends that UNHCR implement a control mechanism in the area of implementing partnership expenses to ensure that the country operations cannot deviate from a granted extension of liquidation and/or implementation period without a mandatory information flow to headquarters.

81. UNHCR accepted the recommendation.

Delegation of authority in the procure-to-pay process

82. Pursuant to the UNHCR manual, the segregation of duties in the procurement to payment (procure-to-pay) process is one of the most important internal control measures within UNHCR. Segregation of duties in the procure-to-pay process refers to the concept of requiring more than one person for the completion of each purchase transaction. The process requires that:

(a) The roles are clearly defined and segregated in order to avoid conflicts of interest;

(b) Some procure-to-pay roles cannot be performed by the same person.

83. The process has two core elements: the segregation of roles (horizontal segregation) and the review of each action prepared by one staff member by another staff member (vertical segregation, or cross-check principle). With regard to the horizontal segregation, it is most crucial to ensure that conflicting roles are not assigned to one and the same individual.

84. For each country operation, UNHCR uses separate Excel spreadsheets to define and document the roles in the procure-to-pay process. Each time a new employee with relevance to the procure-to-pay process joins or leaves a country operation, that Excel spreadsheet needs to be updated. The process is initiated by the country operation, which sends a request to the Accounts Payable Unit in Budapest. From there, the updated Excel spreadsheet is forwarded to a technical unit, which enters the roles in MSRP. The Unit manually checks 30 potential conflicts in the Excel spreadsheet for each addition. From January to September 2019, the Unit processed 1,351 update requests. In addition, the Office of the Controller carries out an automated review of role conflicts in MSRP. The Board was informed that 20 such potential MSRP role conflicts were checked every day for each country operation.

85. The Board noted that the update process for roles in the procure-to-pay process is manual and, therefore, rather cumbersome. The review of conflicting roles in the Excel spreadsheet is performed manually. Considering the number of potential conflicting roles, this manual process bears the risk of errors. The sample review confirmed the existence of at least three cases of conflicts in the Excel spreadsheets and, later on, in MSRP. The Board holds that an electronic, systemized tool would be

helpful to simplify the process, save time and resources, have increased assurance through system-integrated controls and checks, and improve oversight.

86. Furthermore, the Board noted that the delegation of authorities is linked to the relevant staff and not to the function. In view of the ongoing job description harmonization project, which is aimed at defining coherent job descriptions throughout the organization, the Board holds that it would be advisable to link the delegation of authorities to the functions. This would make updates owing to fluctuations of staff members obsolete.

87. Furthermore, the Board noted that the existing reviews and checks focus exclusively on the procure-to-pay-related MSRP functions. However, the MSRP architecture has several modules, which might interfere with procure-to-pay functions in the core modules. The Board found that no overarching review is conducted of such conflicting roles across the separate modules.

88. The Board recommends that UNHCR explore the option of an electronic, system-integrated delegation of authority process. The process should encompass all enterprise resource planning modules and ensure an overarching conflict check across the entire enterprise resource planning architecture.

89. The Board recommends that UNHCR link the procure-to-pay delegation of authority to functions rather than to individual persons, subject to the progress of the ongoing job description harmonization project.

90. UNHCR acknowledged the recommendations and commented that a new delegation framework and the system supporting it could not be designed independently and would be an integral part of the overall enterprise resource planning and process review project.

Decentralization and regionalization

91. One of the key elements of the UNHCR reform initiative is the transformation of the structure and organizational set-up of UNHCR in a way that better responds to the organization's commitments. UNHCR decided to place capacities, authorities and resources closer to the field in the decentralization and regionalization element of the change process.

92. Moreover, the medium- and long-term UNHCR vision goes beyond the changes associated with decentralization and regionalization. Parallel work streams were established to create a new results-based management system and a global data and digitization strategy, reform business processes and systems, renew risk management and improve systems to manage and support colleagues.

The process of decentralization and regionalization

93. The core objective of decentralization was to improve the speed and responsiveness of service delivery by shifting personnel and decision-making authorities closer to the field and persons of concern. The aim was to enable country representatives and their teams to make faster decisions on the ground, to simplify the processes of decision-making and make them more efficient. The regionalization element of the process refers to the repositioning of the bureaux in their respective regions. The core objective of regionalization was to be better aligned with the arrangements of key United Nations partners, to improve monitoring and dialogue and to engage more closely with key political actors in regional intergovernmental bodies.

94. Key considerations to the decentralization and regionalization were discussed within the senior executive team and the Senior Management Committee, and decided by the High Commissioner in the fourth quarter of 2018. The decentralization and

regionalization process was aimed at improving the delivery of protection and solutions for people of concern by:

(a) Enabling country representatives and their teams to make faster decisions on the ground;

(b) Simplifying decision-making processes and making them more efficient, extending greater operational agility to staff members working in highly fluid contexts, and ensuring more time to focus efforts where it matters most, working directly with people of concern;

(c) Empowering representatives and bureaux to translate global objectives into impactful regional strategies and build enduring alliances with traditional partners, the private sector, regional bodies and national authorities to ensure protection and solutions;

(d) Aligning the presence and authority of UNHCR at the regional level with that of United Nations sister agencies.

95. In 2019, the key focus in the decentralization and regionalization process was the restructuring of the bureaux and deployment to the regions. Four core functions of the new regional bureaux were defined: strategic planning and partnership, protection coordination, operations support and external engagement. Two pillars (strategic planning and partnership; protection coordination) were made prescriptive with fixed and mandatory key functions. The other two pillars (operations support and external engagement) were given flexibility to enable the adaptation of capacities in those pillars to the respective regional context setting.

96. Based on the requirements and flexibilities, the seven bureaux have different organizational charts. In order to sustain the new organizational architecture, until 30 June 2021, structural changes in the bureaux have to be approved by the senior executive team. The directors of the regional bureaux are obliged to provide a rationale for the proposed change, including estimated cost implications and the outcome of consultations with divisions where a proposed change affects one of the ring-fenced key functions linked to divisions.

97. The regional bureaux are to cover the full spectrum of managerial oversight, to manage performance and compliance with UNHCR rules and regulations, and to ensure that country offices under their purview receive technical support and guidance as required. The bureaux should ensure overall strategic, regional prioritization and quality assurance. With few exceptions, all staff in a regional bureau are under the authority of the bureau director. In addition, the heads of specific functional or technical units embedded in the bureaux have a functional reporting line to their divisions at headquarters. Managerial authority continues to flow from the High Commissioner via the Assistant High Commissioner (Operations) to regional directors to country representatives to heads of sub-office or field office.

98. In August 2019, UNHCR issued the new resource allocation framework (UNHCR/AI/2019/7). The framework sets out the delegation of authority for managing structures, and financial and staffing resources during programme implementation.

99. In view of the decentralization and regionalization process, the new resource allocation framework delegated more authority to the directors of the bureaux to manage regional situations such as opening or closing field offices. Previously, these decisions required the approval of the budget committee. In addition, the resource allocation framework now delegates authority to the heads of sub-offices, who have certain formal delegated authorities for position and budget management and for accepting in-kind contributions. Previously, delegated authority at the country level was vested solely in the representatives.

100. In October 2019, three documents outlining the roles, accountabilities and authorities for country offices, regional bureaux and division were released. Already at an early planning stage in the regionalization and decentralization process, UNHCR had noted that a clearer definition of roles, accountabilities and authorities at all levels was necessary to achieve the intended change.

101. On 1 January 2020, the new structure of the regional bureaux became effective. The regional bureaux are located in Amman, Bangkok, Dakar, Geneva, Nairobi, Panama City and Pretoria, while headquarters divisions and service centres remain in Geneva, Budapest and Copenhagen.

102. In 2020, UNHCR is to focus the ongoing reform and transformation efforts on reshaping the divisions and on aligning them with the new regional structure. Effective 1 January 2020, the new Division of Strategic Planning and Results was established incorporating three new services: a strategic and programme planning service, an annual review and budget analysis service, and an implementation management and assurance service.

103. The main functions of the Division of Strategic Planning and Results will be to guide and support strategic planning and ensure that annual planning and resource allocation processes are simplified, evidence-based and coherent. For the time being, the results-based management project is to remain outside of the three services, but it will be integrated into these services in the future. UNHCR plans to complete the reshaping of the divisions by the end of 2021.

104. UNHCR started a series of regional dialogues between bureau and senior country office colleagues to support the coherent implementation of decentralization and regionalization. The first was held in Panama in early February 2020. The series of round tables had been planned for all regions in the first half of 2020, to coincide with the initial period of learning and adjustment under the new system. However, its continuation was delayed owing to the coronavirus pandemic.

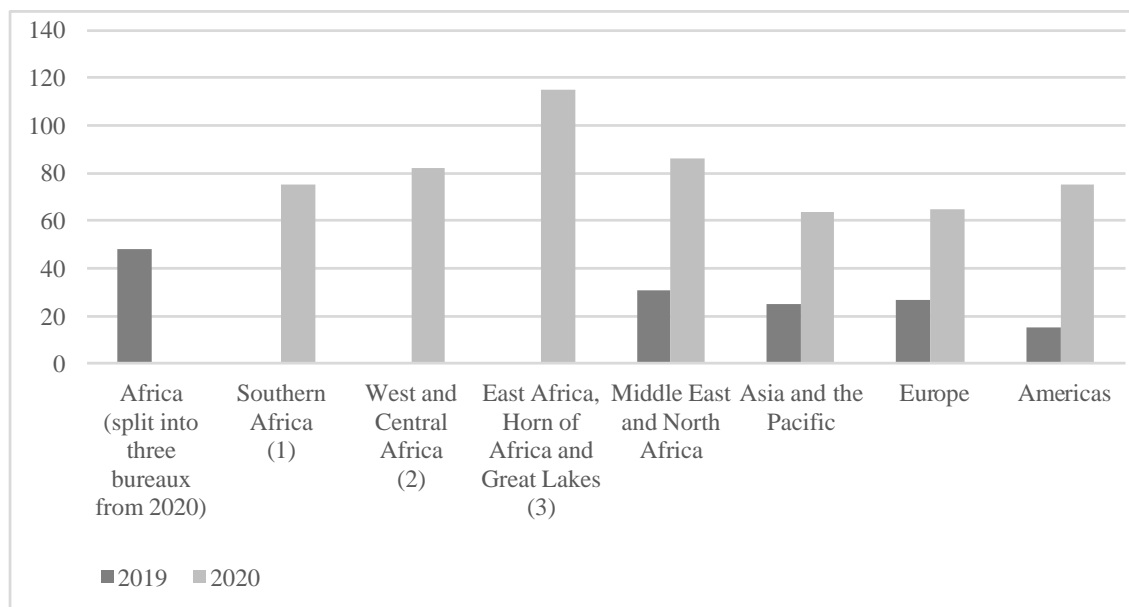
Interim status assessment

105. As the Board commented in its 2018 report, the decentralization and regionalization process includes opportunities along with risks (see [A/74/5/Add.6](#), chap. II, para. 64). The Board pointed out that new positions and authorities in the regional bureaux need to be well coordinated and built into current UNHCR structures. Well-designed and implemented reporting lines, accountabilities and authorities would be crucial for the success of the project.

106. For the current report, the Board further analysed the status of the decentralization and regionalization process. The Board visited three of the newly established bureaux in January and February 2020 (Bangkok, Pretoria, and Dakar). While the decentralization and regionalization process commenced in 2018, the visits of the Board took place at an early stage of the actual implementation on the ground. The Board also discussed the upcoming steps and views on the process with the change team at headquarters.

107. During the visits to the three bureaux, the Board was able to get a sense of how having a closer UNHCR presence in the regions compared with the former situation of having bureaux in Geneva. Overall, the number of positions increased from 146 in the former 5 Geneva-based bureaux to 562 in the new 7 bureau locations. It should be noted that UNHCR considered the Director's office in Amman to be a de facto extension of the Geneva-based bureau. Before the decentralization, there was one common Africa bureau. Because of the size and geographical distances of the operations in Africa, that bureau has been transformed into three separate bureaux. The development in the number of positions at the bureaux from 2019 to 2020 is shown in figure II.1.

Figure II.1
Number of bureau positions in 2019 and 2020



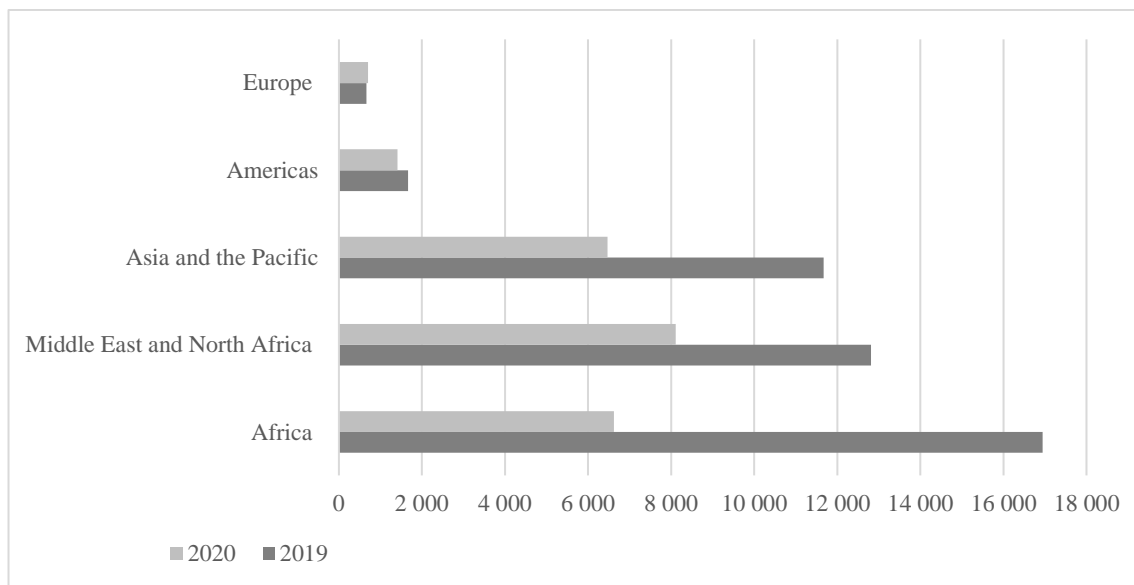
Source: UNHCR.

108. Before the decentralization, UNHCR operated 22 regional offices and platforms all over the world. Regional offices had second-line-of-defence functions such as strategic support, quality control and oversight. In 2020, under the new structure, only one regional office remained in Hungary. It is planned to be phased out by the end of 2021. Fourteen of the regional offices were transformed into multi-country offices and the remaining 7 were dissolved. Multi-country offices cover several countries with small or no UNHCR presences. With the new bureau structure in place, the bureaux have absorbed the strategic and oversight functions that were formerly carried out by the regional offices. The consolidation of regional offices resulted in cost savings that could be invested in newly created positions at the bureaux.

109. The UNHCR presence in the regions has increased significantly and so has the ratio of UNHCR staff to persons of concern. Details on the number of persons of concern per member of staff are shown in figure II.2.

Figure II.2
Ratio of persons of concern to UNHCR staff 2019 and 2020

(Persons of concern per staff member)



Source: UNHCR.

110. In the 2019 audit, the Board focused on the overall status of the decentralization and regionalization process, the feedback from staff at the bureaux visited, the achievement of goals, and next steps in the process. The Board made a number of observations and noted areas where the decentralization and regionalization process required attention, revision and course correction.

Planning and steering of the process

111. The Board tried to understand how the decentralization and regionalization process was being planned, approved and steered, and was intended to be measured. In that connection, the Board asked UNHCR for the relevant documents.

112. UNHCR outlined that the progress was visualized in detail through teams and planner dashboards of a dynamic project management tool. The dashboards tracked the agreed phase-out of bureaux at headquarters and the creation of new bureaux in the regions. Although they were a high-level summary for senior management, these dashboards did summarize detailed workplans and processes per region, such as the negotiations of the country agreements with host Governments, the establishment of office premises, staffing, information and communications technology (ICT), and security. A transition task team composed of members of the seven bureaux, key divisions and the change team met once every two weeks during the entire transition period to review the implementation of the agreed activities and escalate issues to senior management as required.

113. UNHCR outlined that the following key messages were used to steer and communicate the decentralization process:

(a) Broadcast email on regionalization and decentralization dated 14 June 2018, in which the High Commissioner communicated the general direction chosen in relation to the regionalization and decentralization process based on the initial prototype, and in which he requested the change team to develop the process further;

(b) Message dated 2 July 2018, in which the Director of the Division of Human Resources Management communicated the outcome of the human resources review commissioned as part of the change process;

(c) Broadcast email dated 27 September 2018, in which the High Commissioner communicated key decisions on decentralization and regionalization and required the development of a roadmap to implement those decisions;

(d) Document developed by the change team on repositioning UNHCR in the field and key considerations to guide decentralization and regionalization;

(e) Broadcast email on decentralization and regionalization dated 30 October 2018 in which the High Commissioner provided an update on regionalization.

114. The Board is convinced that a detailed roadmap that breaks the process down into its core workstreams in one consolidated document is essential and very useful for steering and supervising complex restructuring processes. Such a procedure is common to successful reform projects. The Board noted that UNHCR took a different approach to steering and monitoring the decentralization and regionalization process.

115. UNHCR outlined that the last stage of the decentralization and regionalization process, which was the alignment of headquarters divisions, would be finalized through the resource allocation process for headquarters, with submissions of headquarters plans for 2021 due 19 June 2020 and the decision of the High Commissioner expected in August 2020.

116. The Board noted that, beside the alignment of headquarters divisions, certain additional steps are still to be completed as part of the decentralization and regionalization process. For example, some areas relating to roles, accountabilities and authorities need to be clarified. The bureaux are currently operating under a two-year moratorium. During the moratorium, changes to the bureau structures may only be applied with the approval of the senior executive team. After the moratorium expires, a comprehensive stock-taking exercise shall take place and further course corrections are to be discussed. Furthermore, the allocation of tasks between bureaux and divisions may need to be governed by service level agreements or by other means.

117. The Board holds that, for the upcoming steps, a consolidated roadmap that summarizes the workstreams in one document and sets clearly aligned milestones for each of the workstreams would facilitate project coordination and the measurement of achievements.

118. The Board recommends that UNHCR use an implementation roadmap that includes milestones to transparently steer and guide all upcoming steps of the decentralization and regionalization process and take that as a basis for the measurement of achievements.

119. UNHCR accepted the recommendation.

Roles and responsibilities

120. The three-lines-of-defence model of UNHCR affects the decentralized structures. The decentralized architecture needs to ensure an aligned and coordinated interplay of the three lines of defence in each of the new structural elements. The model consists of the following:

(a) The first line owns and manages risks (mostly country operations that include multi-country offices);

(b) The second line monitors performance and compliance, identifies and monitors emerging issues and risks, and provides technical support and guidance to country operations (regional bureaux in the field and the headquarters divisions);

(c) The third line provides independent assurance (independent internal oversight functions and independent external oversight entities).

121. As mentioned above, UNHCR promulgated a new framework of roles, accountabilities and authorities in October 2019. Three documents outline the roles, accountabilities and authorities at the country, bureau and division levels. Currently, the three separate documents constitute the only up-to-date repository in which roles and responsibilities are defined.

(i) Distinction between first and second line

122. Pursuant to the documents on roles, accountabilities and authorities, the country offices own, manage, identify, assess, control and mitigate risks and inform about the development and implementation of policies and procedures.

123. The country offices are the cornerstone of the UNHCR field presence and programme implementation. They ensure close contact with the persons of concern. In the opinion of the Board, the roles, accountabilities and authorities documents leave essential questions unanswered with regard to the operational roles of the country offices. Although robust controls and risk management form an integral part of the first line, the operational part of country offices' roles should not be neglected. Since, at this point in time, those are the only documents that outline roles, accountabilities and authorities, the Board holds that those should be revised and complemented by the core roles of the country offices.

124. Furthermore, the Board found that roles, accountabilities and authorities of country operations and bureaux are defined in identical areas. Oriented along the four-pillar structure of the new regional bureaux, these areas are: strategic planning and management, external engagement, protection, response and solutions, operations support and coordination, and management and oversight.

125. The Board is of the opinion that it is misleading to assign the same areas of responsibility to the first and the second line of defence. For example, currently, the role of oversight is being assigned to country offices and bureaux at the same time. Oversight is a function that obviously belongs to the second line of defence. The Board holds that the documents on roles, accountabilities and authorities needs to be revised to eliminate overlapping and misleading duplications of roles between the first and the second line of defence.

126. The Board recommends that UNHCR make the distinction between the first and the second line of defence clearer in the framework of roles, accountabilities and authorities.

127. UNHCR agreed with the recommendation and stated that it needed to distinguish the oversight responsibilities at each level more clearly.

(ii) Distinction within the second line

128. The divisions are currently undergoing a substantial review and are likely to change their structure and modus operandi in the near future. Therefore, comments on the current structures constitute complementary notes to the ongoing realignment. The current versions of the documents on roles, accountabilities and authorities already incorporate the divisions.

129. The Board noted that the bureaux and the divisions are assigned the same functions. For example, divisions are to provide functional guidance and support to country operations. At the same time, technical support and guidance to country operations are primary functions of the bureaux.

130. During the field visits, bureau staff indicated that the role of the divisions was not yet clear to them. The collaboration between the bureaux and the divisions still needed to be established.

131. The Board sees the risk of interference of bureaux and divisions and of a duplication of work in specific areas. Also, the capacity of the divisions and the bureaux in terms of staffing needs consideration. Technical expertise at the divisions may not overlap with functions at the bureau level. The documents on roles, accountabilities and authorities contain the mention that service level agreements should clarify the authorities of the divisions for direct deliveries. So far, such agreements have not been concluded.

132. The Board holds that UNHCR should expedite the process to clarify and segregate the roles of bureaux and divisions and to conclude coherent service level agreements where needed.

133. The Board noted that four of the seven risk registers of the regional bureaux indicate roles, responsibilities, functions and accountabilities as risk causes with a medium to high risk rating and severe consequences for the organization as a whole. The four bureaux disclosed the risk treatment status as “in progress” as at March 2020.

134. While UNHCR stated that it did not see a big risk for an overlap, it agreed that more work was required to distinguish more clearly the responsibilities at each level.

135. The Board recommends that UNHCR distinguish clearly the roles and responsibilities between the regional bureaux and the divisions as the second line of defence.

136. UNHCR accepted the recommendation. The overlap would be addressed through further harmonization of the framework for roles, accountabilities and authorities and the headquarters realignment.

(iii) Roles and responsibilities of new bureaux positions

137. An analysis of the three separate documents on roles, accountabilities and authorities for, respectively, country offices, bureaux and divisions showed that the teams have roles, whereas the representatives and bureaux and division directors have accountabilities and authorities. The specific roles, authorities and responsibilities relating to individuals' functions are not defined in the documents. UNHCR outlined that the former approach of a global management accountability framework had been abandoned. UNHCR stated that the new standard job descriptions contain duties and a standard clause on accountabilities, complemented by the operational context specific to the individual position and location.

138. The Board noted that there are specific job descriptions for new positions at the regional level, such as the regional controller. Other job descriptions are applicable to all levels (operations, bureaux and headquarters), such as project control officer and cash-based interventions officer.

139. During the visits to the three bureaux, the Board noted that staff members were still in the phase of defining and understanding their roles and responsibilities. For example, a staff member responsible for cash-based interventions understood his role as ensuring oversight and quality checks in relation to the activities of the country operations. However, neither the job description nor the operational context provided for such responsibilities. The operational context in the cases reviewed typically contained specifics regarding the location and required competencies. However, the operational context was not helpful in understanding the specifics of the function.

140. Decentralization resulted in new positions with new responsibilities. The Board is of the view that the roles and responsibilities of new bureau positions are not clear yet. The job descriptions and operational context do not provide for sufficient clarity.

As the hiring managers may decide if and what kind of operational context they want to use, the context will not lead to a harmonized understanding. Furthermore, the Board holds that the roles and responsibilities relating to new bureau positions should be defined in a clear, accessible and transparent manner. Staff in the field cannot be expected to review individual job descriptions and specific operational contexts to understand the second line of defence.

141. The Board recommends that UNHCR define the roles and responsibilities of new functions at the regional bureaux in a clear and transparent manner.

142. UNHCR accepted the recommendation.

Capacity of the first line of defence

143. In March 2019, a change advisory team reviewed the staffing structure in the regions. The review was aimed at assisting the new bureau directors and the senior executive team in finding the best way to position or reposition context-specific and technical staff to strengthen country offices and ensure adequate second-line-of-defence capacities within the new bureaux. The team acknowledged that the number of proposed positions might exceed available resources. The team proposed to establish:

- 184 positions to strengthen the country offices, 36 of which were envisaged to be roving positions serving more than one country;
- 48 context-specific positions in the seven bureaux, ranging from 2 to 14 positions per bureau.

In May 2020, UNHCR stated that country operations had been strengthened by 115 positions.

(i) Capacity gaps

144. After commissioning the new regional bureaux, the bureaux found that some country operations still were not at full capacity. The bureaux noted that it would be difficult to oversee the country operations if the operations were not in a position to fulfil their duties as the first line of defence. The bureaux started to analyse the capacity of the country operations. Some bureaux had already identified gaps, while others were in the process of collecting data.

145. Bureaux were also in the process of exploring options to address the situation. One bureau proposed to fill the function gaps in the region to ensure an effective functioning of the first line of defence. The bureau calculated that there was a need for approximately 45 new positions. Another bureau had started to redeploy positions from the bureau to the field in order to fill capacity gaps. While some bureaux felt that they had to carry out functions of the first line of defence to support the country operations, others felt that such support activities were not permitted, as that would contravene the segregation of duties between the two lines of defence.

146. The effectiveness of the second line of defence depends on the functioning of the first line of defence. While the change advisory team had already analysed the capacity of the first line of defence, the bureaux still found areas of concern. The team's review was carried out one year earlier and was based on several assumptions. Apparently, this exercise needs to be repeated for the country operations.

147. Currently, each regional bureau analyses the capacity of operations individually, without common guidelines and criteria. Also, any action to address gaps depends on the individual assessment of each bureau. The Board considers it important that such an exercise be carried out coherently and that a common definition of necessary capacity be used. If UNHCR were to conclude that country operations lack capacity in certain areas, it should explore various options to fill such gaps, taking into account the cost implications. For example, UNHCR should analyse whether functions for

which operations lack the capacity must be performed on location. Functions that do not necessarily have to be performed on location could be centralized in one office, for example, in a multi-country office or in a separate pillar of the bureaux clearly segregated from the second line of defence.

148. UNHCR clarified that benchmarks had been developed in the past but were deemed to have little utility, in part because they were too aspirational given the budgetary constraints and breadth of other requirements to be covered. UNHCR stated that the bureaux planned to review the capacity in conjunction with the annual resource allocation process and detailed planning for 2021.

149. The Board considers it important that UNHCR carry out a comprehensive review of the capacity of country offices that should exceed the usual procedure of the annual resource allocation process.

150. The Board recommends that UNHCR review the capacity of the country offices as the first line of defence and explore cost-efficient options to bridge possible gaps.

151. UNHCR accepted the recommendation.

(ii) Contextualized positions

152. UNHCR planned that, in addition to approximately 60 core positions, bureaux would have 30 context-specific and/or technical positions, together also referred to as contextualized positions. Those positions could be assigned to the country operations, they could be used as positions for roving officers, they could be shared among countries, or they could be assigned to the bureau if justified. Where workforces would be shared between countries, bureau directors would have full authority.

153. The total number of positions ranged between 64 and 114 per bureau. The Board noted that the number of contextualized positions was much lower and that hardly any positions had been assigned to the field. Furthermore, the data available were contradictory. Out of 562 bureau positions, 8 had been recorded under a different duty station than the bureau in MSRP. The Bureau for Europe reported seven contextualized and field-based positions. However, MSRP only showed two field-based positions. The Bureau for West Africa and Central Africa stated that it had placed all contextualized positions in the bureau and none in the field. The Bureau for Southern Africa stated that it did not have any contextualized positions.

154. In contrast, UNHCR reported 121 contextualized positions. The overview was not aligned with the responsibilities of the new bureaux. The number of contextualized positions varied significantly from region to region.

Table II.4
Number of contextualized positions in the regions covered by the bureaux

<i>Region</i>	<i>Number of contextualized positions</i>
Americas	12
Asia and the Pacific	16
Europe	8
Middle East and North Africa	2
East Africa, Horn of Africa and Great Lakes region	39
Southern Africa	25
West Africa and Central Africa	19
Total	121

Source: UNHCR.

155. Country operations seem to lack capacity in certain areas; the Board holds that a strategic use of contextualized positions could help to address that issue. UNHCR should review contextualized positions and plan for their efficient use.

156. UNHCR stated that all positions within a particular region were under the control of the relevant bureau director, who had the authority to enforce the sharing of staff resources. It would need to be assessed whether this is a structural problem or one of managerial culture within UNHCR.

157. The concept of contextualized positions does not seem clear. The Board holds that sharing contextualized positions could be beneficial in filling capacity gaps at the country offices in the first line of defence, in particular given funding constraints.

158. The Board recommends that UNHCR review the context-specific and contextualized positions and plan for an efficient use of those positions, also in view of the capacity gaps in the first line of defence.

159. UNHCR accepted the recommendation.

Evaluation

160. Evaluation is an important aspect of any reform or change project. Organizations need a mechanism to measure progress and change, to measure costs and benefits, to learn within and from a reform, and to provide accountability to the staff, the governing bodies and other stakeholders on what has been achieved against what was spent. The basis for tracking and evaluating progress and performance should be a framework that include the most important steps to be taken, the results expected, the risks involved and the assumptions made. This includes a cost-benefit analysis, which should show that the real and tangible benefits can be clearly measured and that they outweigh the costs.

161. In February 2019, UNHCR held a workshop with the support of a consultancy firm to assess how it could monitor the decentralization and regionalization project. The workshop resulted in a strategic map and key performance indicators. The map was designed as a “mind map” and included various levels of results and associated possible indicators. The map did not include any baselines or numerical targets. In June 2019, UNHCR selected a subset of key performance indicators for tracking: 9 survey-related indicators and 12 non-survey indicators. Of the 9 survey related indicators, 6 were internal and 3 partner-related. While 8 of the non-survey related indicators were of a quantitative nature, 4 were yes/no questions.

162. The Board noted that UNHCR had not determined the expected results and therefore had not linked the indicators to such results. Furthermore, UNHCR had defined neither baselines nor targets. It was not clear how indicators would measure any progress made. For example:

(a) One indicator measured the number of decisions submitted to the regional committee on contracts or the committee on contracts at headquarters. The underlying reason for this indicator is not clear;

(b) Another indicator counted new authorities transferred. However, owing to the lack of a baseline and target, the indicator cannot measure the progress made;

(c) One indicator covered a minor aspect of the costs and measured the portion of spending directly relating to headquarters and total spending. The overall costs of the reform were not measured;

(d) The simplification aspect was not reflected at all.

163. As at February 2020, the regional bureaux were not aware how UNHCR would monitor and evaluate the decentralization and regionalization process.

164. UNHCR provided updates on the progress being made with the establishment of the new regional bureaux, such as with regard to liaison with Governments, the onboarding of national and international staff, and the comprehensive review of the bureaux' risk register. Furthermore, UNHCR carried out two staff surveys on the decentralization and regionalization project. The second survey focused on whether staff felt informed about the reform and through which channels staff had received information about the reform.

165. UNHCR stated that the subset of indicators had to be read in conjunction with the strategic map. The baseline was the situation prior to the creation of core bureau structures in the regions in September 2019.

166. The Board notes that some of the subset indicators are not even included in the strategic map. This is the case, for instance, for the number of decisions submitted to the committees on contracts. Owing to the lack of a defined target, it remains unclear how progress can be measured.

167. Thus far, UNHCR has monitored progress aspects of the decentralization and regionalization project only. However, it has not started to measure the progress and/or performance in preparation for an impact measurement. The Board considers it important that UNHCR establish a plan for evaluating the project comprehensively. This should include a system for tracking and evaluating the impact, the definition of indicators, baselines and targets. If UNHCR does not have a basis for measuring change and does not evaluate such change, there is little evidence of success or of failure.

168. The Board recommends that UNHCR measure, track and evaluate the intended results and the costs of decentralization and regionalization.

169. UNHCR accepted the recommendation. UNHCR stated that the recommendation would be implemented by redesigning the surveys and automating the tracking of non-survey key performance indicators.

Reform initiative: results-based management project

170. Results-based management is required to provide strategic direction and guidance on the management of UNHCR operations. New performance metrics are to facilitate the measuring of cost-effectiveness and create visible links to the key Sustainable Development Goals, mainly at the levels of impact and outcome.

171. The new results-based management approaches and results structure (impact, outcome and output) were approved by the senior executive team in July 2019. In March 2020, UNHCR released the new global results framework, which is made up of four impact areas and 16 outcome areas. The impact areas are: attaining favourable protection environments, realizing basic rights in safe environments, empowering communities and achieving gender equality, and securing solutions. Twelve indicators measuring the impact and 42 indicators measuring the outcome form the core indicators at the corporate level, 54 core indicators in total.

172. These 54 core indicators serve to give UNHCR a global view of the organization with a focus on the impacts on persons of concern and on the main areas of the Office's contribution. Thus, the results of country operations are to be linked to the global results framework. In addition, in the future, country operations are to work with a simplified and context-specific chain of results at the country level to provide more flexibility in describing their planned activities and intended effects. This approach will enable them to work with stakeholders and governments to develop results that are aligned and consistent with national plans, peer agencies and United Nations country teams.

173. UNHCR plans to roll out the new results-based management ICT system in the beginning of 2021, for the planning of 2022 onwards. The current results-based management framework will still be valid for the biennium 2020–2021. In 2022, UNHCR plans to start implementing its responses using the new results framework.

174. Once the new, multi-year strategic planning process and the new results framework is in use, the bureaux are to assume an oversight and support role with regard to their strategy planning and the monitoring of results at the country level. However, it is not yet clear how this oversight role is to be designed and performed. The Board highlights the importance of having well-aligned and coordinated processes for, in particular, results-based management and the decentralization and regionalization workstreams. The milestones for both processes should be part of the planning and steering roadmap (see para. 118). The Board will continue to audit the results-based management project.

Implementing partnership expenses and project partnership agreements

175. UNHCR implements a large share of its projects through implementing partners. Although implementing partnership expenses slightly decreased by \$30.1 million, or 2.2 per cent, they are still equivalent to 32 per cent of total expenses in 2019. In 2019, implementing partnership expenses amounted to \$1,345.0 million (in 2018: \$1,375.1 million). For each project, UNHCR and the partners sign a project partnership agreement, generally for a duration of up to one year. In 2019, UNHCR concluded 1,637 agreements with implementing partners and 66 agreements with United Nations system agencies and the International Organization for Migration.

176. Of the total implementing partnership expenses, an amount of \$1,022.0 million was subject to independent audits by third-party auditors. UNHCR selected the projects based on a risk assessment of each project and the implementing partner organization. As at 26 June 2020, of the total amount requiring audit certification, UNHCR had not received certificates covering \$450.9 million, or 44.1 per cent. Under normal circumstances, the audit reports would have been due by 30 April 2020 at the latest. However, owing to the effects of the coronavirus pandemic, the independent third-party auditors were partly unable to perform their field audit work and/or alternative audit procedures. These exceptional circumstances, which are beyond the control of UNHCR, hampered the receipt of independent third-party audit certificates 2019. A high level of coverage such as in previous years (82 per cent in 2018) could not be achieved in 2019.

177. Under those exceptional circumstances, the Board has obtained alternative audit evidence. That included additional analysis and confirmation by country operations of the monitoring and oversight activities that they had carried out over the year. The operations summarized the results of project verification and risk-based monitoring of projects throughout 2019 conducted by multifunctional teams and the project control staff. In addition, the third-party auditors provided interim status updates in cases where their audits were still ongoing. This enabled the Board to assess the risk of material misstatements in the pending project certificates. In the past four years, the third-party auditors issued modified audit certificates for an average of 13.8 per cent of the projects audited. The financial impact of the external audits was \$7.4 million on average over the past four years. As at 26 June 2020, audit certificates outstanding for \$450.9 million related to 347 projects, which is equivalent to an average budget amount of \$1.3 million. The selection of projects subject to an external audit is risk-based. For that reason, and in the light of the experience from audits in past years, the Board concludes that, under the exceptional circumstances caused by the coronavirus pandemic, sufficient appropriate audit evidence has been obtained.

Host community expenses

178. The global compact on refugees highlights, in particular, the importance of providing support to hosting countries and communities in a manner that supports refugee protection and the search for durable solutions. For UNHCR, that means, inter alia, that the support to persons of concern through implementing partners is interlinked with the support to host countries. As a consequence, the implementing partnership expenses of UNHCR comprise support to both host countries and persons of concern.

179. During the field visits and the sample review, the Board gained the impression that a considerable portion of implementing partnership expenses were related to support for host countries and communities. The Board examined how the interlinked approach set out in the global compact on refugees was visible in the records of UNHCR.

180. The Board noted that UNHCR does not have an overview of the extent to which implementing partnership expenses relate to hosting countries and communities. Currently, MSRP is not configured to report such expenses separately. They can be identified only on a case-by-case basis on the basis of the project partnership agreements or indications from MSRP chart fields.

181. The Board holds that information on the way in which UNHCR programmes contribute to the global compact on refugees will help UNHCR in its communication with donors and the humanitarian community. Such information would also provide a better overview for fundraising, steering and planning purposes.

182. The Board recommends that UNHCR analyse expenses related to hosting countries and communities and identify ways to better demonstrate how its assistance benefits host communities in line with the principle set out in the global compact on refugees.

183. UNHCR accepted the recommendation and stated that it was committed to maintaining its transparency on the way in which its programmes contribute to the global compact on refugees. UNHCR was considering ways to better highlight its assistance to host communities in the light of the ongoing institutional transformation, which includes results-based management.

*Monitoring of partnership agreements**(i) Monitoring of projects*

184. Monitoring is a crucial aspect of managing projects. For partnership agreements, the Implementing Partnership Management Service at headquarters has developed a risk-based monitoring and control template toolkit. The toolkit includes a project monitoring plan template and templates to record financial and performance monitoring activities. Country operations are responsible for monitoring the implementation and upload relevant documents so that headquarters has access to them.

185. For a sample of 15 partnership agreements, the Board requested supporting documents such as each project's financial reports and verification reports. The Board reviewed all the documents provided by UNHCR up to 17 April 2020 and found that several documents were lacking:

- In 2 of 15 cases (13 per cent), the partner had not submitted the final financial report;
- For 10 out of 15 projects (67 per cent), country operations had not prepared the final performance monitoring report;
- In 5 out of 15 cases (33 per cent), the end-of-year financial monitoring report was lacking.

186. For one project, whose budget for the period from January to December 2019 was \$5 million, the parties did not sign the agreement until June 2019. The parties amended the agreement twice. However, only two of the three parties signed the amendments. The amendments indicate that, by December 2019, the third party had also not signed the initial agreement.

187. UNHCR stated that the challenges related to the coronavirus pandemic were the main reason for the delays in finalizing the documents. Furthermore, the paper-based systems made it challenging to handle documentation. UNHCR was currently exploring a project monitoring and oversight system that would reduce the use of paper-based tools. The regional bureaux, in their role as the second line of defence, would help to enhance compliance.

188. The Board appreciates the ongoing initiatives taken by UNHCR. The Board notes that the insufficiency of the monitoring activities carried out by country offices has been an issue for years. For instance, a UNHCR review revealed that, in 2018, only 28 per cent of the offices had prepared the required performance monitoring reports. The Board considers it crucial that project implementation be properly monitored. In cases where reports are not provided in time, the delay needs to have consequences, for instance, by making non-compliance transparent, adjusting the project or, in serious cases, discontinuing implementation.

189. The Board recommends that UNHCR establish a control mechanism to ensure that country offices monitor the implementation of partnership agreements as agreed in the monitoring schedule and in a timely manner.

190. UNHCR agreed with the recommendation and concurred that compliance with partnership reporting, monitoring and verification requirements needed to be improved. UNHCR stated that it was currently reviewing the requirements as set out in the risk-based monitoring and control template toolkit in the light of the experience of field operations in recent years. UNHCR was currently designing a system that would improve project management and oversight. UNHCR would expand the functionality of the system to include the controls necessary to address the recommendation.

(ii) Aggregated risk monitoring

191. Project control activities for the effective management of implementing partner projects is one of the key elements in the implementing partner process. Project control is responsible for, inter alia, the risk assessment and the project performance monitoring plan. The risk assessment and the performance monitoring plan are used to determine the intensity and frequency of monitoring visits and the monitoring schedule. Depending on the size and budgetary volumes of the operations, it is common practice that one project control officer oversees a considerable number of partners and partnership agreements. A similar situation applies to the project control and multifunctional teams at the regional bureaux.

192. The Board found that partnership agreements were being assessed and monitored on an individual basis only. The implementing partnership rules and guidance did not require country operations to aggregate such information for all partnership agreements, nor did the Implementing Partnership Management Service provide tools for such an overview. The Board noted that some country operations developed their own tools to gather and summarize the necessary information, and to arrive at a reasonable overview of the agreements under their purview.

193. The Board holds that the risk-based allocation of monitoring resources is of the utmost importance to ensuring that partnership agreements with higher risks and higher volumes are monitored with the necessary intensity. Smaller and less risky projects may receive less attention. A coordinated schedule for all agreements in one country operation is possible only if the project control units and the multifunctional teams have an overview of all the projects that fall under their responsibility. This is a precondition to ensuring that resources can be prioritized and used in a cost-efficient and timely manner.

194. The Board recommends that UNHCR develop an aggregate risk-based project monitoring template that summarizes and prioritizes the monitoring approach for all partnership agreements in a given country operation and in the region under the purview of a given bureau.

195. UNHCR agreed with the recommendation. UNHCR stated that, in the course of reviewing the risk monitoring and control toolkit and related forms, the Implementation Management and Assurance Service of the Division of Strategic Planning and Results would explore the development of an aggregate risk-based project monitoring template. In particular, the Service would ensure that the relevant functionality would be built into the project management and oversight system currently under design.

Procurement by partners

196. In 2019, \$784.7 million (58 per cent) of the implementing partnership expenses was related to the procurement of goods and services by partners. The administrative instruction on procurement by partners under partnership agreements (UNHCR/AI/2018/1) stipulates that, when UNHCR is considering to entrust procurement to a partner, UNHCR needs to verify that the partner's procurement rules, regulations and practices are compatible with: (a) United Nations/UNHCR key procurement principles; (b) UNHCR ethical standards in procurement; and (c) a systematic approach that maintains control measures for the effective management of procurement processes.

197. In general, partners need to be pre-qualified for procurement by headquarters if the expected procurement value amounts to \$100,000 or more under a single partnership agreement (there are some exceptions, for example, government entities). In addition to pre-qualification for procurement, the operation in question needs to

assess whether the partner has sufficient capacity for and experience in effective and efficient procurement of a similar size, with similar specifications and within the same or a similar operating environment.

(i) Control mechanism for entrusting procurement for a value of more than \$100,000

198. The Board found that UNHCR had entrusted 134 partners with procurement values of more than \$100,000 that neither had been pre-qualified for procurement nor had applied for pre-qualification. The total procurement value for those partners amounted to \$59.2 million. While some of those might be local branches of organizations covered by the pre-qualification status of their head offices, no information was available to confirm that that was indeed the case.

199. UNHCR stated that, with the exception of emergency situations, the country operations had to ensure that a partner was pre-qualified before the authority to procure was delegated. In urgent and exceptional situations, a partner that has committed to submitting its application for pre-qualification within the first six months of the project could be engaged for procurement exceeding \$100,000 under one partnership agreement.

200. The pre-qualification for procurement is an internal control mechanism to ensure that the partner's procurement practices are in line with the rules of UNHCR. If this is not verified, entrusting UNHCR-funded procurement to partners may lead to an evasion of UNHCR procurement rules and procedures. The Board holds that compliance with this requirement should be monitored by headquarters or the regional bureaux.

201. The Board recommends that UNHCR headquarters and/or regional bureaux monitor country operations to ensure that they entrust procurement for a value of more than \$100,000 only to partners with a valid pre-qualification for procurement status.

202. UNHCR agreed with the recommendation.

(ii) Weaknesses in the process

203. Firstly, the Board reviewed the pre-qualification process at headquarters. Partners may apply for pre-qualification for procurement either through the partner portal or through their country operation. UNHCR headquarters then reviews and evaluates whether the partner's procurement policies are compatible with UNHCR policies and grants the status as appropriate. Guidance note 4 includes a list of questions to be addressed when verifying whether pre-qualification status can be granted.

204. The Board noted that some of those questions were vague and that there were no clear benchmark criteria that had to be met. For example, UNHCR had to assess whether partners respected the four procurement principles. Furthermore, certain aspects of a proper procurement procedure were not captured, for instance, the safeguarding of tenders and a tender opening procedure, a committee of contract as a quality control mechanism, and a procedure for ex post facto cases. The assessment by headquarters did not take into consideration audit findings and monitoring or verification reports in the area of procurement.

205. The Board reviewed the documentation on the approval process for four partners. The Board noted that the related policies differed significantly: some had been worked out in detail, while others covered only the main aspects. In the latter case, it remained unclear how the partner would deal with aspects that were not covered by the policy. For instance, not all policies covered the evaluation of proposals/bids, the procedure for the receipt and opening of tenders, or vendor

management. Furthermore, the documents raised doubts as to whether the partners had adequate procurement policies in place. One policy did not distinguish clearly between various solicitation methods and it contained contradictory stipulations. Another partner reported an average procurement volume of \$33,000 per year. The partner also reported that 5 out of 36 staff members were tasked with procurement. The policy indicated that the requisitioner approved procurement actions, which violated the segregation of duties principle.

206. Secondly, the Board reviewed the process steps at the country level. Before entrusting procurement activities to a partner, the country offices need to undertake and document an analysis to determine whether procurement by a partner would have a comparative advantage. Once the country office can confirm that this is indeed the case, it examines potential partners for the role. The representative or head of office then decides to entrust procurement to the partner on the basis of the comparative advantage analysis. The administrative instruction provides three templates to document the stages of this process.

207. Out of a sample of 15 partnership agreements, UNHCR had not provided any documents on the selection of 6 partners (40 per cent). One of those partners had not been pre-qualified for procurement and therefore the country operation would have had to verify the compatibility of that partner's procurement rules. For 9 agreements, records of the decision were available. For 3 of those, however, country offices had documented the process using older templates that did not include all the information needed. For 2 partners, UNHCR provided two of the three current templates. For only 4 out of 15 partners (27 per cent), UNHCR provided all three templates. While all projects had started in January 2019, none of the documentation had been signed in time. The last of the decisions was signed on 13 September 2019.

208. The Board noted that country offices had justified the decision on the modality of procurement only in general terms. General assumptions were that the partner would have access to local markets and would have sufficient staff and technical expertise. The country offices also assumed that potential partners would be pre-qualified for procurement and exempted from value added tax.

209. The template to document the assessment of a given partner required information on, for instance, the partner's capacity, its tax exemptions and whether it had received a clean audit opinion. However, the template did not require details. Furthermore, it was not clear how weaknesses identified as part of audits and verification visits, or a partner's limited capacity, should be taken into account, or how those things were taken into account in practice. Five out of nine partners were not exempted from value added tax. The documents neither quantified the financial impact nor contained an assessment of the situation.

210. Country offices justified the final decision with cost and response times and mostly technical expertise. In none of the cases, the cost savings were quantified. Country offices did not explain why the partner had a quicker response time than UNHCR or why the partner's technical expertise was higher than the expertise of UNHCR staff.

211. The Board holds that UNHCR should enhance the procedures for procurement by partners. The process for granting pre-qualification status is currently limited to a review of the partner's procurement policy. However, the country offices seem to rely on the status and do not assess in detail the capacity of the partner or the review observations from verification visits or audits. The Board considers it advisable that available information from audits and verification reports be taken into account when granting the status. UNHCR should ensure that all procurement aspects are reviewed to provide assurance that partners apply adequate procurement rules and procedures. The process would gain consistency with clearly set benchmark criteria. UNHCR

could then ensure that all applications are measured against the same benchmarks and could give additional guidance to its staff.

212. The Board considers it important that country operations document their decisions and that the justification be meaningful and substantiated. The comparative advantage of entrusting procurement to the partner should be quantified. Records mentioned that the operation did not have the capacity to carry out the procurement. While this may be a valid point, it does not constitute a comparative advantage. UNHCR needs to analyse whether operations lack the capacity and how that capacity gap may be closed. Country operations should also take into account available framework agreements at the global, regional and local levels, as well as the prices and the delivery conditions.

213. The Board recommends that UNHCR review, in a combined exercise, the process of granting pre-qualification for procurement status to partners and the process for entrusting procurement to partners. UNHCR should ensure that the processes cover all main aspects of a procurement procedure and require the review of audit results and monitoring or verification observations in the area of partner procurement.

214. UNHCR accepted the recommendation, but added that, while the samples might have shown deficiencies, those were probably not related to the processes, which already covered all main aspects of the delegation of procurement. Even so, as part of its continuous improvement, UNHCR would evaluate how these processes could be further improved.

215. The Board holds that the findings clearly show deficiencies. UNHCR should analyse the deficiencies detected to develop corrective actions. The Board considers it important that the processes cover all main aspects of a procurement procedure, such as the presence of a proper tender opening procedure.

216. The Board recommends that UNHCR review the templates for entrusting procurement to implementing partners in order to ensure a meaningful analysis, a calculation of costs and a justified decision. This should include a calculation of costs when a partner is not exempted from value added tax.

217. UNHCR agreed with the recommendation.

(iii) Insufficient monitoring

218. The administrative instruction on procurement by partners under partnership agreements (UNHCR/AI/2018/1) describes the responsibilities for monitoring the process to entrust procurement to partners under partnership agreements. In accordance with the instruction, regional bureaux are required to provide the necessary support and oversight to ensure that the respective country operations comply with the administrative instruction. A multifunctional team at headquarters is responsible for conducting periodic reviews of field applications and providing technical support to the regional bureaux to further enhance compliance. The multifunctional team consists of the Division of Financial and Administrative Management, the Division of Emergency, Security and Supply and the Division of Programme Support and Management. The administrative instructions describe the responsibilities of the divisions and the country operations in more detail. For example, the Division of Programme Support and Management is responsible for monitoring the decisions to engage partners in procurement activities.

219. The Board's findings show that the process to entrust procurement to partners offers room for improvement. The Board holds that the responsibilities shared by three divisions at headquarters, the bureaux and the country operations need to be enhanced. No procedures are defined to coordinate oversight. During interviews,

headquarters stated that its focus was on policy instead of oversight. With the decentralization and regionalization, UNHCR aims at strengthening the role of the regional bureaux. The Board holds that the bureaux should have a stronger role in the monitoring activities.

220. UNHCR stated that the regional bureaux would formally be delegated the responsibility to monitor processes at the country level.

221. The Board recommends that, in order to ensure compliance with established rules, UNHCR define clear monitoring responsibilities at headquarters and/or the regional bureaux regarding the country-level process to entrust procurement to partners.

222. UNHCR agreed with the recommendation.

Weaknesses in performance measurement

223. The project description in the partnership agreement provides detailed information about the project to be implemented and its link with the operations plan. The Implementing Partnership Management Service issued a template for the project description. For each problem, the country operation, together with the implementing partner, should define an impact indicator with a baseline and target and associated outputs with performance indicators and performance targets.

224. The Board reviewed a sample of partnership agreements and found weaknesses in the definition of indicators: the baseline and/or target were not always defined for the impact indicator. In some cases, a target was lacking for performance indicators. Consequently, the impact or output could not be measured. Furthermore, performance and impact indicators and their descriptions were used inconsistently.

225. The goal of the project was not reflected in meaningful indicators or outputs. For example, one project was aimed at continuing and expanding camp management by providing camp coordination, community outreach and participation, community accountability, etc. One budget target was \$4 million, yet the only output that had been specified was that roles and responsibilities for camp managers and service providers would be defined and agreed.

226. Although the budget of projects increased, the outputs were not adapted to reflect the rise in funds. For example, the budget doubled from 4.7 million euros to 9.3 million euros for the outputs “reception/transit, infrastructure established and maintained”. At the same time, the performance targets decreased. Instead of an initial 4,502 accommodations, only 4,170 were to be maintained. Furthermore, the number of persons with specific needs supported decreased from 2,000 to 1,350.

227. The financial and performance verification reports of country operations are used to review the performance of partners. Those reports showed that targets and budget allocation were not always being planned in a realistic manner. In several cases, the implementation rate was high while the rate of expenditure was low. For instance: after six months, the partner in question had constructed 120 per cent of the envisaged wells and used only 36 per cent of the projected budget for that purpose.

228. During a field visit to Bangladesh, the Board also noted weaknesses in the definition of performance indicators and targets. For one partnership agreement, the project performance report did not include any performance indicators. For another agreement, some of the performance targets were set at zero in the third-quarter project performance report, whereas the project agreement indicated concrete numbers of over thousand items that were to be distributed.

229. In order to manage partnership agreements effectively, their impact needs to be assessed. Country operations need to select adequate indicators and outputs that

reflect the main objectives of the project and correspond to a major portion of the budget resources. Baselines and targets should be defined properly and the budget should be allocated in a realistic manner.

230. UNHCR stated that it expected that the renewed results framework planned for 2022 would improve the situation. Headquarters would work with the bureaux to identify needs for capacity enhancement in field operations and offer training sessions to refresh the knowledge about the preparation and management of partnership agreements.

231. The Board recommends that UNHCR analyse the weaknesses in the selection and/or definition of impact indicators, outputs and performance indicators, and explore options for better supporting country operations in preparing partnership agreements.

232. UNHCR agreed with the recommendation. UNHCR stated that the Division of Strategic Planning and Results would be addressing those weaknesses in the context of the results-based management reforms currently being designed and to be rolled out for the 2022 cycle.

Multi-year partnership agreements

233. UNHCR has committed to introducing a multi-year approach as part of its 2017–2021 Strategic Directions and its Grand Bargain commitments. In May 2019, UNHCR started multi-year agreements as a pilot project. According to UNHCR, 17 multi-year agreements were signed with a total budget of \$4.5 million in the first year and \$4.9 million in the second year. The multi-year agreements represent about 0.3 per cent of the total implementing partnership expense volume of \$1.3 billion in 2019.

234. In contrast to annual agreements, multi-year agreements are initially signed for the duration of two years. Upon assessment, that period may be extended to a maximum of four years. The Implementing Partnership Management Service has developed a set of templates to be used by country offices. The agreements should contain a budget for the second year. The budget for the second year of multi-year agreements cannot be posted in MSRP but is calculated in Excel owing to the current annual structure of UNHCR budgets.

235. In order to continue a multi-year agreement in the second year, an amendment needs to be signed. The Board noted that the multi-year partnership agreement and the amendments used did not contain all the necessary financial information to continue the agreements in the second year, such as budget information, a monitoring plan and updated instalment plans.

236. The Board noted the following weaknesses: submitting budgets in the form of Excel spreadsheets rather than through MSRP is error-prone and a step backwards in UNHCR endeavour to digitize its processes. Also, the multi-year agreements that the Board reviewed focused heavily on the first year. Consequently, significant parts of the agreement needed to be regulated in the amendment. It would be more beneficial if the multi-year agreement actually included all the relevant information for the two years while highlighting that the second year was subject to funding and satisfactory performance.

237. The Board holds that the current pilot project involving multi-year agreements is still at its early stages. The potential seen by donors and aid organizations in two-year contracts can only be realized if the issues outlined above are addressed.

238. The Board recommends that UNHCR develop a plan for the ongoing implementation and extension of multi-year partnership agreements (including

a financial target) for the years ahead. This should include links to budget cycles, monitoring and auditing.

239. UNHCR accepted the recommendation. UNHCR stated that increasing the number and value of multi-year agreements was in line with the reforms of the newly established Division of Strategic Planning and Results. With regard to a financial target, UNHCR stated that the number and financial value of agreements was affected by external variables, including donor conditions and earmarking, over which UNHCR had limited control and influence.

240. The Board recommends that UNHCR provide templates for multi-year partnership agreement amendments to continue the agreement into the second year. Such templates should provide for necessary information such as budget information and updated instalment plans in a concise format.

241. UNHCR accepted the recommendation and stated that it would review current templates for multi-year partnership agreements in the third quarter of 2020.

Cash assistance to beneficiaries

242. In 2019, UNHCR further expanded the use of cash assistance programmes. The total amount involved in direct programmes was \$569.7 million, compared with \$472.4 million in 2018. In addition, UNHCR expensed \$76.2 million (\$95.7 million in 2018) on programmes implemented through partners. The total amount of cash assistance increased by \$77.8 million to reach \$645.9 million, mainly for multipurpose cash assistance.

Cash management system

243. In its 2018 report, the Board recommended that UNHCR further enhance and streamline the documentation, monitoring and reconciliations in the cash assistance process. One important element for enhanced and coherent documentation and oversight in the process is the further roll-out of the UNHCR cash assistance management system (CashAssist). CashAssist integrates a number of features and automated cross-checks into one electronic database, starting from the registration data up to the reconciliation of the final cash distributions. UNHCR intends to roll out CashAssist progressively to all operations implementing cash programmes after the migration to the upgraded version of version 4 of the Profile Global Registration System (proGres v4) (see also chap. II, paras. 323–332). UNHCR had intended to have 25 country operations using CashAssist by the end of 2019. However, by April 2020, only six operations had successfully rolled out CashAssist, two had finished training activities and seven operations had training activities for the roll-out still ongoing.

244. The Board recommends that UNHCR expedite the roll-out of the CashAssist management tool to ensure streamlined documentation, monitoring and reconciliations in the cash assistance process.

245. UNHCR concurred with the recommendation and stated that all efforts were being undertaken to ensure the continued scaled-up roll-out of CashAssist despite the restrictions imposed owing to the coronavirus pandemic, in particular the lockdown and the remote working arrangements.

Financial service provider for common cash facilities

246. The common cash facility is a collaborative, multi-stakeholder approach to delivering cash assistance. United Nations system agencies and non-governmental organizations work together and have direct and equal access to one joint financial service provider by means of a platform.

247. The Board noted that the requirements for the technical and reporting capabilities of financial service providers are particularly complex and specific in relation to common cash facilities. Since 2016, one of the country operations that participates in a large common cash facility programme has not been able to make timely refunds as required under the standard operating procedures. This difficulty is related to the technical systems and the reporting capabilities of the financial service provider. The Board noted that the technical systems of the financial service provider need to be compatible with the technical requirements of UNHCR and of the other agencies participating in the common cash facility. The programme mechanisms and objectives of the participating agencies can differ significantly. To make the best and most cost-efficient use of a joint financial service provider, UNHCR needs to ensure, in its capacity as participating agency, that its specific requirements and standards are duly taken into account in the selection of the service provider.

248. In the procurement of financial services, UNHCR should review whether functional and technical systems of a given financial service provider can be integrated and whether procedural requirements can be met. In the case of commingled cash pools, having automated traceability and system-integrated methodologies in place is even more important than in the case of stand-alone funds as regards ownership-of-assets and refund reporting. The procedures should provide for a periodic review to confirm that the financial service provider has the capabilities to administer the programme and to comply with UNHCR requirements. UNHCR requirements should be specified in terms of the volume of transactions and the required automations at the individual and consolidated transactional levels, including the required records of reconciliations and reports of refunds.

249. The Board recommends that UNHCR specify the procedures for the procurement of financial services when participating in common cash facilities involving commingled cash pools. The procedures should also provide for a periodic review to confirm that the financial service provider has the capabilities to administer the programme and to meet UNHCR-specific requirements.

250. UNHCR accepted the recommendation.

Global fleet management

251. In 2014, UNHCR established its global fleet management project to facilitate and streamline the management of its vehicle fleet. The project consists of a rental scheme for light vehicles, centralized vehicle procurement and disposal, and an insurance scheme. It was intended to be operated as a self-sustained fund with predictable and reliable financial resources. One of the central elements of global fleet management was to directly assign the revenues from the monthly reimbursements received from operations. Those revenues relate mainly to rent and insurance (see also the instruction contained in memorandum IOM/FOM 019/2013). The rental and sales income generated by light vehicles is intended for reinvestment in new vehicles. The FleetWave software application is used to conduct the rental scheme.

Budget and revenues

252. Global fleet management was intended to operate as a fund so that its budget is not restricted to one budget cycle and resources can be carried forward to the next cycle. However, the project is currently not being operated as a fund. Instead, the project is managed as if it were a programme. The Board holds that the current budget system interferes with the efficient operation of the project and with the operation as originally intended. Liquidity – in particular at the beginning of a budget year – is only guaranteed through a loan. The allocation of running revenues from the rental

programme and of sales revenues depends on the approval of the Programme Budget Service and the budget committee. Therefore, global fleet management operates in an environment of uncertain liquidity.

253. The Board reviewed the budgeting of global fleet management and the revenue allocation process. Global fleet management operates with an annual budget and starts its activities with a balance of zero. It receives a loan from the operational reserve to operate, which has to be reimbursed. Rental and sales revenues are not automatically allocated to global fleet management but are subject to a complicated, time-consuming and open-ended approval process governed by the Programme Budget Service and/or the budget committee. As a result of the budget approval process, revenues that are recorded in the books in December from both the rental programme and vehicle sales usually do not reach global fleet management. Revenues generated in December do not reach global fleet management at all.

254. According to the above-mentioned instruction and the central funding element of the global fleet, global fleet management is entitled to the rental and sales revenues it generates without a reduction and without further approval steps. The Board found that the global fleet management revenue allocation process that is currently being applied resulted in considerable revenue that ultimately was not being allocated to global fleet management, contrary to the instruction. From 2016 to 2019, almost \$9 million in revenues from vehicle sales (\$7.63 million) and from the rental scheme (\$1.33 million) were generated but not allocated to global fleet management (see table II.5).

Table II.5
Global fleet management revenues and allocation

(Thousands of United States dollars)

<i>Budget year</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Rental income generated by GFM	25 365	25 438	33 249	39 234	123 286
Rental income allocated to GFM	24 714	24 958	33 222	39 059	121 953
Lost revenue	651	480	27	175	1 333
Income from sales of light vehicles generated by GFM	6 072	9 102	9 937	15 198	40 309
Light vehicle sales income allocated to GFM	5 472	7 167	7 993	12 052	32 684
Lost revenue	600	1 935	1 944	3 146	7 625

Source: UNHCR.

Abbreviation: GFM, global fleet management.

255. UNHCR stated that revenue from the sale of assets was recorded as miscellaneous income, which was considered as available for allocation to the organization's requirements. Furthermore, UNHCR outlined that the proceeds from vehicle rental and sales were allocated to global fleet management at the request of the Asset and Fleet Management Section, after confirmation by the Accounts and Financial Service and approval through the existing resource allocation process.

256. The Board found that the current revenue allocation process is not compliant with the instruction and global fleet central funding element and resulted in a shortfall in allocations in the amount of \$9 million between 2016 and 2019. Global fleet management calculates the monthly rental fees for the coming year based on current revenue from the rental scheme and expected revenues from light vehicle sales. The lower the rental fee, the less operations have to pay for running costs. The Board holds that lower running costs are the best tool for global fleet management to operate effectively and that operations accept the rental scheme and comply with applicable

rules. If the global fleet management does not receive all the revenues it generates, the potential reduction of the rental fees is affected, which in turn places a higher burden on the budgets of the operations than necessary. Lower rental fees could give operations the opportunity to spend more on operations under the core mandate. The Board also holds that global fleet management suffers from a substantial shortfall in budget funds needed for reinvesting in new vehicles. Moreover, revenues from light vehicle sales should not only be earmarked for reinvestment, but should also be freely available for global fleet management to cover other costs or reduce the rental fee. Since the revenue from the sale of assets and from rent is recorded in miscellaneous income (see para. 255), UNHCR cannot trace and transparently disclose to which budget the above-mentioned proceeds of \$9 million from vehicle sales and rental income are allocated, because the miscellaneous income sources are commingled.

257. The Board recommends that UNHCR simplify the budget process for global fleet management and comply with the instruction and global fleet central funding element according to which rental- and sales-generated revenues should be made available to the self-sustained global fleet management fund. Until this budget process has been simplified, the unallocated income from the global fleet should be explicitly and transparently identified and traced for monitoring purposes and then allocated to the global fleet budget as deemed appropriate.

258. UNHCR agreed to simplify the budget process for global fleet management. First, UNHCR will initiate a thorough assessment to identify the mechanisms to be used to achieve a clearer and more transparent methodology for the allocation of revenue to self-financing activities under global fleet management.

259. The Board trusts that the above-mentioned thorough assessment reflects the rationale of the instruction, which is aimed at providing global fleet management with predictable and reliable financial resources to operate efficiently.

Procurement of light vehicles

260. In 2019, global fleet management procured almost 1,400 vehicles at acquisition costs of approximately \$34 million. Global fleet management has three pillars to determine its need to procure vehicles. The first pillar is the ageing of the vehicle fleet. Global fleet management analyses the composition of the fleet and identifies vehicles that are close to reaching their lifespan of 60 months (five years) and need to be replaced. The analysis is based on ageing reports. The second pillar is the fact that operations report their needs for the following years. Operations are required to indicate their light vehicle needs for the following year in the annual programme review in April and confirm those figures in October, when their budget is approved. Needs that are submitted to global fleet management before the new budget year starts are categorized as planned figures. Needs that are submitted from January onwards of the current financial year are categorized as ad hoc figures. According to UNHCR, operations often fail to report their needs. The third pillar is the upstream pipeline that is defined as follows:

- (a) Vehicles ordered (purchase order is placed) but not yet manufactured;
- (b) Vehicles on assembly line (at manufacturer);
- (c) Vehicles shipped from manufacturer to hub;
- (d) Vehicles on stock at hub.

261. According to global fleet management, operations reported the need for approximately 600 light vehicles prior to the beginning of the 2019 budget year. Global fleet management procured 1,392 vehicles in 2019. Under the definition of

UNHCR, 43 per cent are planned procurements and 57 per cent are ad hoc procurements.

262. The Board is of the opinion that the ageing of the fleet is rather an additional indicator to inform operations that a vehicle needs to be replaced soon. Ageing is not an indicator of whether a given vehicle will actually be needed by the operation in the future. The Board holds that the ageing report is only a supplementary source of information for mid-term or even long-term forecasting.

263. The Board holds that the ratio of planned and ad hoc requests does not serve the purposes of reliable upfront planning. Operations place more than 50 per cent of their orders on an ad hoc basis. Global fleet management is obliged to procure and store more vehicles than necessary to meet ad hoc orders from operations. This ties up funding, leads to avoidable work, since procurement and storage have to be administered, and negatively affects the efficient and effective use of financial resources. The Board is concerned that the lack of crucial information and the low proportion of planned procurement prevents global fleet management from developing a proper procurement plan.

264. The Board recommends that UNHCR support operations in their needs assessment for new vehicles in accordance with applicable administrative instructions.

265. The Board recommends that UNHCR encourage operations to provide information on mileage in FleetWave, since global fleet management intended to use mileage as a criterion for disposal. If the system is not set up for that functionality, it should be adjusted accordingly.

266. The Board recommends that UNHCR take measures to establish a meaningful overall procurement plan for light vehicles based on operations' needs assessments and disposal plans.

267. UNHCR agreed with the recommendations.

Vehicles on stock

268. Light vehicles that are procured but not yet shipped to an operation are stored at the vehicle hub in Thailand. The hub is managed by an external service provider. According to a list provided by global fleet management, the stock as at 30 March 2020 stood as shown in table II.6.

Table II.6
Global fleet stock as at 30 March 2020

(Thousands of United States dollars)

<i>Composition</i>	<i>Quantity</i>	<i>Acquisition costs</i>
Emergency stock	320	2 254
Reserved for operations	82	1 857
Available stock	368	13 116
Total	770	17 227

Source: UNHCR.

269. The total stock of 770 vehicles comprised 368 available vehicles. UNHCR argued that 368 vehicles would not be sufficient, given the commitment of global fleet management to deliver ordered vehicles to the operations within three months (referred to as the lead time). The Board holds that the detailed composition of the

global fleet stock is irrelevant. Ultimately, all stored vehicles are available to satisfy orders regardless of the purpose and of whether the relevant funds are tied up. The Board acknowledges that the high proportion of ad hoc orders can only be processed within the lead time if all types of light vehicles are available at the hub at any given time. However, the Board is of the opinion that global fleet management can also meet the lead time with a reduced quantity of stored vehicles if a meaningful overall procurement plan is in place. To achieve that goal, operations must enhance the collaboration with global fleet management and provide their needs assessments in time.

270. The Board found that the average storage duration of the vehicles was about 10 months. Some of the vehicles had remained at the stockpile for more than four years before they were dispatched to an operation. This related to certain models in particular, for which the demand was apparently lower than for others. As at 30 March 2020, of the current stock, 148 vehicles (22 per cent) had been stored for more than one year. The average annual cost for maintenance of vehicles stored at the hub is almost \$1,600 per vehicle. The Board also found that additional vehicles were ordered to the stockpile, although the same type of vehicle had already been on stock for a longer time and had not been ordered by any operation. As at March 2020, available and emergency stock amounted to 688 vehicles with tied-up funds of \$15 million (total acquisition costs). The need for those vehicles is uncertain, since no request has been placed by operations to date. In relation to the procurement of some \$34 million, the vehicles in question represent 45 per cent of the acquisitions made in 2019. The Board holds that the long-term storage of vehicles is not cost-efficient.

271. Global fleet management determines the useful life of a vehicle at a maximum of five years. The Board is of the opinion that it is not cost-efficient if more than 20 per cent of the vehicles are put into service after one or more of those five years have expired. The value of these vehicles reduces day by day, although the vehicles are standing unused at the hub. In general, vehicles lose a disproportionate amount of their value in the first years. Considering storage durations of more than 12 months, the Board holds that these vehicles should be subject to the year-end impairment review.

272. The Board recommends that UNHCR define a reasonable level of capacity to optimize the average vehicle storage duration. UNHCR should consider lessons learned for all models before ordering new vehicles so as to avoid storage durations of more than 12 months.

273. UNHCR stated its intent to review whether it would be feasible to implement the recommendation, considering the requirement imposed on global fleet management to guarantee a delivery lead time of three months to the operations.

274. The Board recommends that UNHCR consider including vehicles that are on stock for more than 12 months in the year-end impairment exercise.

275. UNHCR did not accept the recommendation, as the vehicles would not become impaired while parked at the hub and could be resold without any loss after 12 months. UNHCR stated that, based on the number of vehicles purchased, UNHCR benefited from high-volume purchase discounts and payed prices that usually were significantly lower than the market value of similar vehicles.

276. The Board adheres to the recommendation that vehicles stored for more than 12 months should be subject to an impairment review. For the reasons mentioned above, there are indications that the fair value of the vehicles is below the carrying amount, thus an impairment review is required.

Accessories and capitalization

277. All new light vehicles provided by global fleet management and supplied from the hub are equipped with, inter alia, a vehicle tracking system, first aid kits, fire extinguishers, vehicle logbooks and service books. In addition to this standard equipment, operations may request a range of other accessories, depending on the requirements and the anticipated use in a given case, for example a bullbar. In 2019, expenses on accessories and radio equipment amounted to approximately \$4.42 million. Accessories are currently expensed as supplies and consumables. Further costs are incurred for the installation of these items, which are expensed as contractual services.

278. The Board is of the opinion that all those accessories are necessary to make the vehicles operational. The Board holds that the accessories and their installation costs are part of the acquisition costs. Those expenses should be capitalized as additional acquisition costs for the vehicles.

279. The Board recommends that UNHCR capitalize expenses on accessories and their installation.

280. UNHCR accepted the recommendation to capitalize accessories and related installation costs as part of the vehicle acquisition costs.

Disposal policy

281. Pursuant to section 2.1.2 of the operational guidelines for the management and use of UNHCR vehicles (UNHCR/OG/2015/9), light vehicles covered by the global fleet management rental scheme are disposed of on the basis of ageing (five years) or mileage (150,000 kilometres), whichever comes first.

282. The Board found that global fleet management had reliable information about the age of each light vehicle and of the fleet in general. Ageing reports are generated at regular intervals. The Board also found that information on mileage was not yet available. Operations do not provide information on mileage, although the software required to do so is available and in place. Global fleet management makes efforts to encourage operations to provide mileage information. As a result, ageing remains the relevant and available information to dispose of vehicles. The Board holds that information on mileage is crucial not only for the disposal decision, but also for monitoring vehicle use in general and for making various operational decisions.

283. The Board recommends that UNHCR take steps to capture the mileage of the fleet together with the age of the vehicles as a basis for the disposal decision.

284. UNHCR accepted the recommendation.

United Nations Office for Project Services assignment and expenditure procedures*Legal and policy considerations*

285. UNOPS provides services to UNHCR in accordance with the terms of their June 1998 agreement. In 1998, UNHCR and UNOPS signed a general operational agreement. Under the agreement, UNOPS may provide, as requested by and for the account of UNHCR, inter alia, the following services:

- (a) Recruitment and administration of project personnel;
- (b) Implementation of projects and programmes;
- (c) Procurement of equipment supplies and commodities;
- (d) Contracting of consulting firms and contractors for services and works.

286. The general operational agreement serves to establish a framework of cooperation and agreement between the two organizations and presents an overarching guiding document for formalizing the working relationship. The document is 22 years old and some of its terms and conditions are outdated, such as the request for funds. The general agreement enables UNHCR to use UNOPS services for providing project personnel. Until 2015, bureaux and divisions of UNHCR signed several exchanges of letters with UNOPS in order to set out general terms and conditions. In 2017, the headquarters of UNOPS and UNHCR established an exchange of letter that is still valid.

Disbursement agreements

287. The bureaux and country operations of UNHCR request UNOPS to provide project personnel by signing disbursement agreements. The agreement specifies the terms and conditions for personnel services UNHCR requires for specific locations or for specific business units. The agreement serves as a contractual document containing, in its annex A, the list of positions requested by UNHCR and the estimated cost for the personnel requested. UNOPS has seven country offices in the world that are authorized to sign the disbursement agreement with the bureaux and country operations of UNHCR. UNHCR operating procedures set forth criteria for the engagement of personnel under UNOPS individual contractor agreements, who are referred to below as UNOPS contractors. The term used by UNHCR to refer to UNOPS contracts internally is “ICAs”. Other than this framework, UNHCR has no written policy in place for UNOPS contractors. UNHCR stated that it would issue an overarching administrative instruction that would outline principles for managing its affiliate workforce.

288. Pursuant to the UNHCR administrative instruction on disbursement agreements and financial procedures, bureaux and country operations should endeavour to conclude the disbursement agreements and their respective annex A with UNOPS offices by the end of December so that services can be provided in the following year. If amendments are required during the year, they shall be confirmed in writing by the authorized signatures of both parties.

289. The bureaux and country operations of UNHCR did not always comply with the relevant administrative instruction. The Board noted that disbursement agreements were not signed in a timely manner. Sometimes, contractual amendments were made and new disbursement agreements were signed at the end of the year for the current year. For example, one UNHCR office signed a revised disbursement agreement with one UNOPS office in December 2019 for 2019.

290. The proper planning of projects and their estimated expenditures for UNOPS contractors is the key to their appropriate implementation. Therefore, signing disbursement agreements in a timely manner is important in order to request services from UNOPS. If amendments are required during the year, annex A, as an integral part of the agreement, should be amended accordingly rather than signing a new agreement. This would reduce the administrative burden of UNHCR.

291. The Board recommends that UNHCR ensure that disbursement agreements are signed in a timely manner. Annex A, as an integral part of the disbursement agreement, should be amended if amendments are required during the year. Furthermore, UNHCR should review and revise the June 1998 agreement with UNOPS.

292. UNHCR accepted the recommendation.

Recording of contractors hired through the United Nations Office for Project Services

293. Overall, UNHCR spent approximately \$140.5 million on its affiliated workforce in 2018 and \$142.4 million in 2019. UNHCR stated that expenditures for UNOPS contractors amounted to \$62.4 million in 2018 and to \$87.8 million in 2019 as shown in table II.7.

Table II.7

Expenditures on affiliated workforce

(Thousands of United States dollars)

<i>Category of affiliate workforce</i>	<i>2018</i>	<i>2019</i>
UNOPS contractors	62 398	87 739
Individual consultants	12 765	10 970
Individual contractors	28 200	17 449
United Nations Volunteers	39 133	24 356
Total	142 496	140 514

Source: UNHCR.

Abbreviation: UNOPS, United Nations Office for Project Services.

294. In view of these figures, UNOPS contractors make up a significant part of the human capital of UNHCR. In order to commit budgetary resources for the requested UNOPS contractors, the relevant administrative instruction (UNHCR/AI/2017/14) requires that bureaux and country operations as hiring entities create purchase orders in MSRP. As a rule, the amount required for an UNOPS contractor should be represented as an individual purchase order line. The instruction recommends an average purchase order size of 25 lines. For example, if the hiring entity requests five UNOPS contractors, the purchase order must have five purchase order lines – each line obligating the amount required for each UNOPS contractor. In accordance with the instruction, the following data are needed: name, employee identifier, functional title, individual contractor agreement level and duration of the contract.

295. The Board noted that, out of the 50 cases reviewed, 11 purchase orders did not contain the information needed. The name, employee identifier, functional title and individual contractor agreement level were lacking. In addition, most of the purchase orders reviewed exceeded 25 lines. One of the purchase orders reviewed comprised 100 lines.

296. UNHCR did not comply with its own regulation. Capturing reliable data on UNOPS contractors enables UNHCR to retrieve, compile and analyse information on contractors at organizational level. It would also ensure effective management and reporting of information on individual contractor agreements.

297. The Board recommends that UNHCR establish compliance controls to ensure that its staff enters reliable data in MSRP for reporting and monitoring.

298. UNHCR agreed with the recommendation.

Expenditure process in the Managing Systems, Resources and People system

299. The UNHCR bureaux and country operations used purchase orders to reserve budgetary funding. The purchase orders raised are based on the commitments of UNHCR towards each contractual assignment with UNOPS laid out in annex A to the disbursement agreement. Pursuant to the relevant administrative instruction, purchase orders must be amended in accordance with the revision of annex A made during the

year. Once the UNHCR offices have settled the UNOPS invoices for the last month, the remaining balances of the purchase orders must be liquidated.

300. The Board observed that the UNHCR bureaux and country operations did not always liquidate the remaining purchase order balance after settling UNOPS invoices. The Regional Bureau for Asia and the Pacific raised a purchase order for a project in 2018. The purchase order disclosed an amount of \$169,805.39 for UNOPS contractors. According to the UNOPS certified final financial statement, the expenditures for the service provided were lower than the amount committed in the purchase order. The committed budget in the relevant purchase order has not yet been changed in the MSRP purchasing module. One country operation committed a budget of \$1,224,062.11 for a project in 2018. In the certified final financial statement, expenditures for UNOPS contractors were recorded in the amount of \$1,016,397.33. The office did not amend the committed budget in the purchase order.

301. Every obligation of funds in the MSRP purchasing module requires the settlement of an invoice from UNOPS. Correct recording in MSRP ensures compliance with accurate expense recognition. The appropriate obligation of funds is deemed necessary. Therefore, UNHCR should liquidate the remaining purchase order balances after settling UNOPS invoices. The Board considers it important that UNHCR monitor the committed balance on purchase orders regularly, even though the currently applicable UNHCR administrative instruction for closure only requires purchase order releases at year-end closure. The obvious lack of appropriate controls increased the risk of unappropriated obligation of funds. In addition, the regular monitoring of purchase orders would give UNHCR an overview of the remaining budget during the current year.

302. The Board recommends that UNHCR take measures to ensure regular monitoring and follow-up of the budget committed for UNOPS; in particular, UNHCR should review the amount of the committed budget during the year and release the remaining reserved balances once the UNOPS invoices have been settled.

303. UNHCR accepted the recommendation.

Payment through advanced funding

304. UNHCR provides UNOPS with advanced funding that corresponds to the estimated disbursement needs of UNHCR for three months. The advance amount is calculated by UNHCR based on the requested services laid down in annex A to the disbursement agreements. Advance funds are treated as a deposit entrusted to UNOPS. The purpose of the advance fund is to cover expenditures incurred by UNOPS until UNHCR can make the corresponding payments to UNOPS. Both organizations agreed that the advance fund will remain with UNOPS and will be applied to the advance required for the following year. UNOPS rules and regulations permit only the final refund/transfer/settlement of the fund upon closure of the project where the partner accepts the final report. For that reason, UNOPS can transfer only up to 80 per cent of the previous year's fund balance to another year in January/February. The remainder can be transferred only at the end of the project and only if UNHCR has accepted the UNOPS certified final financial statement. UNOPS closes its accounts and issues its final financial statements in May or June for the previous year. Therefore, unspent funds cannot be returned until that date. In contrast, UNHCR closes its books in March for the previous year.

305. The difference between UNOPS and UNHCR in the proper closure of accounts represents a challenge for UNHCR. Furthermore, the payment through advanced funds requires UNHCR to compare the figures reported on expenditures and rectify the amounts to be paid to paid back by UNOPS. UNHCR offices have to make several

amendments and revisions in consultation with UNOPS offices concerning expenditures versus advanced funding.

306. The Board recommends that UNHCR, in consultation with UNOPS, develop procedures to improve payment through advanced funding in order to reduce the outlay and increase the benefit.

307. UNHCR concurred with the recommendation. UNHCR targets a revised and balanced agreement with UNOPS to replace the current unilateral treatment. The new agreement will contain provisions on the advance mechanism that are agreeable to both parties.

Lack of linkage in the Managing Systems, Resources and People system between the human resources and finance modules

308. For administering and recruiting staff and affiliates, UNHCR uses the human resources and payroll module of the UNHCR enterprise resource planning system, MSRP (HR MSRP). Since its introduction in 2005, the module has been upgraded several times. The purpose of HR MSRP is to have an automated and transparent process for assignments and recruitment of affiliates as well as to manage staff assignments through an ICT-supported tool. Since February 2017, capturing personal information and job data regarding UNOPS contractors in HR MSRP has been mandatory. For the financial procedures relating to UNOPS contractors, it is mandatory to capture basic data such as name, employee identifier, functional title, individual contractor agreement level and contract duration in a text field that is prompted at the purchase order line. The employee identifier is a unique eight-digit number tied to a person registered in HR MSRP. This number remains the same throughout a person's career at UNHCR as a staff member or affiliate.

309. The Board found cases in which, owing to the lack of electronic data transmission, data relating to UNOPS contractors were not reliable and not consistent between HR MSRP and the MSRP finance module. For example, the first and last name of the UNOPS contractor recorded in HR MSRP differed completely from the name recorded in the purchase order. The employee identifier is tied to the UNOPS contractor recorded in HR MSRP, but had also been given to another UNOPS contractor recorded in the purchase order. This revealed that UNHCR did not have consistent data on UNOPS contractors.

310. The Board considers it crucial that UNHCR have data of sufficient quality regarding the use of UNOPS contractors. UNHCR should ensure that the data on UNOPS contractors are consistent between the two MSRP modules. The inconsistency of data leads to the risk that the human resources administration and the finance administration do not have the same data as a basis for monitoring and reporting UNOPS entitlements. The Board notes that the current processing of data on UNOPS contractors is cumbersome and prone to errors, and that it requires a large number of manual interventions.

311. The Board recommends that UNHCR establish comprehensive controls to prevent inconsistency of data on contractors engaged through the United Nations Office for Project Services.

312. UNHCR accepted the recommendation and stated that it was currently working to identify and correct any inconsistencies in the entry of data on UNOPS contractors. It was also exploring the best technical solution for such an automated process.

Preconditions for the employment under United Nations Office for Project Services individual contractor agreements

313. Pursuant to UNHCR policies, UNOPS contactors should only be hired for services for which there is no continuing need. UNOPS contactors may be hired for a maximum duration of one calendar year. An extension of up to four years is possible if there are valid operational reasons. In general, the work should be of a temporary nature. If not, UNHCR is encouraged to create regular positions. Employments under UNOPS cannot be used to reinstate a staff member whose previous function has been abolished or to perform functions with financial or representative implications or with supervising authority.

314. According to UNHCR, 2,824 individual contractor agreements were concluded through UNOPS in 2018. For 2019, that number was 3,063. The figures revealed that there was a particular demand for UNOPS contractors. The Board also found that, in 31 cases, UNHCR assigned supervisory, supplying or financial responsibilities to UNOPS contractors.

315. The Board holds that the UNHCR framework does not define sufficient preconditions for the recruitment of UNOPS contractors. Therefore, it is not clear whether UNOPS contractors were recruited in accordance with the framework. Since the term “valid operational reasons” is not defined, the contracts of UNOPS contractors may be extended indefinitely. UNHCR should define more clearly under what circumstances the use of UNOPS contractors is considered to be reasonable and necessary for its operations. The engagement of UNOPS contractors should be based on a clear vision of the required quality and quantity of the external service needed. The process should be documented in a transparent way. Furthermore, UNHCR should ensure the appropriate use of UNOPS contractors. Project management and strategic functions are not suitable for staff employed under UNOPS individual contract agreements.

316. The Board recommends that UNHCR define more clearly under what circumstances the use of UNOPS contractors is considered to be reasonable and necessary for its operations. Valid operational reasons should be defined in the framework by given examples in order to ensure the appropriate use of individual contractor agreements under UNOPS.

317. UNHCR concurred with the recommendation and stated that the upcoming administrative instruction on management of its affiliate workforce will introduce a feasibility analysis tool. Affiliate workers may be engaged only after the hiring entity undertakes the necessary analysis and an affiliate workforce arrangement is deemed to be the most appropriate based on a number of factors, such as function, operational context and rationale.

Ratio of affiliates to staff members

318. Upon the Board’s request, UNHCR provided the figures shown in table II.8.

Table II.8
Status of the 2018–2019 workforce as at 31 December 2019

	2018	2019
Staff (international and national)	12 090	12 833
Individual consultants	120	153
Individual contractors	199	164
United Nations Volunteers	569	641
UNOPS contractors	2 824	3 063
Total	15 802	16 854

Source: UNHCR.

Abbreviation: UNOPS, United Nations Office for Project Services.

319. The figures show that approximately 31 per cent of the entire workforce of UNHCR consisted of affiliates in 2018. This trend continued in 2019. UNOPS contractors make up the most significant group of the affiliate workforce. In 2018, they represented approximately 76 per cent of the affiliate workforce. In 2019, the ratio of UNOPS contractors to affiliates remained the same. This illustrated that the demand for affiliates was driven by the demand for UNOPS contractors.

320. Taking into consideration that some UNOPS contractors perform core functions such as supervisory responsibilities, the Board considers it desirable that the ratio between UNHCR regular staff and affiliate workforce be appropriate. UNHCR should ensure that sufficient regular staff are in place to take responsibility for senior decision-making, monitoring and supervisory functions. UNHCR should regularly monitor the ratio between regular staff and affiliates to ensure that an appropriate balance is maintained for the continuity and stability of core functions.

321. The Board recommends that UNHCR regularly monitor the ratio of its regular staff to its affiliate workforce.

322. UNHCR accepted the recommendation and stated that a monitoring mechanism would be developed to obtain the necessary data to monitor the ratio of its regular staff to its affiliate workforce.

Deployment of a new registration and case management system

323. In 2009, UNHCR planned to develop proGres v4, a registration and case management system. ProGres is the backbone of most operations for managing data related to the individuals registered as persons of concern to UNHCR. The system supports the 10 business processes of UNHCR: registration, refugee status determination, statelessness status determination, resettlement, repatriation, legal and physical protection, child protection, sexual and gender-based violence, assistance, and fraud management.

324. In 2009, UNHCR stated that, inter alia, version 3 of proGres (proGres v3) did not meet data protection requirements, putting individuals potentially at risk and putting UNHCR in a situation where its credibility was compromised. Version 3, which was decentralized and customized for every country operation, was to be replaced by version 4, which was centralized.

325. The initial objectives of the proGres v4 project included:

- (a) To reduce costs of database administration and data management by using new technologies;

- (b) To create a centralized worldwide database;
- (c) To support better collaborative work through the sharing and exchange of data between UNHCR offices and external partners;
- (d) To be in full compliance with information security and data protection principles.

326. UNHCR had wanted to implement proGres v4 within three years, from 2010 to 2012. The estimated costs for the three-year period were \$5.7 million, including internal staffing, application development, documentation, user training and roll-out. In December 2016, the project team estimated the total project cost to amount to \$54.3 million. From July to December 2017, OIOS conducted an audit of the project. In March 2018, OIOS reported several issues and recommended, inter alia, that the project team finalize and formally endorse the proGres v4 global deployment strategy and enhance its deployment process.

327. At the end of 2018, UNHCR closed the project without having deployed proGres v4 at all UNHCR locations. By then, UNHCR had spent about \$35 million and the proGres v4 system had been deployed in 58 of approximately 125 countries. The remaining deployments would be covered as “business as usual” going forward. The development of proGres v4 has since been continued as part of the Population Registration Identity Management EcoSystem (PRIMES) programme, which has been designed with a focus on interoperability to facilitate the use of data and technology by partners to deliver protection and services.

328. In May 2018, UNHCR published its proGres v4 deployment strategy as requested by OIOS. At that time, there were still over 500 proGres v3 instances in use worldwide. The goal of the proGres v4 deployment strategy, was to migrate all instances of proGres v3 to proGres v4 by the end of 2019. However, UNHCR could not fully deploy proGres v4 in all countries as intended. At the end of November 2019, UNHCR had 299 instances of proGres v3 in use in 59 countries.

329. In January 2020, UNHCR intended to finish the roll-out of proGres v4 by the end of 2020. However, the deployment plan did not include all countries where proGres v4 still had to be deployed. For example, country operations in Burundi, Chad, the Niger, Nigeria and Somalia, with 67 active instances of proGres v3, had not been included in the actual roll-out plan for 2020 as at February 2020.

330. In the light of the amount of proGres v3 instances still to be migrated, the Board holds that the roll-out of proGres v4 will probably not be completed by the end of 2020. Over time, the deployment of proGres v4 has been delayed for various reasons, including a lack of readiness of the system in terms of usable modules, a lack of internet connectivity in the field, a moratorium on the deployment of the off-line versions of the registration and assistance modules, and, more recently, the restructuring of UNHCR with the regionalization and significant downsizing of the proGres v4 deployment team at headquarters. The Board sees a need for UNHCR to review its deployment strategy, including the timetable.

331. The Board recommends that UNHCR review the proGres v4 deployment strategy and adapt the deployment plan accordingly.

332. UNHCR agreed that a review and adaptation of the deployment strategy is necessary in the light of the new operational and organizational environment.

Decommissioning version 3 of the Profile Global Registration System

333. In its 2009 project proposal, UNHCR stated that proGres v4 was to replace earlier proGres versions. Doing so would reduce costs for administering the proGres

software. Such costs were being caused by outdated technology and dependency on a database administrator in every location.

334. In November 2019, 299 instances of proGres v3 were still active in 48 countries. In Chad alone, UNHCR used 29 instances. The majority of the 48 country operations used the programme to collect and update data on persons of concern. Every country office is responsible for maintaining and updating its ICT systems and making backups of its own data. UNHCR stores personal data in proGres v3 and v4 that are subject to the data protection policy. After deploying proGres v4, the decentral instances of proGres v3 had been frozen but remained accessible for data retrieval, if needed.

335. Because proGres v4 is being rolled out in phases, some country operations have been using both versions in parallel. In Ethiopia, the data of some operations were migrated to proGres v4 in July 2018. In 2020, operations in Ethiopia are still using 38 instances of proGres v3. In the Sudan, proGres v4 was deployed in February and April 2019. In 2020, operations in the Sudan are still using 16 instances of proGres v3.

336. In a survey, some users responded that proGres v4 could not provide all the information available in proGres v3 and that data had not been completely migrated. As a result, proGres v3 remains open for data retrieval. To continue running proGres v3, UNHCR still requires software licences for Windows and SQL Server, for example.

337. In October 2019, UNHCR drafted a short timeline guidance document for decommissioning proGres v3, but by April 2020, it had not yet been finalized and circulated. UNHCR justified this by stating that centralized off-site archiving was not yet fully in production. UNHCR also stated that no other instructions were available for decommissioning proGres v3 to support the business owners in the country operations.

338. According to the draft of the proGres v3 decommissioning timeline of October 2019, country operations were to decommission proGres v3 one year after deploying proGres v4 at the latest. The operations were to be responsible for securely deleting proGres v3 data on servers subsequent to data archiving. The draft did not provide any information on how to delete the databases and backups.

339. By May 2020, UNHCR had no process in place to provide guidance to operations on confirming the decommissioning of proGres v3 to headquarters. As the proGres v3 decommissioning timeline had not been endorsed, there was no provision in place to regulate how long after deploying proGres v4 the users of proGres v3 should have read-only access to the database. At the end of May 2020, UNHCR remarked that it had finalized the proGres v3 decommissioning timeline together with a provisional guidance document, and that it had published both it on its intranet in May 2020.

340. The Board holds that the parallel operation of proGres v3 and proGres v4 hampers UNHCR in reducing the costs of database administration at the locations, as well as in centralizing data storage with a view to increasing data security. Moreover, the Board holds that UNHCR has no overview of where proGres v3 data have been completely deleted and where they are still being used as a backup.

341. As UNHCR has already deployed proGres v4 in many countries over the previous five years, the Board sees an urgent need for UNHCR to establish a process for decommissioning proGres v3 and define in a guideline:

- (a) How to decommission proGres v3;
- (b) When proGres v3 is to be taken out of service at the latest;

(c) How to handle and dispose of mediums holding proGres v3 data, such as servers and USB sticks;

(d) How to archive proGres v3 data on persons of concern.

342. The Board recommends that UNHCR elaborate further the provisional guidance and finalize this as mandatory guideline for decommissioning proGres v3, integrating the decommissioning guidance timeline.

343. The Board recommends that the representatives of country operations each confirm to the regional bureaux and headquarters with their signatures the decommissioning of proGres v3.

344. UNHCR concurred with the recommendation.

Data protection

345. The policy on the protection of personal data of persons of concern to UNHCR of 27 May 2015, also referred to as the data protection policy, stipulates that the personal data of persons of concern are classified as confidential and that UNHCR data security measures are to protect personal data against the risk of accidental, unlawful or illegitimate destruction, loss, alteration, unauthorized disclosure or access. Based on their content, certain personal data may also be classified as “strictly confidential” if unauthorized disclosure could reasonably be expected to cause exceptionally grave damage.

346. The guidance on the protection of personal data of persons of concern to UNHCR, also referred to as the data protection guidance document, provides for the following:

(a) The duty of confidentiality extends to all communications with persons of concern and to all data provided by them or obtained on their behalf by personnel and partners in the course of UNHCR activities. UNHCR needs to ensure and implement a high level of data security as appropriate in view of the risks presented by the nature and processing of personal data;

(b) Data security is the responsibility of all UNHCR personnel. At a UNHCR country office/operation, the data controller, who is usually the representative, should ensure the implementation of organizational and security measures for data security. The Division of Information Systems and Telecommunications is responsible for formulating ICT-related standards and guidance.

347. The Board noted that, beside the Division of Information Systems and Telecommunications, other parties were involved in the setting of ICT-related standards. Those included the data protection officer, the Global Data Service and the Division of International Protection.

348. The data protection policy further stipulates that, when elaborating new systems, projects or policies or before entering into data transfer arrangements with implementing partners or third parties that may negatively affect the protection of the personal data of persons of concern, UNHCR needs to carry out a data protection impact assessment.

349. Regarding responsibility, the data protection policy stipulates that data controllers are responsible for organizing and carrying out data protection impact assessments, when required; data protection impact assessments are normally carried out at the country level unless it is decided that a data protection impact assessment is to be carried out at the global or regional level owing to the scope of the system or arrangement. The data protection policy does not stipulate which function or

organizational entity is the data controller when data protection impact assessments have to be organized and carried out at the global or regional level.

350. An example illustrating the need to organize and carry out data protection impact assessments at the global level is the centralized development of PRIMES items by headquarters. At the end of 2019, divisional business owners listed and prioritized 70 PRIMES development items to identify those that should be developed or implemented in 2020.

351. In May 2020, the Board noted that the internal overall accountability at headquarters for ensuring that the centralized development of PRIMES items was in accordance with requirements for protecting personal data, including data protection impact assessments, was still unclear.

352. The Board sees a need for UNHCR to designate responsible data controllers at headquarters and at regional bureaux, aligned with the roles, accountabilities and authorities stipulated by the decentralization and regionalization reform in the wider organizational transformation process, to ensure that the centralized development of PRIMES items is in accordance with requirements for protecting personal data, including data protection impact assessments.

353. The Board recommends that the UNHCR data protection policy require the designation of data controllers at the global and regional levels.

354. UNHCR concurred with the recommendation.

Data protection impact assessments when elaborating new information and communications technology systems

355. Pursuant to the data protection guidance in place, new technologies, systems, tools, modules or data processing platforms, including interoperable or shared databases, that are perceived as carrying or are expected to carry inherent privacy risks should, as a matter of principle, undergo a data protection impact assessment. This includes, for example, the collection of biometric data, cloud storage and big data analytics.

356. One of the ICT systems subject to a data protection impact assessment was the case management system proGres. The latest version, proGres v4, supported processes in most areas of protection work, for instance refugee status determination and resettlement, and was the main repository at UNHCR for the personal data of persons of concern. In April 2020, the Board noted that the data of approximately 6.9 million persons of concern stored in proGres v4 could be subject to data transfer. Although proGres v4 had already been deployed since 2015, a data protection impact assessment had never been conducted.

357. In 2019, proGres v4 was integrated into PRIMES as a core module. PRIMES assembled many of the main UNHCR custom-made ICT systems and tools that gather personal data of persons of concern. The Board noted that UNHCR intended to conduct a data protection impact assessment for PRIMES that would include proGres v4, and to engage an external service provider for that purpose.

358. When planning new ICT systems or major enhancements of ICT systems and projects or policies, data protection impact assessments help to detect data protection difficulties at an early stage and to design and build in appropriate safeguards. In that way, the risk of accidental or unlawful/illegitimate destruction, loss, alteration, unauthorized disclosure of, or access to personal data can be mitigated.

359. After the planning and design stage of ICT systems, implementing change requests, such as those for data protection safeguards, is more expensive the more the software development process has progressed. Therefore, data protection impact

assessments need to be carried out early enough to ensure that their results can be considered during the planning and design stage of the systems.

360. The Board recommends that UNHCR carry out a data protection impact assessments at an early stage to ensure that the results can be taken into account when planning and designing new ICT systems and enhancing major features of prevailing ICT systems and systems interoperability for the processing of personal data.

361. UNHCR concurred with the recommendation. Noting that proGres v4 was initiated in 2009 and the data protection policy was adopted in 2015, UNHCR has since moved ahead to initiate the data protection impact assessment for proGres v4.

Cooperation with the Data Protection Officer

362. According to the data protection policy, one of the tasks of the Data Protection Officer is to provide advice and support relating to the data protection policy. As ICT projects may have strong protection implications for the processing of personal data of persons of concern, the Board reviewed whether applicable guidelines and administrative instructions on ICT projects provided for cooperation with the Data Protection Officer.

363. The guidelines for managing ICT projects, issued by the Division of Information Systems and Telecommunications, apply to all UNHCR projects that involve an ICT solution, regardless of whether they are managed by the divisions, bureaux at headquarters or the field offices, and apply in particular to all new ICT projects. Neither those guidelines nor the UNHCR standard project life cycle for project managers provide for cooperation with the Data Protection Officer.

364. Furthermore, the administrative instruction on the ICT Governance Board (UNHCR/AI/2015/6) does not require consulting the Data Protection Officer. The purpose of the ICT Governance Board is to have a single coherent oversight structure in the organization to capture information on ICT projects so as to maximize return on investment and eliminate redundancies.

365. The Board noted that the Data Protection Officer was a member of the board of the cybersecurity transformation programme. The cybersecurity transformation programme started in 2018 and was to run three years. It was an organization-wide initiative to transform and enhance the UNHCR information security capability by resolving existing issues and consolidating a secure ICT environment to protect UNHCR information and the information of persons of concern.

366. Although the Board recognizes that there already is a certain amount of communication between the Data Protection Officer and the Division of Information Systems and Telecommunications, the Board holds that the sporadic, voluntary and time-limited involvement of the Data Protection Officer is no substitute for a formal control process. The Board also holds that the requirements for personal data protection, such as the participation of the Data Protection Officer, need to be embedded in processes with implications for the protection of personal data of persons of concern.

367. The Board recommends that UNHCR embed cooperation between the Division of Information Systems and Telecommunications and the Data Protection Officer in relevant current and new ICT project guidelines and administrative instructions in areas of personal data processing.

368. UNHCR accepted the recommendation.

369. UNHCR cooperates with third parties such as national Governments and international governmental and non-governmental organizations to provide protection

and assistance to persons of concern. Cooperation may include sharing aggregate, statistical and/or personal data to facilitate efficient assistance and service delivery and avoid duplication of humanitarian efforts.

370. The data protection policy stipulates the following:

(a) Unless there are satisfactory reasons not to do so, prior to transferring personal data to a third party, the data controller should seek to sign a data transfer agreement, or, as appropriate, incorporate data protection clauses within broader agreements, particularly where transfers of personal data are likely to be large, repeated, or structural, i.e., where the same type or types of data are shared with the same third party for the same purpose over a certain period of time;

(b) A data protection impact assessment is required where the collection and processing or transfer of personal data is likely to be large, repeated or structural. Data controllers are to keep the Data Protection Officer fully informed of any data protection impact assessment carried out under their responsibility and to share a copy of the data protection impact assessment;

(c) The Data Protection Officer and the Legal Affairs Service are to review and clear all data transfer agreements. Copies of final agreements are to be lodged with the Data Protection Officer.

371. In November 2019, the Data Protection Officer estimated that about 500 to 1,000 data sharing agreements with third parties were in place worldwide. Nonetheless, the inventory provided by the Data Protection Officer for the period from 2016 to 2019 included only 159 data sharing agreements with third parties. Out of the 159 data sharing agreements, 4 were concluded in 2016, 24 in 2017, 57 in 2018 and 74 in 2019.

372. Apparently, data controllers do not always share a copy of data sharing agreements with the Data Protection Officer and do not keep the Data Protection Officer informed of data protection impact assessments carried out under their responsibility.

373. Although the Board recognizes that improving the inventory is a work in progress, the Board sees a need for UNHCR to ensure that the regional bureaux enforce compliance with the above provisions vis-à-vis data controllers.

374. The Board recommends that UNHCR ensure that data controllers keep the Data Protection Officer fully informed of any data transfer agreement and data protection impact assessment carried out under their responsibility.

375. UNHCR concurred with the recommendation.

C. Disclosures by management

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

376. UNHCR reported that it had formally written off assets of \$2.5 million (2018: \$0.1 million). The write-offs refer to unpaid contributions by six donors (\$1.9 million) and unrecoverable receivables against implementing partners (\$0.5 million).

2. Ex gratia payments

377. UNHCR reported that it had not made ex gratia payments in 2019 as in 2018. That corresponds with the review of the Board of the financial and management records of UNHCR, which has not identified such payments during the financial year.

3. Cases of fraud and presumptive fraud

378. In accordance with the International Standards on Auditing (Standard 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The Board's work, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud remains with management.

379. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risk of fraud, including any specific risks identified by management or brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries by OIOS.

380. UNHCR reported 61 cases of substantiated fraud during 2019 resulting in financial losses of \$0.5 million (2018: 43 cases of \$1.22 million). Of those fraud cases, 54 were committed by staff members and 7 by concerned partners. The cases involved embezzlement, entitlement/benefit fraud, procurement fraud, recruitment/academic fraud, registration/refugee status determination/resettlement fraud, other fraud and theft.

D. Acknowledgement

381. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the High Commissioner, the Deputy and Assistant High Commissioners, the Controller and members of their staffs.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors
(Lead Auditor)

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
1	2018	A/74/5/Add.6 , chap. II, para. 20	The Board recommends that the Office of the United Nations High Commissioner for Refugees (UNHCR) revise the presentation and disclosure of net assets in the financial statements, ensuring that fund accounting information is used only in so far as to supplement applicable IPSAS requirements.	A suite of three new exposure drafts covering revenue recognition and transfer expenses was issued for comment in February 2020. UNHCR is currently reviewing the implications of these exposure drafts for financial reporting. There is no change in the position of UNHCR that it does not concur with the recommendation.	UNHCR does not concur with the recommendation and has not taken any steps to implement the recommendation. The Board maintains its position that the presentation and disclosure of net assets in the financial statements need to be revised to ensure compliance with the IPSAS nomenclature of net assets. The recommendation has not been implemented.				X
2	2018	A/74/5/Add.6 , chap. II, para. 25	The Board recommends that UNHCR enhance the review of contribution agreements to reflect, for each donor, the probability of the outflow and an estimate of the amount of the obligation.	UNHCR has now implemented the recommendation by performing the calculation of a proposed allowance as at 31 December 2019. The analysis confirmed that the impact of any potential reduction in revenue was immaterial. A similar exercise will continue for all future financial periods for which the current International Public Sector Accounting Standards (IPSAS) revenue recognition standards apply. If the impact is determined to be material, revenue adjustments will be recorded accordingly.	The Board acknowledges the enhanced approach. The probability of an outflow of resources can now be assessed on a donor-by-donor basis. Therefore, the Board considers the recommendation as implemented.		X		

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
3	2018	A/74/5/Add.6 , chap. II, para. 31	The Board encourages UNHCR to consult with other United Nations organizations and to determine in collaboration with the actuaries whether the administrative instruction needs to be amended with regard to non-continuous years of service of staff members.	UNHCR has submitted a proposal to the Joint Inspection Unit of the United Nations system to consider including in its programme of work for 2020 a study on the possible harmonization of practices among United Nations system agencies with regard to the calculation of the number of years of duty to be considered for the purpose of actuarial calculations regarding after-service health insurance. As the Joint Inspection Unit is best placed to make suggestions for harmonization, UNHCR considers that this recommendation has been implemented.	UNHCR started to amend its valuation for the after-service health insurance liabilities by taking into account years of previous service under eligible contracts, which carry an eligibility for after-service health insurance. The Board followed up on the topic and issued a more detailed recommendation (see above, chap. II, paras. 20 and 27).	X			
4	2018	A/74/5/Add.6 , chap. II, para. 36	The Board recommends that UNHCR assess whether it is beneficial to conclude agreements with United Nations organizations for incoming and outgoing staff to gain a clear distribution of accumulated health insurance liabilities between the entities concerned and account for the receivables or contributions, as the case may be, for those staff members.	UNHCR defers to the report of the Secretary-General to the General Assembly on managing after-service health insurance liabilities (A/73/662 , paras. 50 and 51). The report contains the analysis, conclusions and recommendations of the inter-agency Working Group on After-Service Health Insurance. The report states that the Working Group considered whether, in the context of inter-agency mobility, the	The Board is still of the view that it would be beneficial to conclude agreements with United Nations system organizations for incoming and outgoing staff. The Board's recommendation is also supported by the report of the Joint Inspection Unit (JIU/REP/2019/8) on the review of staff exchange and similar inter-agency mobility measures in United Nations system organizations. However, the Board considers the concrete recommendation as implemented, based on the assessment UNHCR conducted.	X			

No.	Audit report		Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Implemented	implementation	Under implemented	Not implemented	Overtaken by events
	year/ biennium	Report reference								
5	2018	A/74/5/Add.6 , chap. II, para. 43	The Board recommends that UNHCR establish a function in the Managing Systems, Resources and People (MSRP) system to trigger warning messages when impermissible combinations of item identifiers are entered into the system. The further processing should be blocked until the item identifier is corrected or verified by the responsible staff/reviewer.	transfer of after-service health insurance liability from one agency to another justified the transfer of the corresponding funding of a portion of that liability by the releasing agency and, if so, whether a common formula could be developed to determine what portion of the liability should be funded. The Working Group was of the view that agencies of the United Nations system should accept the transfer of certain accrued health insurance benefits and entitlements, as well as the transfer of the after-service health insurance liability, without the administratively onerous transfer of funding.	Implementation of this recommendation was already started and completed while the audit was ongoing. UNHCR will monitor the status of the item master data on a monthly basis to ensure the thresholds are kept up to date.					X

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
6	2018	A/74/5/Add.6 , chap. II, para. 44	The Board recommends that UNHCR conduct a further analysis of the item master data based on the Board's findings. Implausible or even illogical item master data should be identified and clarified.	The revision of the item master is an ongoing exercise carried out in coordination with the respective item category owners. The item master has been updated to reflect the latest changes in the administrative instruction for serially tracked items (change of lifespan) and thresholds. In addition, categories have been identified for creation and inactivation. UNHCR has also discontinued 284 items that have not been used for 3 years. The monthly monitoring activities have been expanded to include the revision of the accounts assigned to the items. The establishment of monthly monitoring tools has been completed.	UNHCR reviews the item master data on a regular basis and documents the result. The Board considers the recommendation as implemented.		X		
7	2018	A/74/5/Add.6 , chap. II, para. 45	The Board furthermore recommends that UNHCR review the item master data on a regular basis. Items that have not been selected for a longer period should be set to "discontinue". The standard unit prices should be updated periodically. Items in the item master data should be automatically flagged for review of actual pricing and accuracy after a defined period (e.g., five years).	The standard price in MSRP is only an orientation for the item creation. Nevertheless, these prices are being reviewed as part of the current review of the item master. This review will be coordinated between the relevant divisions. The actual completion date of the review will be subject to the availability of resources.	The standard price is an orientation and necessary upon the creation of an item to determine if the item has to be categorized as serially tracked items or property, plant and equipment. Nevertheless, UNHCR is reviewing the standard price and amends it if necessary. This exercise is ongoing. The Board considers the recommendation as under implementation.			X	

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Under		Not Overtaken implemented by events
						Implemented	implementation	
8	2018	A/74/5/Add.6 , chap. II, para. 50	The Board recommends that UNHCR establish a consistent accounting process and guidance for items that are procured for direct transfer of ownership to other entities, especially for cases that do not refer to the implementation of a specific programme. UNHCR should flag these items in the MSRP system and disclose expenses resulting from such transfers separately in the notes to the financial statements.	Several technical options are being reviewed by UNHCR and the pros and cons of each option are being analysed. UNHCR will further assess the feasibility of these options to identify the optimal solution.	The Board acknowledges that UNHCR is considering several options to implement the recommendation. The Board expects UNHCR to notify the Board of these options and their assessment in due course and considers the recommendation as under implementation.		X	
9	2018	A/74/5/Add.6 , chap. II, para. 64	The Board recommends that UNHCR ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures. The reporting lines, accountabilities and authorities should be integrated into the current structures of UNHCR and provide for the necessary coordination and monitoring at headquarters.	Since July 2019, most positions at the new regional bureaux have been filled in line with the original organizational design. Specific roles, authorities and accountabilities of regional bureaux and country offices have been finalized and published. Roles, authorities and accountabilities applicable to all divisions have also been finalized. These frameworks provide the basis for building and managing relationships between various functions located at the country, regional and central levels.	The Board acknowledges that UNHCR is working on this recommendation. The Board has included an interim status assessment in the present report (see chap. II, para. 105) and considers the recommendation to be under implementation.		X	

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented implementation</i>	<i>Under implemented</i>	<i>Not Overtaken implemented by events</i>
10	2018	A/74/5/Add.6 , chap. II, para. 77	The Board recommends that UNHCR use the new results-based management tool to present the link between input, outcome and results, including the outputs delivered by implementing partners, and facilitate alignment of country operation plans with inter-agency and multi-partner processes.	The new results-based management approaches and results structure (impact, outcome and output) were approved by the senior executive team in July 2019. The results-based management approach also includes a functionality to disaggregate output-level indicator information by implementors (UNHCR offices as well as project partners) to facilitate better linking of budget/ expenditure information to the results, by implementor. The future multi-year strategic planning model, which was endorsed by the project sponsor in October 2019, allows country operations to choose which strategic cycle they wish to follow. Further, the new results framework takes into consideration in its design UNHCR engagement in various inter-agency process, including the humanitarian response plan and the refugee response plan. The time frame for the roll-out of the new results-based management system remains the fourth quarter of 2021.	The Board acknowledges the steps taken by UNHCR and the progress made. UNHCR is still working on this recommendation. Therefore, the Board considers it to be under implementation.		X	

No.	<i>Audit report year/biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
11	2018	A/74/5/Add.6 , chap. II, para. 87	The Board recommends that UNHCR further enhance the corporate risk registers in terms of meaningful and precise risks, risk treatments and risk prioritization. UNHCR should provide guidance and feedback to risk owners in country operations and headquarters entities on the required granularity of risks in the corporate risk registers.	During October 2019, three further training sessions were conducted for 75 new enterprise risk management focal points in operations. In the autumn of 2019 and early 2020, the Enterprise Risk Management Unit also facilitated several risk assessment workshops both at headquarters and in the field, and during these workshops, the identification of risks at the right level was discussed in detail. The instructions for the 2020 risk review were issued in November 2019. In 2020, the Unit has again provided detailed feedback to all operations in coordination with the respective regional bureaux. In terms of granularity, UNHCR has seen a significant increase in the consistency of risks across operations.	The Board appreciates the activities that UNHCR has undertaken. In particular the additional training sessions and feedback rounds have helped risk owners in country operations to enhance the quality of the corporate risk registers in terms of meaningful and precise risks, risk treatments and risk prioritization. The Board considers the recommendation as implemented.		X		
12	2018	A/74/5/Add.6 , chap. II, para. 88	The Board recommends that UNHCR implement a specific review of regional corporate risk registers. The review should ensure that regional registers reflect and aggregate risks from the operations in the region to allow for coherent risk management in the regional context.	In the fourth quarter of 2019, UNHCR decided to stagger the 2020 risk review, with field operations completing the risk review by the usual deadline of 30 November and the bureaux and divisions by a later deadline. Part of the reason for this was to	The Board took note of the risk review guidance and the feedback rounds at the regional bureau level. The Board holds that the reviews that were conducted sufficiently address the request for aggregated and coherent risk management in the regional context.		X		

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Implemented	Under implementation	Not implemented	Overtaken by events
13	2018	A/74/5/Add.6, chap. II, para. 99	The Board recommends that UNHCR implement additional control mechanisms in the newly changed organization structure that compensate for the increased capitalization thresholds.	allow the newly decentralized regional bureaux additional time to establish their teams in the new locations before asking them to complete the risk review. However, the main motivation was to ensure that the regional risk reviews could incorporate the results of the risk reviews in their operations as an input to their own risk assessment. This approach was elaborated on in the instructions and the frequently asked questions for the 2020 risk review. The Enterprise Risk Management Unit supported the risk reviews of three bureaux. The Unit also conducted the analysis of corporate risk registers in the regions and provided the bureaux with the analysis of emerging risk and trends in the region.	The Board considers the recommendation as implemented.				X

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			<p>serially tracked items in each country operation, regional bureau or headquarters location over a two-year cycle. Furthermore, it requires each serially tracked item to be selected for verification at least once during its useful life. Considering that buildings tracked as serially tracked items typically are more valuable, and since the coverage requirements of the revised administrative instruction provide an incentive for operations to select higher-value items to achieve coverage efficiently, buildings tracked as serially tracked items are likely to be regularly counted. Considering the fixed nature of buildings, UNHCR believes that this biyearly verification cycle provides a sufficient control mechanism in the newly changed organization structure to address any operational control implications of the increased capitalization thresholds.</p>	<p>The Board recommended additional control mechanisms to ensure oversight at headquarters/regional bureaux over the accumulated amount of internally constructed assets and temporary buildings. The items below the threshold will be expensed and thus will not be visible in the asset register of country operations. Therefore, the Board recommended additional control measures that ensure oversight of the number and volume of procured items above \$10,000.</p> <p>The Board also noted that serially tracked items are not part of the revised country financial reports generated by the Power BI application. In the view of the Board, it could have been a measure to address the recommendation by including, for example, an oversight sheet of newly added serially tracked items above \$10,000, namely buildings and self-constructed assets, in the monthly country financial reports.</p> <p>The Board considers the recommendation as not implemented.</p>					

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
14	2018	A/74/5/Add.6, chap. II, para. 108	The Board recommends that UNHCR refine and systematically update its financial internal control matrix. The key controls should be scaled on the basis of the operational model and identified risks of UNHCR; key controls should build on the control processes already in place and UNHCR should reflect imminent changes in the organizational structure and document the implementation and monitoring of controls in the refined internal control matrix.	The financial internal control matrix developed in previous years was updated during 2019 to incorporate findings from risk reviews and various oversight reports in a consolidated manner. The updated and consolidated matrix, known as risk control matrix, includes various key risks/controls covering leadership and management areas, as well as various administrative and support activities. In the matrix, the controls have been attributed either to the country-office level or to a division level, in line with the responsibilities established through the organizational structure and delegated authorities. The risks and controls were prioritized for testing through an internal control self-certification questionnaire to obtain assurance from risk owners that the controls are present and functioning. Based on lessons learned from the first year of implementing the questionnaire and reflecting on ongoing changes in the organizational structure, it is our intention to continuously review all	The Board reviewed the activities UNHCR conducted in relation to the first-time issue of a statement of internal controls as an annex to the 2019 financial statements. The statement of internal controls is generated mainly on the basis of self-certification questionnaires that are filled by the country operations. The questionnaire is derived from the extended financial internal control matrix. UNHCR refined the matrix in 2019 to also reflect outcomes of risk reviews and audit recommendations. The Board holds that the refined control matrix represents a good starting point in the process of internal controls assessment, monitoring and oversight. The Board supports the idea of a continuous review and refinement of the matrix and of parallel processes to develop a comprehensive documentation of key processes, risks and controls. The Board considers the recommendation as implemented.		X		

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				<p>captured controls and refine the risk control matrix in the course of 2020 and thereafter. While the risk control matrix will be maintained as a repository of key controls at the organizational level and as the basis for the periodic issuance of the statement of internal controls, UNHCR also pursues parallel avenues to document risk and controls at a deeper level of detail, for particular key financial and administrative processes. To that end, UNHCR just concluded a project to document key processes in process flow charts, process narratives and risk control matrices for separate processes (e.g., travel, procurement and partnership). These documents will inform the specific risk owners in their exercise of control monitoring and will constitute the basis for the escalation and integration of risks and controls into the higher corporate-level risk control matrix.</p> <p>Through the actions described above, UNHCR considers that it has put in place adequate mechanisms to ensure a systematic update of the</p>					

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15	2018	A/74/5/Add.6 , chap. II, para. 109	The Board recommends that UNHCR periodically check for vendors having the same bank account as active staff members and for vendors sharing the same bank account in order to prevent and detect fraud. This control should be integrated within the control matrix.	risk control matrix, with due consideration given to operational, environment and organizational structure developments, and therefore considers this recommendation implemented. UNHCR has analysed the bank accounts used by payroll centrally versus the bank accounts of possible commercial suppliers. As a result, only one match was identified, and even in that case, the supplier had not received any payments after 2016. UNHCR will continue monitoring for duplicate bank accounts, but the risk seems very low. In addition, UNHCR has, in parallel, started a comprehensive review of “duplicate” bank accounts where an employee has a local bank account that seems to be potentially associated to a commercial supplier as well. This control has been captured in the risk control matrix and will be tested periodically through the year-end internal controls questionnaire, launched for the year ended 31 December 2019.	UNHCR provided documentation on the review conducted for vendors having the same bank account as active staff members. One inactive supplier was removed from the base data as a result of the review. This check is conducted every three months. Furthermore, UNHCR started a project to clean up the supplier base data, which will be a long-term project. Based on this, the Board considers the recommendation as implemented.	X			

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16	2018	A/74/5/Add.6 , chap. II, para. 113	The Board recommends that UNHCR enhance the content and meaningfulness of country financial reports as part of the ongoing business intelligence and data analytics project. Timelier access to the country financial reports should be granted.	As part of the business intelligence and data analytics project, UNHCR launched the upgraded country financial reports on 27 March 2020. The upgraded reports provide real-time information on budgets, expenditures, implementation rate, partnership financials, inventories, purchase orders and requisitions, open items, accounts payable, property, plant and equipment, and travel in an online format, updated daily. It also offers a drill-down feature, allowing staff in field locations to access transaction-level details and take appropriate action in a timely manner. It also allows the regional bureaux to have quick access to financial information on operations in their respective regions.	UNHCR has developed an upgrade of the country financial reports as part of the business intelligence project. The new online tool allows for an up-to-date overview of the key elements of the country financial report. A drill-down function enables direct access to the underlying MSRP details. The tool is being made available to more users. Also, it is still being used as a management oversight tool, as the representatives continue to sign off every three months. The Board considers the recommendation as implemented.		X		
17	2018	A/74/5/Add.6 , chap. II, para. 118	The Board recommends that UNHCR perform a timely review of implementing partnership-related journals and journal entries using implementing partner codes and ensure that they are set off against account 618000 when needed.	UNHCR has developed two queries to review implementing partnership-related journals and journal entries using implementing partner codes and to ensure that they are set off against account 618000 when needed.	The Board welcomes the new controls that UNHCR has implemented and considers this recommendation as implemented.		X		

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18	2018	A/74/5/Add.6 , chap. II, para. 123	The Board recommends that UNHCR perform variance analysis and plausibility checks at account level (cash-based intervention) or detailed category level (inventories).	Any erroneous entries identified during the reconciliation and review processes are corrected either directly by headquarters or by operations. UNHCR has established a periodic variance analysis review on cash-based intervention expense, which is performed during the year and at year-end, by account and by country. Any significant variances between the current and prior years that are not plausible considering the current year's budget are explained or followed up, and any major accounting or miscoding errors identified are corrected.	The Board reviewed the periodic variance analysis document and welcomes the plausibility checks for cash-based interventions that have been conducted. With regard to inventories, the Board could not identify additional steps that were being added to existing processes at the inventory category level. However, the Board holds that the recommendation has sufficiently been addressed by means of new recommendations in the 2019 audit report. The Board considers the recommendation to be implemented.	X		
19	2018	A/74/5/Add.6 , chap. II, para. 129	The Board recommends that UNHCR review aged items of inventory in transit in a more timely manner (at least once a year) and adjust them as needed.	UNHCR year-end instructions include a review of pipeline information and the closure of all pending transactions in MSRP. Accuracy of the year-end is pegged against actual quantities at the warehouse level. Further to this, the inventory unit shares information with the finance unit for any late adjustments. In addition, UNHCR is in	The clearance of the pipeline report is an ongoing process. Drafts of the guidelines were provided. The Board considers the recommendation to be implemented.	X		

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				the process of finalizing operational guidelines on how to report on instances of short-landing, loss, damage and/or rejection determined upon receipt of goods. Finalization is expected for end of March 2020.				
20	2018	A/74/5/Add.6, chap. II, para. 140	The Board recommends that UNHCR clarify its administrative instruction on the monitoring and recovery of value added tax (VAT) and miscellaneous accounts receivable. The administrative instruction should clearly state how VAT claims are to be recorded so as to make potential VAT claims traceable. Irrecoverable VAT should subsequently be expensed as part of the year-end closure procedures.	The administrative instruction on monitoring and recovery of VAT has been revised to clarify the conditions referring to when and how a receivable related to VAT is to be recorded. The administrative instruction is now in the final stage of signature and it is expected to be issued soon.	The revised administrative instruction was provided and the recommendation was taken into account by the administrative instruction. The Board considers the recommendation to be implemented.		X	
21	2018	A/74/5/Add.6, chap. II, para. 141	The Board recommends that UNHCR develop and maintain an overview of the specific VAT exemption procedures and formalities, applicable VAT rates, the deliveries and services concerned, due dates and thresholds for each country operation. UNHCR should carry out periodical analytical reviews of key VAT figures.	UNHCR has compiled the 2019 VAT questionnaires in order to capture additional country-specific information on VAT and to reflect changing circumstances. UNHCR will use this compiled information to maintain and enhance the existing overview of the country-specific VAT exemption procedures. UNHCR is in the process of developing	As required under the revised administrative instruction (UNHCR/AI/2018/12/Rev.1 (draft)), UNHCR has started to collect more precise information on VAT procedures in the respective country operations. The overview and analytical reviews remain under implementation.		X	

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						Under implementation	Not Overtaken implemented by events
22	2018	A/74/5/Add.6 , chap. II, para. 147	The Board recommends that UNHCR enhance its variance analysis of salaries and employee benefits to carry out the controls required in the financial control matrix.	an expense analysis using the VAT data collected through the VAT questionnaires in order to add value for operational and financial reporting purposes. UNHCR has introduced a separate analysis for each of the main salary earning elements (gross salary, post adjustment, dependency allowance and pension contribution) in the month-end payroll procedures to analyse fluctuations of salaries and employee benefits. With these updates, UNHCR is submitting the analysis completed as part of the month-end procedures for September.	The Board noted that good progress has been made. UNHCR prepares an analysis of figures in the month-end payroll process. The Board holds that one last step is needed to fulfil the requirements of the recommendation: an aggregated summary of detailed figures should be added to the analysis. It should summarize the result of the analysis and highlight major variances that, in aggregate, have a quantifiable impact on the variance of the salaries and employee benefit expenses in the financial statements. The Board considers the recommendation to be under implementation.	X	
23	2018	A/74/5/Add.6 , chap. II, para. 156	The Board recommends that UNHCR document the regular run of human resources monitoring reports in a log tracking file. The reports with results should be uploaded to the electronic document management system (eSafe). UNHCR should document the review in a separate column of the MSRP human resources	To address this recommendation while being mindful of its limited human resources capacity for the substantial amount of manual work it entails, UNHCR established a working group in September 2019. The working group was tasked with reviewing the list of human resources	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.	X	

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	<i>year/ biennium</i>	<i>Report reference</i>		<i>Summary of recommendation</i>	<i>Implemented</i>			<i>implementation</i>
			reports and take appropriate (corrective) action, if necessary. The number of automated human resources reports should be increased.	reports, recommending changes and giving advice on the use of robotic process automation to ensure compliance not only in the area of reporting, but also in MSRP human resources administration. By focusing the available human resources capacity on this undertaking, UNHCR is facilitating the administration of staff and ensuring the quality of transactions, and will eventually be able to administer more staff without having to expand the human resources support structure.				
24	2018	A/74/5/Add.6 , chap. II, para. 161	The Board recommends that UNHCR examine the options for implementing an approval cycle for the review of the MSRP human resources reports in the MSRP human resources module to facilitate supervisory controls and their consistent documentation.	UNHCR plans to change the enterprise resource planning system currently used for human resources. Customization for the recommended approval cycle is not being considered pending the outcome of the review to select a new system. UNHCR expects the ongoing functional review for the identification of the vendor to be completed towards the end of 2020. UNHCR expects the new system to be fully implemented in 2021.	Since UNHCR plans to select a new enterprise resource planning system provider at the end of 2020 and to fully implement the new system in 2021 (or 2022, taking an implementation cycle of 18 months into account), the Board understands that UNHCR does not consider customizing the current system for human resources management. The Board considers the recommendation to be under implementation.		X	

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25	2018	A/74/5/Add.6 , chap. II, para. 167	The Board recommends that UNHCR document the constant run of required payroll reports in a log tracking file, constantly review the payroll reports and document the review, supervisory controls and appropriate corrective action.	UNHCR has mentioned that, as of May 2019, a manual log track block has been included in the monthly payroll schedule file in which payroll staff confirm that they have reviewed the required payroll reports.	The Board acknowledges the efforts UNHCR has made. Therefore, the Board considers the recommendation to be implemented.		X		
26	2018	A/74/5/Add.6 , chap. II, para. 168	The Board recommends that UNHCR implement automated blocks of payment of salaries.	UNHCR has reviewed the human resources action-reason combinations that are already available and being applied, and that trigger an automatic payment block of salaries to staff members. As a result of this review, UNHCR has verified that the action-reason combinations that are already in use cover all the possible staff status scenarios under which salary payments need to be blocked. Since MSRP provides an integrated payroll system, these human resources action-reason combinations automatically block payments in the payroll module. Therefore, UNHCR does not see the need to implement further automated blocks of payment of salaries. In addition to the automatic blocks, temporary manual blocks can be used in	The Board noted that human resources action-reason combinations can be entered by human resources staff to trigger automatic blocks of payment of salaries. Provided that UNHCR ensures the capacity and capability of staff to identify and enter the relevant action-reason combinations in due time, the Board considers the recommendation to be implemented.		X		

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				exceptional cases where salary payments have to be blocked at the last minute; therefore, human resources staff no longer has access to enter the action-reason combinations to trigger the automatic blocks of payment for the current month.					
27	2018	A/74/5/Add.6 , chap. II, para. 169	The Board recommends that UNHCR determine the sample size for spot checks regarding new salary plans in relation to the number of staff affected.	UNHCR has designed a report to validate salary plans. Since May 2019, UNHCR has been checking 100 per cent of staff salaries affected by the revised salary plans.	Provided that UNHCR will continue to check all staff salaries affected by the revised salary plans, or at least a reasonable percentage thereof, the Board considers the recommendation to be implemented.	X			
28	2018	A/74/5/Add.6 , chap. II, para. 179	The Board reiterates its recommendation that country operations start implementation of cash-based interventions when approved standard operating procedures are in place (A/73/5/Add.6 , chap. II, para. 37). UNHCR should define the key elements of the standard operating procedures that need to be in place. If the key elements are not in place, clearance should not be granted.	UNHCR has defined the minimum key elements that must be included in the initial standard operating procedures in order to be cleared by headquarters. By monthly reviewing cash-based intervention expenses and updating and monitoring the standard operating procedures tracker, UNHCR ensures that country operations do not begin to deliver cash-based interventions through a financial service provider until the standard operating procedures containing the required minimum key elements have been cleared by headquarters.	The Board acknowledges the progress UNHCR has made by defining key elements that must be included in the initial standard operating procedures in order to clear the procedures by headquarters. Even so, the Board found one case in which cash payments to persons of concern had already been made while only draft standard operating procedures had been available. However, the Board acknowledges the increase in monitoring by headquarters and considers the recommendation as implemented.	X			

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29	2018	A/74/5/Add.6 , chap. II, para. 184	The Board recommends that UNHCR strengthen the monitoring and, in particular, the timeliness of country operation refund processes. The CashAssist system should include an automated notification to request and record claims for repayment from financial service providers at predetermined intervals.	UNHCR has continued to strengthen the monitoring of country operation refund processes throughout the year. The operational context of refunding and its timeliness are included as an integral part of the country-level standard operating procedures, in line with the refund requirements in the contracts with financial service providers. UNHCR monitors refunds through periodic reviews of the accounting records in the system and subsequent follow-up with country operations to ensure that refund procedures are followed in compliance with the standard operating procedures. UNHCR has also included the key requirements for determining refunds, automated notifications and recording in the development of the CashAssist system. In March 2020, UNHCR completed the definition of the requirements, which enabled further progress with the design and development.	The Board welcomes that headquarters monitors refund processes through periodic reviews of the accounting records in the system and subsequent follow-up with country operations to ensure that refund procedures are followed in compliance with the standard operating procedures. The Board acknowledges the enhanced monitoring and considers the recommendation as implemented.		X		

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						Implemented	implementation	
30	2018	A/74/5/Add.6 , chap. II, para. 185	The Board recommends that UNHCR make available clear guidance on the allocation and monitoring of refunds to country operations participating in the common cash facility approach in cases of commingled cash pools.	UNHCR, through the Common Cash Facility approach, ensures that a specific methodology for refunds is established and reported on that is also included in the country-specific standard operating procedures and embedded in contracts with financial service providers. UNHCR has established performance evaluation tools and procedures for financial service providers, to be used to periodically evaluate and document the providers' performance for corrective measures.	The Board took note of the performance evaluation tools and procedures for financial service providers and followed up on the specific refund case. The Board issued a more detailed recommendation in that regard (see above, chap. II, para. 249).		X	
31	2018	A/74/5/Add.6 , chap. II, para. 190	The Board recommends that UNHCR ensure that in the case of non-digital cash distributions a further end-to-end reconciliation is conducted at least on a spot-check basis as long as no systemized reconciliation is available.	In the case of non-digital cash distribution, i.e., direct cash distribution over the counter by a financial service provider (post office, bank, or encashment service provider), the provider's confirmation is the basis for recording cash-based intervention transactions. UNHCR has put in place the requirement that the underlying receipt, signed or thumbled by persons of concern, must be attached to the confirmation or be further spot-checked by the operation to ensure full traceability of cash-	The Board welcomes that UNHCR has put in place the requirement that the underlying receipt, signed by the beneficiaries, must be attached to the confirmation. The Board considers further spot checks by the operation as essential to ensure full traceability of cash-based intervention funds. Since such spot checks are described in the standard operating procedures and those procedures are reviewed by headquarters, the Board considers this recommendation as implemented.		X	

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32	2018	A/74/5/Add.6 , chap. II, para. 191	The Board recommends that UNHCR require a new approval of the master distribution list if changes in an approved list occur, to ensure that in accordance with the administrative instruction no cash distribution can be processed without an approved master distribution list.	In its current configuration, CashAssist has incorporated this requirement, i.e., any changes will require reapproval before submission to the financial service providers. To ensure that this control is also applied by those operations for which CashAssist has not been rolled out, headquarters checks, as part of the review and clearance process under the standard operating procedures for cash-based interventions, that the procedures of those operations require all changes to the distribution lists to go through the approval process again. The reapproval process then triggers the appropriate controls regarding the final distribution lists.	The Board appreciates that the CashAssist configuration stipulates a renewed approval process for changes to the master distribution list. The Board took note of the enhanced approval process for distribution lists and considers the recommendation as implemented.	X			

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33	2018	A/74/5/Add.6 , chap. II, para. 195	The Board recommends that UNHCR highlight the importance of a standard check for duplicates in cash assistance distribution lists before approval of the distribution lists.	Integrated controls have been developed and established in the ProGres and CashAssist systems to prevent duplications. Through the review and clearance process under the standard operating procedures for cash-based interventions, it is ensured that controls for duplicate checks on the distribution list and monitoring controls are specified in the procedures.	The Board welcomes the increased control, monitoring and awareness-raising. The Board considers the recommendation as implemented.		X	
34	2018	A/74/5/Add.6 , chap. II, para. 200	The Board recommends that UNHCR further enhance and streamline the documentation in the cash assistance process. A standardized documentation of key documents such as distribution lists, approval, financial service provider confirmation, reconciliation, payment and refund evidence should be kept on file by the implementing country operation.	UNHCR has adopted a risk-based approach to assess the necessity of annexing the template of key documents taking into account a country's specific operational context, such as the method of file transfer to financial service providers and the delivery mechanism. A checklist defines the minimum requirements for the standard operating procedures for cash-based interventions, including some new elements. The creation and approval of the distribution list, the distribution modality and entitlement, the payment status update and the	The Board welcomes the implementation of the checklist that defines minimum requirements for the standard operating procedures for cash-based interventions. Furthermore, the Board welcomes the additional features that are available in the CashAssist programme. The Board encourages the further roll-out of the CashAssist programme and has issued a new recommendation to that effect (see above, chap. II, para. 244). The Board considers this recommendation as implemented.		X	

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				<p>reconciliation are conducted in CashAssist. Regardless of the specificity of the situation or the modalities used in any operation, there are standardized minimum requirements for distribution lists, financial service provider confirmation and reconciliation records that need to be met in order to move from one step to another in CashAssist. This ensures streamlined documentation of the cash assistance process, the proper segregation of duties and a system-generated audit trail documented online.</p> <p>Through the connection to the financial service provider platform, UNHCR sends secured payment instructions to providers; it also receives reconciliation records through the platform, including credited amounts and unsuccessful payments. This automated real-time end-to-end process ensures that the cash assistance provided is fully traceable.</p>					

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35	2018	A/74/5/Add.6 , chap. II, para. 205	The Board recommends that UNHCR make post-distribution monitoring of the individual country operations' cash-based intervention programmes mandatory. The post-distribution monitoring reports should contain recommendations and key programmatic adaptations as a standard content.	The post-distribution monitoring toolkit has been finalized and was rolled out as at the 2020 monitoring cycle. The administrative instruction on detailed planning and budgeting for 2020 includes concrete guidance on post-distribution monitoring for all operations that conduct cash-based interventions.	The Board acknowledges the update to the programme manual and the fact that post-distribution monitoring is conducted in all operations with cash-based intervention programmes. The Board holds that the current and future post-distribution monitoring findings are a good tool to feed into the development of the future cash-based intervention programmes. The Board considers the recommendation as implemented.	X		
36	2018	A/74/5/Add.6 , chap. II, para. 209	The Board recommends that UNHCR define responsibilities at the country and bureaux/headquarters levels with regard to post-distribution monitoring.	The UNHCR programme manual has been updated and post-distribution monitoring is included in the monitoring chapter together with all relevant roles of UNHCR country teams in monitoring.	The Board welcomes the new responsibilities defined with regard to post-distribution monitoring in chapter 4 of the programme manual. The Board considers the recommendation as implemented.	X		
37	2018	A/74/5/Add.6 , chap. II, para. 213	The Board recommends that UNHCR analyse and aggregate the findings from post-distribution monitoring and use it as a base for further developing the cash-based intervention programme at the level of both countries and bureaux. The analysis should be made available in a knowledge management portal.	UNHCR has completed a meta-analysis of post-distribution monitoring conducted up to June 2019 that has been uploaded to the UNHCR intranet. In addition, a message disseminated within the organization recently announced the launch of a dashboard (the cash-based intervention post-distribution monitoring dashboard) that staff members can access using their UNHCR credentials. The	The Board appreciates the meta-analysis conducted and the new post-distribution monitoring guidance developed by UNHCR. The Board considers the recommendation as implemented.	X		

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	<i>year/biennium</i>	<i>Report reference</i>		<i>Summary of recommendation</i>	<i>Implemented</i>			
38	2018	A/74/5/Add.6 , chap. II, para. 226	The Board recommends that UNHCR establish additional controls to perform overall reviews as well as sample checks and increase compliance with the implementing partner sections of the UNHCR manual through more accountability. This could be embedded in the new regional bureaux structure through the future Regional Control Officers.	<p>dashboard aggregates the results of all post-distribution monitoring reports on cash assistance and provides automated analysis and graphics on the required indicators relating to satisfaction with cash assistance, expenditure, use of cash, well-being and use of coping mechanisms.</p> <p>The decentralization and regionalization has provided UNHCR with an opportunity to continue to strengthen compliance with the requirements of the UNHCR manual and policies. UNHCR headquarters conducts an annual review of the quality of monitoring reports based on a representative sample of agreements and monitoring reports for UNHCR operations globally. The revised strengthened template for project financial reports also addresses some requirements of this recommendation. In addition, the regional bureaux will be conducting the overall review at the bureau level to provide timely feedback to the operations. The</p>	<p>In a note for file, UNHCR explained: “the finalization of the receipt of signatures may take time afterwards due to the availability of the respective authorized signatories”.</p> <p>The Board holds that the practice of uploading project financial reports before their verification and approval signatures is not in line with the UNHCR manual.</p> <p>The Board holds that UNHCR should follow the process described in the UNHCR manual and upload project financial reports only upon signed approval. A process with digital signatures would be beneficial to the process. However, the Board is aware that this is rather a long-term solution.</p> <p>Overall reviews and spot checks at the bureau level are not yet fully established, as the offices are still in the process of being set up and bureau staff does not yet have access to the e-safe files at the</p>			X

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					Implemented				
				programme and project control functions in the regional bureaux will oversee these monitoring activities.	country level. The recommendation is under implementation.				
39	2018	A/74/5/Add.6 , chap. II, para. 235	The Board recommends that UNHCR introduce further electronic processes, such as submission of partner financial reports from partners through the United Nations Partner Portal and electronic signature for the approval of partner financial reports to replace the current offline verification signatures where possible, in order to facilitate strengthened internal controls. When electronic signatures are implemented, UNHCR should ensure that the authorities are aligned with the delegation of authority plan.	UNHCR is engaging actively with other United Nations system agencies to assess different options for suitable online tools that will help to strengthen the current processes.	The recommendation is under implementation, as the process of introducing digital systems takes a mid- to long-term approach.		X		
40	2018	A/74/5/Add.6 , chap. II, para. 242	The Board recommends that UNHCR make a minimum set of monitoring reports and their upload to eSafe mandatory. These should include at least a risk assessment, a monitoring plan and half-yearly monitoring reports.	This recommendation was implemented through paragraph 4.76 of administrative instruction on detailed planning and budgeting for 2020 (UNHCR/AI/2019/9), approved by the Deputy High Commissioner and the Assistant High Commissioner (Operations). This instruction was broadcast to all UNHCR offices on 5 November 2019.	With the administrative instruction on detailed planning and budgeting for 2020, UNHCR defined a mandatory set of reports and documents for partnership agreements. The Board considers it important that UNHCR monitor compliance with the requirement. The recommendation is considered to be implemented.		X		

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41	2018	A/74/5/Add.6 , chap. II, para. 251	The Board reiterates its previous recommendation (A/72/5/Add.6 , chap. II, para. 81) that UNHCR ensure coherent risk assessments. UNHCR should harmonize the risk assessment of implementing partner projects to have one list of main risks for each project.	Since the end of the audit period, UNHCR has harmonized the forms used to document risk assessments at various stages of the project. The risk catalogue is a living document that is constantly updated as new risks are identified in the field. The risk-based project control toolkit includes a project risk catalogue and a revised template for project descriptions for partnership agreements with an updated section on risk management.	The Board notes that the risk management section of the project description is not linked to the template. As the new template includes a list of the main risks, the Board holds that it helps to harmonize the risk assessment of implementing partner projects. The Board will review the effects of the new templates in future audits. The recommendation is considered to be implemented.	X			
42	2018	A/74/5/Add.6 , chap. II, para. 262	The Board recommends that UNHCR strengthen the link of performance review and resource requirements to additional instalment payments and document the review accordingly when initiating the payment of additional instalments.	As at mid-July 2019, the format of the project financial reports has been amended to strengthen their link with the instalments. Whenever the timing or the amount of instalment payments requested by operations is significantly different from the indicative instalment plan, or when partners hold cash from previous instalments equivalent to more than one month of lead time at the time of the instalment payment recommendation, operations are required to document the rationale for the requested instalment payment. In addition, UNHCR has revised the project financial report format to explicitly	The Board welcomes the changes introduced to the project financial report templates and holds that disbursements of instalments are conditional mainly on: (a) performance progress; and (b) cash flow and resource requirements for the following months. While changes have been made to the templates, the requirement to document the reasons for requesting payment when partners hold cash from previous instalments merely serves to assess whether funds are needed for liquidity reasons. The uptake and effect of links between performance and instalments cannot yet be observed. The Board therefore considers this recommendation under implementation.		X		

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						Implemented	implementation	
				request partners to indicate the amount of the instalments they are requesting and to require UNHCR to disclose the amount authorized for release.				
43	2018	A/74/5/Add.6, chap. II, para. 267	The Board recommends that UNHCR transparently link transfers of ownership to project partnership agreements in cases where the recipient is an implementing partner. The transfer of ownership agreement and MSRP recordings should state the project partnership agreement identification symbol. The purpose of the transfer should be clearly defined and stipulated in the transfer of ownership agreements.	With effect from November 2019, UNHCR has changed the templates in MSRP for the transfer of ownership to ensure that the partnership agreement identification number is reflected and linked to the related transfer of ownership.	UNHCR has implemented the first part of the recommendation, since the revised form shows the partnership agreement number. The second part of the recommendation has not been implemented, since the reason for the transfer of ownership is not mentioned in the form. Therefore, the Board considers the recommendation as under implementation.		X	
44	2018	A/74/5/Add.6, chap. II, para. 299	The Board recommends that UNHCR incorporate the results of the evaluation report in the next fleet strategy and assess the sequence and importance of the processes needed to be implemented and prioritize them accordingly.	The new UNHCR global fleet management strategy covering the period from 2019 to 2021, which is now finalized, was partially informed by the results and recommendations of the evaluation report.	The new global fleet management strategy is designed rather to promote and advertise fleet management than to guide parties and establish a road map. The Board therefore considers this recommendation under implementation.		X	
45	2018	A/74/5/Add.6, chap. II, para. 300	The Board recommends that the field level should be obliged to record all operational and financial data in the analysis tools (FleetWave/vehicle tracking system) and that global fleet management staff have access to all databases and	Field operations are already obliged, under the annual administrative instruction on year-end activities, to enter FleetWave data regularly. However, compliance with data entry requirements is still not	UNHCR stated that the assessment was ongoing. The Board therefore considers this recommendation under implementation.		X	

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			have the capacity to carry out analytical services and evaluate the data.	satisfactory. In addition, UNHCR is currently conducting fleet assessments at 10 operations that include checks for data completeness and quality in FleetWave. UNHCR is further exploring the option of granting partners with big fleets limited access for data entry purposes. In February 2020, a pilot project with the logistics partner started in one operation. One webinar was conducted on FleetWave/ Vehicle Tracking System for the new Regional Controllers and Regional Supply Officers and a further one was planned.					
46	2018	A/74/5/Add.6 , chap. II, para. 301	The Board recommends that UNHCR consider a solution to integrate operational and cost data from commercially rented vehicles in the operational and cost analysis.	UNHCR has further analysed this recommendation and has come to the conclusion that, with the current budget structure, in particular the partner budgets, the suggested analysis cannot be made at this moment.				X	
47	2018	A/74/5/Add.6 , chap. II, para. 307	The Board recommends that UNHCR should strengthen its justification and documentation for hiring individual contractors under the circumstances that the required capability is not available in UNHCR.	The Division of Human Resources Management will emphasize the importance of workforce planning and documenting the justifications at the time of hiring affiliates, including individual				X	

No.	<i>Audit report</i>		<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Under</i>		<i>Not Overtaken</i>	
	<i>year/ biennium</i>	<i>Report reference</i>			<i>Summary of recommendation</i>	<i>Implemented</i>		<i>implementation</i>
48	2018	A/74/5/Add.6 , chap. II, para. 310	The Board recommends that UNHCR ensure the mandatory break in service of three full months is fulfilled in every case. Therefore, UNHCR should monitor the duration of contracts to comply with the applicable limits set.	contractors. This requirement is outlined in the new administrative instruction on the management of the affiliate workforce but will also be supported by a separate communication. Under annex II to the new administrative instruction on the management of the affiliate workforce, UNHCR is proposing to remove the provision for the mandatory break in service. The provision will be replaced by a maximum duration for individual contractor contracts of four years, with identical leave entitlements and duty-of-care principles as applied for the UNOPS individual contractor agreements modality.	The Board will follow up on the process and considers this recommendation under implementation		X	
49	2018	A/74/5/Add.6 , chap. II, para. 316	The Board recommends that UNHCR provide clear guidance to divisions and field operations (hiring entities) to enhance the awareness of human resources clearance. UNHCR should amend the respective policies with regard to human resources clearance and ensure the involvement of the Affiliate Partnerships Unit in the clearance process.	The Division of Human Resources Management will emphasize once again the importance of the clearance process within the new administrative instruction on the management of the affiliate workforce	The Board will follow up on the process and considers this recommendation under implementation.		X	

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50	2018	A/74/5/Add.6 , chap. II, para. 317	The Board also recommends that UNHCR establish tools that enable the processing of human resources clearance on an online basis.	UNHCR is working to identify technical solutions for an automated process as part of the new enterprise resource planning system, which is currently under consideration. Meanwhile, UNHCR is expanding the use of the Office 365 suite of applications (Forms, Teams, SharePoint, etc.), which is under testing and review, to complement MSRP processes while in transition before UNHCR switches to the new system.	The Board will follow up on the process and considers this recommendation under implementation.		X	
51	2018	A/74/5/Add.6 , chap. II, para. 324	The Board recommends that UNHCR ensure that the entire contractor identification and selection process is independently verified or is based on an approval workflow process (as an integrated part of the MSRP module) in order to increase transparency and efficiency of the selection decision made by the hiring manager.	The local recruitment module on MSRP for hiring local staff has been rolled out to 18 UNHCR locations, which can now also use this module for hiring new affiliate workforce members, including individual contractors. UNHCR has also developed a plan for the period 2020–2021 to roll out the local recruitment module to further UNHCR locations, which will also give them the technical means to process the hiring of new affiliate workforce members through this module. In 2020, the module will be	The Board will follow up on the process and considers this recommendation under implementation.		X	

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52	2018	A/74/5/Add.6 , chap. II, para. 327	The Board recommends that UNHCR pay particular attention to preparing specific job descriptions that enable the responsible officials to evaluate the performance of contractors. Therefore, UNHCR should review the existing performance classification as a component of the evaluation report and consider whether the evaluation report and template could be established in the MSRP module.	rolled out to another 49 locations and in 2021 to a further 65 locations. A new, redesigned standard job description template will be distributed to all operations as part of the revised policy on individual contractors, which will give more clarity on what is required to be included in the job descriptions. Also, discussions are ongoing regarding the possibility to launch the performance management function of MSRP for the affiliate workforce, including individual contractors.	As part of the project entitled “Knowing our jobs and our people”, UNHCR conducted a standardization of job descriptions and job titles for its staff members. The Board considers it crucial that UNHCR standardize the job descriptions and job titles for affiliates. The Board therefore considers this recommendation under implementation.			X	
53	2018	A/74/5/Add.6 , chap. II, para. 328	The Board also recommends that UNHCR conduct an analysis to determine whether the assignment of contractors is the most cost-effective solution.	As part of the development of the relevant administrative instruction, the Division of Human Resources Management has consulted field operations with regard to this requirement and concluded that such a cost-benefit analysis should be part of a broader feasibility analysis. As part of the upcoming new administrative instruction, the Division has developed a feasibility analysis template. One component	The Board will follow up on the process and considers this recommendation under implementation.			X	

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				Implemented	implementation	implemented	Overtaken by events		
54	2018	A/74/5/Add.6 , chap. II, para. 343	The Board recommends that UNHCR establish mandatory UNHCR-wide minimum information security standards in an information and communications technology (ICT) governance framework as soon as possible.	of the feasibility assessment will be the cost of assigning contractors.	The administrative instructions on information security have been drafted and have been reviewed by the Division of Information Systems and Telecommunications in consultation with several other relevant Divisions of UNHCR. The current target date for promulgation is December 2020.	The Board will follow up on the process and considers this recommendation under implementation.		X	
55	2018	A/74/5/Add.6 , chap. II, para. 344	The Board recommends that UNHCR establish a mandatory central clearance process to avoid the duplication of existing applications and establish a register for all applications developed in the field. Field offices should inform the Division of Information Systems and Telecommunications when they plan to develop additional applications.	Regional ICT officers are in communication with the Division of Information Systems and Telecommunications to fully update an inventory of locally developed applications and systems.	UNHCR has not yet implemented the recommended clearance process. The Board will follow up on the process and considers this recommendation under implementation.			X	
56	2018	A/74/5/Add.6 , chap. II, para. 345	The Board recommends that UNHCR make additional funds available to implement and monitor mandatory minimum information security standards in the field.	Through the cybersecurity transformation programme, UNHCR is implementing good practices in information security where minimum-security standards are not yet available.	The Board considers the recommendation under implementation.			X	

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57	2018	A/74/5/Add.6 , chap. II, para. 355	The Board recommends that UNHCR establish an information security risk assessment process based upon or directionally aligning towards ISO 27005.	UNHCR has undertaken various security assessments using internationally recognized risk management standards such as International Organization for Standardization standard (ISO) 27005 and ISO 31000 to ascertain the security posture of the organization's critical information assets. These have included assessments by various specialized consultancy firms. In addition, UNHCR has undertaken proactive measures such as regular vulnerability assessments across its information technology estate. UNHCR has developed an information security risk register to capture these findings and their risk treatment plans. Mitigation measures have included regular meetings with key stakeholders to agree on action plans, followed by actions to manage the risks and their tracking thereof.	UNHCR provided the information security risk management framework and an information security risk register. The Board considers the recommendation as implemented.		X	
58	2018	A/74/5/Add.6 , chap. II, para. 356	The Board recommends that UNHCR document primary and supporting assets for the information security risk assessment.	With the implementation of the ServiceNow platform, the ICT assets have been captured in that tool. UNHCR is currently in the process	The ICT asset inventory provided encompasses only active hardware and does not reflect primary and supportive assets. Primary assets are core process/activities and			X

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Implementation	
						Under implementation	Not Overtaken implemented by events
				of grouping and labelling the assets based on their criticality.	information. Supporting assets are hardware, software, network, personnel, site and structure. The recommendation remains under implementation.		
59	2018	A/74/5/Add.6 , chap. II, para. 357	The Board recommends that UNHCR complement its information security risk register with already known information security risks.	The information security risk register has been completed.	The Board welcomes the steps taken by UNHCR and considers this recommendation as implemented.	X	
60	2018	A/74/5/Add.6 , chap. II, para. 365	The Board recommends that UNHCR strengthen the position of the Chief Information Security Officer and increase interaction with top management. To secure the position of the Officer, the Board recommends that UNHCR redefine and describe the role and tasks of the Chief Information Security Officer in an overarching information security mandatory guideline that defines mandatory requirements, controls and responsibilities of all stakeholders. The mandatory guideline should also grant the Chief Information Security Officer a reporting line to a consultative and reporting body that includes membership by top management.	The Chief Information Security Officer position, based in Geneva as part of the Office of the Chief Information Officer, was advertised in September 2019. The High Commissioner has announced the decision regarding external recruitment. The selected candidate is expected to come on board in July or August 2020.	The job description delivered mentions that the Chief Information Security Officer has access to senior management. It remains unclear to which consulting and reporting body the Chief Information Security Officer has a direct reporting line. The Board will follow up on the process and considers this recommendation under implementation		X
61	2018	A/74/5/Add.6 , chap. II, para. 369	The Board recommends that all senior management and staff at headquarters, as important stakeholders, participate in information security awareness training	The information security awareness training was classified as mandatory in June 2018 with a transitional period of three months. With that	Over 86 per cent of all staff at headquarters and a majority of senior management have participated in information security courses. Although some participation by senior	X	

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					Implemented				
			courses, given that they are responsible for ensuring information security measures.	change, the completion rates have been rising steadily and at the time of reporting, 86.48 per cent of all staff at headquarters have completed the training.	management is needed, the Board considers the recommendation as implemented but will follow up on the progress.				
62	2018	A/74/5/Add.6 , chap. II, para. 374	The Board recommends that UNHCR plan to develop an overall data protection policy to include the protection of personal data of all UNHCR personnel.	A working draft of the global data protection policy and administrative instruction have been prepared following internal consultations throughout 2019, and a detailed data mapping exercise is ongoing that will inform the next draft of the policy and administrative instruction. The drafting process in the first half of 2020 will be informed by external and internal developments, including the ongoing dialogue between the United Nations and external actors, as well as the regionalization process that has been implemented within UNHCR. While it is expected that the policy and the administrative instruction will be well advanced by the second quarter of 2020, the time frame for finalization and consultation should be revised to the fourth quarter of 2020 to take account of these developments.	The Board will follow up on the process and considers this recommendation under implementation.			X	

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63	2018	A/74/5/Add.6 , chap. II, para. 382	The Board recommends that UNHCR review and update the Data Protection Officer's role and functions in such a way that the Officer is able to perform the tasks stated in the policy on the protection of personal data of persons of concern to UNHCR. The Board also recommends that as UNHCR develops its global data protection policy, it should ensure that accountability regarding protection of all personal data is addressed.	The UNHCR data transformation strategy 2020–2025 contains a strong commitment to enabling UNHCR to lead globally on data protection, security and data ethics. UNHCR is currently in the process of implementing the new strategy, which includes the transfer of the Senior Data Protection Officer position from the Division of International Protection to the new Global Data Service. Since mid-2019, the senior data protection officer is supported by a data protection officer on a temporary assignment and a data protection intern. Further updates of the data protection officer's role and position are expected in the course of the year 2020 in the broader context of the setting up of the Global Data Service, the ongoing regionalization and decentralization (including a role for policy oversight for regional bureau protection services) and the ongoing headquarters review.			X	

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64	2018	A/74/5/Add.6 , chap. II, para. 387	The Board recommends that the UNHCR Data Protection Officer have appropriate access to the top management.	A transfer of the Senior Data Protection Officer position from the Division of International Protection to the Global Data Service is currently under way. The Head of the Global Data Service, in consultation with the Director of the Division and the Data Protection Officer, will ensure the working structure and engagement required to facilitate appropriate access by the data protection officer to the senior executive team. The time frame for finalization and consultation should be revised to the third quarter of 2020 to take account of these developments.	The Board takes note of the transfer of the Senior Data Protection Officer position to the Global Data Service. The Board is not yet able to assess whether the data protection officer will have appropriate access to top management. The Board will follow up on the process and considers this recommendation under implementation		X	
65	2017	A/73/5/Add.6 , chap. II, para. 88	The Board recommends that country operations enhance project planning for construction projects implemented by partners. The country operations should initiate corrective measures such as getting support from regional service centres in cases of lack of capacity or resources to plan and monitor projects adequately.	A detailed pathway to improving the overall implementation of technical programmes was developed with a consultant in the third quarter of 2019. The technical services at headquarters are involved in three key functions, namely policy and standard-setting; global coordination leadership; and field-focused technical and coordination support.	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X		

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	<i>year/ biennium</i>	<i>Report reference</i>				<i>implemented</i>	<i>implementation</i>	<i>implemented</i>	<i>by events</i>
66	2017	A/73/5/Add.6 , chap. II, para. 100	The Board recommends that, based on the corporate position, UNHCR operationalize its Sustainable Development Goal engagement.	<p>In terms of ensuring the quality of technical personnel in the field, headquarters also undertakes a process of functional clearance for all technical staff being recruited for field roles. Headquarters also receives regular progress reports from field offices detailing implementation progress and technical challenges, for which remote support is routinely provided. Field missions also regularly undertake to review progress and provide surge capacity support when needed and upon request.</p> <p>The shelter and settlement assessment toolbox is an example of what has been done to help to improve the planning and implementation of construction programmes.</p>	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X			

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67	2017	A/73/5/Add.6 , chap. II, para. 108	The Board recommends that, based on its corporate position on Sustainable Development Goal engagement, UNHCR develop a results-based management system that is able to reflect the position of UNHCR on Sustainable Development Goal engagement in order to demonstrate its contributions to the achievement of the Goals in the long term.	The new results-based management approaches and results structure, which features the below three aspects, were approved by the senior executive team in July 2019: (a) Alignment of some of the newly introduced outcome areas with the Sustainable Development Goals; (b) Consideration of the adoption of some of the relevant Sustainable Development Goal indicators as UNHCR organizational core indicators; (c) Selection of Sustainable Development Goal targets and indicators by country offices relevant to their operations and to multi-stakeholder processes, such as the United Nations Sustainable Development Cooperation Framework, and national plans. As at March 2020, the results-based management project is at the stage of finalizing the future core impact and outcome indicators, some of which are in alignment with the Sustainable Development Goal indicators. The timeframe	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.		X		

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						Implemented	implementation	implemented	by events
68	2017	A/73/5/Add.6 , chap. II, para. 109	The Board further recommends that UNHCR identify data sources and establish baselines for measuring its contribution to the Sustainable Development Goals so as to be able to prepare for data processing as soon as the new results-based management system has been launched.	<p>for the roll-out of the new results-based management system remains the first quarter of 2021.</p> <p>The new results-based management approaches and results structure that feature the below three aspects were approved by the senior executive team in July 2019:</p> <p>(a) Alignment of some of the newly introduced outcome areas with the Sustainable Development Goals;</p> <p>(b) Consideration of the adoption of some of the relevant Sustainable Development Goal indicators as UNHCR organizational core indicators;</p> <p>(c) Selection of Sustainable Development Goal targets and indicators by country offices relevant to their operations and to multi-stakeholder processes, such as the United Nations Sustainable Development Cooperation Framework, and national plans.</p> <p>As at March 2020, the results-based management project is at the stage of finalizing the future core impact and</p>	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X			

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69	2017	A/73/5/Add.6 , chap. II, para. 113	The Board recommends that UNHCR conduct an analysis of the human resources requirements for operationalizing the newly developed corporate position on the Sustainable Development Goals and develop or refine its training to cover identified needs, if any.	outcome indicators, some of which are in alignment with the Sustainable Development Goal indicators. The roll-out and implementation of the new results-based management framework and information technology tool is planned for early 2021, to support the planning for year 2022 and beyond.	The Global Learning and Development Centre supported the Division of Resilience and Solutions and the Division in Strategic Planning and Management in their initiative by launching, in November 2019, a training needs survey addressed to all country representatives. A series of external resources and courses on the Sustainable Development Goals have been made available to all UNHCR colleagues on the Learn and Connect platform. Based on the results of the survey, the link to external resources and courses is updated regularly and whenever new relevant material needs to be included.	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X		

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70	2017	A/73/5/Add.6, chap. II, para. 114	The Board also recommends that, based on the corporate position and the identified human resources needs, UNHCR refine job profiles and recruit or post staff accordingly.	<p>In late June 2019, the High Commissioner released to all staff the corporate position on UNHCR engagement with the Sustainable Development Goals.</p> <p>Job descriptions for senior management functions at regional bureaux have been comprehensively updated to include, where relevant, an emphasis on linking effectively to common United Nations support and the pursuit of Sustainable Development Goals.</p> <p>The Division of Human Resources Management has also undertaken a prioritized review and update of job descriptions for several other functions relevant to supporting the Sustainable Development Goals, including by supporting the creation of the Global Data Service, regional data positions, global strategic planning and results, and inter-agency partnership and coordination functions.</p> <p>Parallel to this, the Division of Human Resources Management commissioned a consultancy firm to support the development of a people management framework for effective people management,</p>	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X			

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					Implemented				
71	2017	A/73/5/Add.6 , chap. II, para. 119	The Board recommends that UNHCR develop more specific guidance on how to implement the corporate position on the Sustainable Development Goals.	including talent and leadership development. The guidance on the Sustainable Development Goals is being finalized. The changing timelines of United Nations-wide guidance on United Nations-related processes with regard to the Sustainable Development Goals currently affects internal UNHCR guidance.	The Board acknowledges that UNHCR is still working on this recommendation in conjunction with United Nations-wide guidance. Therefore, the Board considers it to be under implementation		X		
72	2017	A/73/5/Add.6 , chap. II, para. 120	The Board also recommends that UNHCR define reasonable targets for developing, implementing and managing engagement of country operations in the Sustainable Development Goals so as to support an effective and coherent approach for UNHCR engagement in the Goals in the field.	Parameters for the engagement of UNHCR with the Sustainable Development Goals will be included in the guidance. Emphasis will be placed on country contextualization, given the diverse contexts of UNHCR engagement.	The Board acknowledges that UNHCR is still working on this recommendation in conjunction with United Nations-wide guidance. Therefore, the Board considers it to be under implementation		X		
73	2017	A/73/5/Add.6 , chap. II, para. 126	The Board recommends that, based on the corporate position and guidance to operationalize that position, country operations map and align current approaches so as to develop a plan on how they intend to support national Governments in implementing the Sustainable Development Goals through support, where applicable, of the comprehensive refugee response framework, the	Numerous activities addressing this recommendation have commenced in the field, and the regional bureaux demonstrated some examples.	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X			

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74	2017	A/73/5/Add.6 , chap. II, para. 130	United Nations country teams and the implementation of the United Nations Development Assistance Framework. The Board recommends that country operations further refine the risk registers in place to better capture risks deriving from Sustainable Development Goal engagement, the multi-year multi-partner planning process, where applicable, and engagement for the comprehensive refugee response framework.	For the 2020 risk review, instructions contained specific references to the Sustainable Development Goals, the global compact on refugees (including the comprehensive refugee response framework) risks and multi-year multi-partner risks. For the former two categories, tags were introduced in the system. As at March 2020, 95 risks were tagged as relevant to the global compact and 30 as relevant to the Sustainable Development Goals. The plan is to start using them for the budget year 2022. Risks in these areas are reported on and shared with the relevant division. With regard to the multi-year multi-partner risks, of the 22 pilot countries, 6 explicitly refer to multi-year multi-partner risks in their risk registers. For the other operations, risks related to the objectives of the multi-year-multi-partner	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X		

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	year/ biennium	Report reference				Implemented	Under implementation	Not implemented	Overtaken by events
75	2017	A/73/5/Add.6 , chap. II, para. 134	The Board recommends that UNHCR systematically collect country-level case examples of engagement in support of the Sustainable Development Goals so as to ensure knowledge transfer and provide adequate management responses.	process are identified, but the operations do not identify risks specific to the modalities. This may well indicate that the operation in question is comfortable with the controls and mitigations in place to manage the process. The new results-based management processes, whose launch is envisioned for the budget year, are aimed at mainstreaming the multi-year multi-partner approach. Therefore, the risk associated with a longer planning horizon and the engagement with partners will be part of the normal risk assessment and management process, and will not be tracked separately.	UNHCR has collected lessons learned and is sharing them on the UNHCR internal website at the end of the first quarter of 2020.	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X		
76	2017	A/73/5/Add.6 , chap. II, para. 172	The Board recommends that UNHCR enhance compliance with its policy and standard operating procedures on individual consultants, ensure effective consultant	As at January 2020, senior human resources partners have been operational in all regional bureaux. They have assumed an oversight function with regard to	As at January 2020, senior human resources partners have been operational in all regional bureaux. They have assumed an oversight function with regard to	The new administrative instruction will become effective in June 2020. In the light of this ongoing process, the Board will keep the matter under review and considers		X	

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Under		Not Overtaken	
						Implemented	implementation	implemented	by events
			contract management and consider centralizing some tasks of the hiring units to obtain a higher level of specialization.	affiliate contract management in order to ensure compliance with the relevant policies. The Division of Human Resources Management is in constant consultations with the senior human resources partners on process improvement and policy guidance. The upcoming administrative instruction on the management of affiliate workforce will grant senior human resources partners more authority to ensure the effective management of affiliate contracts. The administrative instruction is to be introduced in the second half of 2020.	this recommendation under implementation.				
77	2017	A/73/5/Add.6 , chap. II, para. 173	The Board also recommends that UNHCR assess whether an automated system control in the UNHCR MSRP system could be established for cases exceeding the threshold of \$150,000.	When rehiring an individual for a new consultancy task, UNHCR consistently checks past payments in line with the policy requirements. If the requested new consultancy contract would result in exceeding the financial limitation, the requesting entity is notified of non-clearance. At the same time, hiring entities may submit requests for a waiver of the limit. Such requests are reviewed and either denied or approved at the	UNHCR has taken action to remedy the weakness of internal controls in the MSRP system. The Board considers the recommendation to be implemented.		X		

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020		Not Overtaken by events
					Implemented	Under implementation	
78	2017	A/73/5/Add.6 , chap. II, para. 174	The Board recommends that UNHCR establish a UNHCR-wide control to prevent duplicate payments of consultant fees from headquarters bank accounts in parallel to payments from an operation's bank account.	<p>appropriate level in the Division of Human Resources Management. In the meantime, UNHCR continues to explore possible ways to automate these controls.</p> <p>UNHCR has launched the development of specialized queries that will serve the specific purpose of checking for any such duplicate payments. The development of the queries is in progress. At the same time, UNHCR would like to note that the incident was a rare occurrence. With the regionalization process, UNHCR established risk managers, regional controllers and senior human resources partners at bureaux that are fully decentralized. These functions strengthen oversight and improve the ability to catch duplication or errors. In addition, accountability and responsibility are further delegated to country operations, which makes payment duplication even less likely, as the authority to issue such payments rests only with the operations.</p>	UNHCR stated that the development of specialized queries serving to detect duplicate payments is under implementation. Owing to circumstances imposed by the coronavirus pandemic, UNHCR could not demonstrate the functionality of the tool. Other mechanisms derived from regionalization will contribute to strengthening the oversight over payments to consultants. The Board considers the recommendation to be implemented.	X	

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Under		Not Overtaken by events
						Implemented	implementation	
79	2017	A/73/5/Add.6 , chap. II, para. 181	The Board recommends that UNHCR review its policy and the standard operating procedures for the use of individual consultants. During this process UNHCR should enhance the guidance on advertising requirements, the segregation of duties, waiver processes, processes to determine and negotiate consultant fees, documents supporting payment reconciliation and the file management process.	Work on the revision of the policies in question is ongoing. While the administrative instruction on the use of the affiliate workforce will address overarching issues relevant to all categories of affiliate workforce modalities, an administrative instruction specific to the use of individual contracts (including with regard to consultants and individual contractors) will also be issued. Annex II to the newly prepared instruction will address the listed items and will provide more clarity regarding the points identified.	UNHCR will issue an overarching administrative instruction on the use of its affiliate workforce. The instruction will outline principles for the effective and consistent management of all categories of the UNHCR affiliate workforce. UNHCR defines its affiliate workforce as consultants and contractors. In accordance with the ongoing review of the recruitment process of contractors, the Board will follow up on the process and considers this recommendation under implementation.		X	
80	2017	A/73/5/Add.6 , chap. II, para. 193	The Board further recommends that UNHCR review the People Strategy implementation plan and data sources so as to be able to monitor progress until the new policy and corresponding monitoring framework for diversity and inclusion is established in 2019.	The inclusion and gender diversity dashboards have been rolled out to all users at UNHCR.	UNHCR has created a number of dashboards to monitor inclusion and diversity. It is visible via the UNHCR intranet. The Board considers the recommendation to be implemented.		X	
81	2017	A/73/5/Add.6 , chap. II, para. 198	The Board recommends that UNHCR assess whether the global warehouse in Copenhagen provides a cost-effective solution for UNHCR. Alternative options should be considered.	A commercial logistics company has completed the supply network optimization analysis and assessed the warehouse in Copenhagen against three alternative locations.	The Board welcomes the assessment and the analysis by UNHCR and considers this recommendation to be implemented.		X	

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented implementation</i>	<i>Under implemented</i>	<i>Not Overtaken by events</i>
82	2017	A/73/5/Add.6 , chap. II, para. 213	The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to “ownership” of its inventories.	UNHCR recognizes that potential benefits can be achieved by managing the UNHCR stock of core relief items at the corporate level. However, since stocks of core relief items are currently managed by the respective country operations and decentralized management is an important element of the organization’s culture, such a change would have to be carefully assessed together with the operations concerned, the regional bureaux and the senior management team at headquarters. As a basis for such a discussion, the Division of Emergency, Security and Supply will draft a concept note explaining how global management of stocks of core relief items could be implemented as part of the ongoing regionalization process and what the benefits would be for the organization. The concept note will be submitted to senior management by end of the second quarter of 2020.	The Board will follow up on the process and considers this recommendation under implementation.		X	

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Implementation	
						Under implementation	Not Overtaken implemented by events
83	2017	A/73/5/Add.6 , chap. II, para. 214	The Board further recommends that the Division of Emergency, Security and Supply review all UNHCR inventories on a periodic basis and, if the observations from these reviews permit it, advise regional bureaux and country operations on opportunities for an efficient stockpile management at the country level.	UNHCR recognizes that potential benefits can be achieved by managing the UNHCR stock of core relief items at the corporate level. However, since stocks of core relief items are currently managed by the respective country operations and decentralized management is an important element of the organization's culture, such a change would have to be carefully assessed together with the operations concerned, the regional bureaux and the senior management team at headquarters. As a basis for such a discussion, the Division of Emergency, Security and Supply will draft a concept note explaining how global management of stocks of core relief items could be implemented as part of the ongoing regionalization process and what the benefits would be for the organization. The concept note will be submitted to senior management by end of the second quarter of 2020.	The Board will follow up on the process and considers this recommendation under implementation.	X	
84	2017	A/73/5/Add.6 , chap. II, para. 222	The Board recommends that UNHCR initiate an internal stakeholder process to assess how more efficient order placement and purchase planning could be put in place.	Revised processes and procedures are defined in the administrative instruction on procurement, which has almost been finalized and is expected to be issued soon.	The Board will follow up on the process and considers this recommendation under implementation	X	

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020	Implementation	
						Under implementation	Not Overtaken implemented by events
85	2017	A/73/5/Add.6 , chap. II, para. 226	The Board recommends that UNHCR identify further opportunities for the consolidation of requirements, either at a regional or even a global level.	Guidance on further opportunities for consolidation will be included in the administrative instruction on procurement and in the revised chapter 8 of the UNHCR manual, which were in the final stages of the review process at the time of these updates.	The Board will follow up on the process and considers this recommendation under implementation	X	
86	2017	A/73/5/Add.6 , chap. II, para. 229	The Board recommends that UNHCR expedite its revision of chapter 8 of the UNHCR manual in order for staff to gain access to consistent and reliable guidance on procurement procedures.	Both the policy on procurement and the administrative instruction on procurement are close to finalization and are expected to be issued soon. These two documents will replace the current chapter 8 of the UNHCR manual as mandatory guidance. However, chapter 8 will be retained and enhanced to become additional “soft” guidance. Chapter 8 will be completed once the policy and administrative instruction on procurement are issued.	The Board will follow up on the process and considers this recommendation under implementation.	X	
87	2017	A/73/5/Add.6 , chap. II, para. 234	The Board recommends that UNHCR include the remaining applications in the disaster recovery plan to increase their data security.	UNHCR is in the process of adding the relevant applications “in the cloud”.	The Board will follow up on the process and considers this recommendation under implementation.	X	
88	2017	A/73/5/Add.6 , chap. II, para. 235	As part of overall business continuity management, the Board further recommends that UNHCR establish an ICT disaster recovery guideline.	UNHCR is in the process of defining guidance for the field offices.	The Board will follow up on the process and considers this recommendation under implementation.	X	

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
89	2017	A/73/5/Add.6 , chap. II, para. 240	The Board recommends that UNHCR implement comprehensive backup and disaster recovery guidelines in every country operation. The guidelines should be embedded in the local business continuity management.	While the ICT field operations manual is being drafted at the headquarters level, activities for backup and disaster recovery are ongoing in the field. The Division of Information Systems and Telecommunications has recently released the revised backup instruction, in particular to cater to the migration from Windows 7 to Windows 10.	The Board will follow up on the process and considers this recommendation under implementation.		X		
90	2017	A/73/5/Add.6 , chap. II, para. 244	The Board recommends that UNHCR review responses from the field to the checklist on ICT general computer controls for UNHCR field operations and that country operations take timely steps to address any significant weaknesses.	Two main subprocesses (security, and backup and recovery) have been incorporated into the statement of internal controls. Furthermore, the full ICT self-assessment questionnaire has been added to the site profile in the central ICT management tool and a dashboard is available for monitoring.	The Board will follow up on the process and considers this recommendation under implementation.		X		
91	2017	A/73/5/Add.6 , chap. II, para. 249	The Board recommends that UNHCR use the newly introduced travel module in their enterprise resource planning to analyse why the compliance with the policy on travel for official purposes is low and, based on this analysis, that UNHCR assess how cost-effective prices for flight bookings can be achieved.	The analysis of the reasons of the low rate of compliance with the policy on travel for official purposes has been completed and the resulting data have been shared with all directors of divisions and regional bureaux for appropriate action. In addition, the revised country financial reports issued monthly to	UNHCR demonstrated its new county financial reports on the Power business intelligence platform. The tool includes an electronic key performance indicator concerning the fulfilment of the 16-day-provision. The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.	X			

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020		Not Overtaken by events
					Implemented	Under implementation	
92	2016	A/72/5/Add.6 , chap. II, para. 39	The Board recommends that country operations determine the numbers and types of vehicles needed to meet operational needs and document the underlying assumptions and how country operations arrived at their estimates. In case country operations need assistance with respect to an accepted methodology to estimate the number and types of vehicles needed for the operation, the Board encourages them to liaise with the asset and fleet management section at headquarters for advice or additional guidance.	operations now include new information on two travel-related key performance indicators, including non-compliance with the 16-day rule. UNHCR has published a guidance note on its intranet regarding the criteria to be considered when determining the size and composition of their fleets. It takes into account country-specific factors (e.g., emergencies and import restrictions) and criteria such as staff size, the requirements of implementing partners, maintenance and repair facilities, the utilization of existing vehicles and the average age of the fleet.		X	
93	2016	A/72/5/Add.6 , chap. II, para. 88	The Board also recommends that management in country operations and the regional bureaux regularly review the quality of financial and performance monitoring for projects implemented with partners.	UNHCR headquarters performs an annual quality review of monitoring reports for a sample of agreements. In addition, with the establishment of the new programme coordination units at the regional bureaux, which have functions for project control, programme monitoring and budgeting, the regional project control officers			X

No.	Audit report year/ biennium	Report reference	Summary of recommendation	Administration comments on status, May 2020	Board comments on status, May 2020		Under implementation	Not implemented	Overtaken by events
					Implemented				
94	2016	A/72/5/Add.6 , chap. II, para. 113	The Board recommends that country operations monitor non-purchase order purchases on a regular basis and assess whether further efficiency gains could be realized by compiling individual non-purchase order purchases into framework agreements. The Board also advises that headquarters divisions liaise with country operations to explore how the monitoring and oversight of non-purchase order purchases could be facilitated.	will assume quality control functions with regard to the financial and performance monitoring reports. Targeted capacity support will be rolled out to improve partnership management, including the review of the quality of financial and performance monitoring for projects implemented with partners. The Division of Financial and Administrative Management has completed the design of the non-purchase order vouchers monitoring report in the Power business intelligence tool as part of the country financial report page with user-friendly navigation and traffic lights, highlighting the cases exceeding the non-purchase order threshold of \$4,000 per supplier per quarter. Different parameters now enable users to review compliance by narrowing down the search by fiscal year/ quarter, region, operation, business unit and the general ledger account category. UNHCR will continue to review the tool for improvements based on feedback from users.	The Board welcomes the steps taken by UNHCR and considers this recommendation to be implemented.		X		

No.	<i>Audit report year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>		<i>Not Overtaken by events</i>
					<i>Implemented</i>	<i>Under implementation</i>	
95	2015	A/71/5/Add.6 , chap. II, para. 65	The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results and the deployment of resources.	The Board continued to keep this recommendation open on the grounds that UNHCR had to complete several verification exercises that were in progress at the time of the audit, in addition to those already completed. By virtue of the repetitive nature of verification exercises, and following UNHCR guidance to conduct a verification at least every 24 months in certain operational scenarios, there will always be verification activities in progress every year. For this reason, and recalling that the recommendation was to “develop a formal reporting mechanism”, UNHCR confirms that it has implemented a regular reporting mechanism on verification exercises in the field through its network of senior regional registration and identity management officers. In implementation of the data transformation strategy 2020–2025, the creation of the data, identity management and analysis units with much-reinforced staffing levels	The Board acknowledges the guidance on continuous registration and verification in the different organizational environment and considers this recommendation to be overtaken by events.		X

No.	<i>Audit report</i>		<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Under</i>		<i>Not Overtaken</i>	
	<i>year/ biennium</i>	<i>Report reference</i>				<i>Implemented</i>	<i>implementation</i>	<i>implemented</i>	<i>by events</i>
96	2014	A/70/5/Add.6 , chap. II, para. 82	<p>The Board supports the plans of UNHCR to use its Focus system to better link costs and outcomes in each of its business sectors. UNHCR needs to take a tougher, clearer stance on the importance of information on costs and service performance, particularly on linkages between enrolment in education, delivery and retention, and the impact of achieving good-quality education qualifications. Without such information, fully informed judgments on the value for money achieved, or the cost-</p>	<p>and the required level of authority at the new, decentralized regional bureaux will continue to further strengthen the close monitoring of registration coverage, including of verification exercises where they occur, systematically and in an evidence-based manner.</p> <p>The deployment of global tools such as proGres v4 and the DataPort are also key to optimizing easier, faster and reliable monitoring, as data can be seen in real time at the country, regional and global levels.</p>	<p>Upon the approval of the new results-based management approach and results structure, a high-level multi-year strategic planning process was endorsed by the project sponsor in October 2019. At the time of these updates, the results-based management project was at the stage of mapping in detail the future operations management processes, and the detailed data structure and data flows involved in using the results framework. The draft data structure is aimed at</p>	<p>The Board noted the efforts UNHCR has put into designing the new results-based management tool that will replace the Focus system and considers this recommendation to be overtaken by events.</p>			X

<i>Audit report</i> No.	<i>year/ biennium</i>	<i>Report reference</i>	<i>Summary of recommendation</i>	<i>Administration comments on status, May 2020</i>	<i>Board comments on status, May 2020</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			effective targeting of assistance, are not possible.	supporting a value-for-money analysis by making possible a more granular tracking of deliverables of specific partners, which can then be matched against associated budgets/costs. The new results framework will be introduced for the planning process in 2021 and will become operational in 2022.					
Total					96	48	43	2	3
Percentage					100	50	45	2	3

Chapter III

Statement of the responsibilities of the High Commissioner and approval and certification of the financial statements

Letter dated 31 March 2020 from the United Nations High Commissioner for Refugees and the Controller and Director of the Division of Financial and Administrative Management of the Office of the High Commissioner addressed to the Chair of the Board of Auditors

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 High Commissioner.

To fulfil this responsibility, the Office of the High Commissioner 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 Board of Auditors during their respective audits.

In this context, the financial statements contained in chapter V, comprising statements I to V and the supporting notes, were prepared in accordance with the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.10](#)) and International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

(Signed) Filippo **Grandi**
United Nations High Commissioner for Refugees

(Signed) Hans G. **Baritt**
Controller and Director
Division of Financial and Administrative Management

Chapter IV

Financial report for the year ended 31 December 2019

A. Introduction

1. The United Nations High Commissioner for Refugees has the honour to submit the financial report and financial statements for the year ended 31 December 2019, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations ([ST/SGB/2013/4](#)) and article 11 of the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.10](#)).
2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund (consisting of the Global Refugee Programme and the Global Stateless Programme), the Global Reintegration Projects Fund, the Global Internally Displaced Persons Projects Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Working Capital and Guarantee Fund. It presents an overview of the operational context, financial analysis and budgetary performance by major activity groupings, highlighting trends and significant changes.
3. The financial report is designed to be read in conjunction with the financial statements, consisting of five statements and supporting notes.

B. Operational context and activities overview

4. The Office of the United Nations High Commissioner for Refugees (UNHCR) is mandated by the General Assembly to lead and coordinate international action for the protection of refugees and solutions to their plight. UNHCR seeks to reduce situations of forced displacement by encouraging States and other institutions to create conditions that are conducive to the protection of human rights and the peaceful resolution of disputes. It operates in an increasingly complex and unpredictable environment. In all of its activities, UNHCR pays particular attention to the needs of the most vulnerable and seeks to promote the equal rights of women and girls. In order to ensure protection and solutions for persons of concern, UNHCR needs to adapt and remain flexible, working closely with affected communities and a wide range of other partners. UNHCR works in partnership with governments, international and non-governmental organizations, other United Nations agencies and persons of concern, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.
5. In 2019, conflict, persecution and human rights violations continued to cause displacement across the globe. In Africa and most notably the Sahel, violence and instability continued to displace hundreds of thousands of people across Burkina Faso, Mali and the Niger. In the Mediterranean region, lives were lost at sea as official search and rescue operations were either discontinued or significantly cut back in scope. Millions were exposed to hunger as the crisis in Yemen deepened, while the conflict in the Syrian Arab Republic entered its ninth year, with hundreds of thousands of people newly displaced in the province of Idlib. Continued violence and insecurity in the north of Central America uprooted people from their homelands, adding to pre-existing difficulties in managing mixed movements across the region, while a massive outflow from the Bolivarian Republic of Venezuela affected the entire region and beyond.

6. The global compact on refugees, affirmed by the General Assembly in 2018, provided a comprehensive framework for transforming the way the international community responds to refugee movements. The compact provided further impetus for UNHCR to evaluate the skills, capacities and new ways of working needed to deliver protection, assistance and solutions in a more effective, efficient and accountable manner.

7. The first Global Refugee Forum, which was held in December 2019, offered a unique opportunity to mobilize increased support for refugees and the countries and communities that host them, demonstrating solidarity and a more equitable sharing of burdens and responsibilities. It brought together more than 3,000 participants from governments, international organizations, development partners, non-governmental organizations, the private sector, faith-based organizations, parliaments, cities, civil society, the academic community and sports organizations. In addition, more than 70 refugees from around the world participated in the Forum, underpinning the collective efforts of the international community. The results were promising, as more than 1,000 pledges were made to support numerous areas, such as job creation, education for refugee children, favourable refugee policies, resettlement places, clean energy, infrastructure and the long-term humanitarian-development needs of host communities.

8. In 2019, UNHCR engaged in a transition towards a more decentralized structure, shifting capacities, authorities and resources closer to the people UNHCR serves. By the end of that year, the organization's seven regional bureaux were based in the regions they cover, and were better equipped to support country operations.

9. Over the course of 2019, UNHCR and its partners responded to the needs of more than 16.6 million displaced people affected by multiple simultaneous emergencies worldwide. UNHCR used its early warning, risk monitoring analysis and preparedness system to review and oversee the levels of preparedness and capacity of country operations to respond to the emergencies. The Office also strengthened its senior corporate emergency roster to boost its leadership and coordination capacities. This allowed UNHCR to respond rapidly and effectively to requests for reinforcement, including in the context of cyclone Idai (Malawi, Mozambique and Zimbabwe), the situations regarding internally displaced persons in Burkina Faso and the Democratic Republic of the Congo and the refugee response in Costa Rica, Iraq and the Niger.

10. While working to ensure that refugees and asylum seekers were treated fairly when seeking protection, some 8.8 million persons of concern were registered by the Office in 69 operations worldwide using biometric technology. This provides for a more efficient process, enables UNHCR and its partners to better target assistance, reduces fraud and is key to ensuring protection and solutions. UNHCR continued to strengthen its identity management capability and expanded the coverage of its Population Registration and Identity Management EcoSystem (PRIMES) – a suite of interoperable registration, identity management and case management tools and applications. PRIMES had been rolled out to 83 operations by the end of 2019.

11. UNHCR continued to advocate for the prevention and reduction of statelessness, as well as the protection of stateless persons, by promoting accession by States to the relevant international instruments and working with States to facilitate the acquisition, reacquisition or confirmation of nationality by stateless persons. In line with the UNHCR Strategic Directions 2017–2021, the Office was focused on ensuring a more decisive and predictable engagement with internally displaced persons, in collaboration with partners and guided by the policy, coordination and operational arrangements established by the Inter-Agency Standing Committee. The Office's new policy on engagement in situations of internal displacement reflects this firm and

revitalized commitment, placing emphasis on protection leadership and better aligning the organization's interventions with those of its partners. UNHCR also continued to contribute to the objectives of the 2030 Agenda for Sustainable Development.

12. UNHCR expanded its cash assistance programme to provide protection, assistance and services to persons of concern. This type of assistance helped displaced peoples meet a variety of needs, including access to food, water, health care and shelter. It was also used to support livelihoods and facilitate voluntary repatriation. Cash-based interventions lessened the likelihood that displaced persons would resort to harmful coping strategies, such as survival sex, child labour and forced marriage. Such interventions also directly benefited local economies and contributed to peaceful coexistence with host communities. In 2019, UNHCR delivered some \$646 million in cash assistance – mainly in the form of multipurpose cash grants – to some 4 million of the most vulnerable persons of concern.

13. In 2019, the total estimated budgetary requirements for addressing the needs of all persons of concern amounted to \$8,635.9 million (\$8,220.5 million in 2018). The total available funds were \$4,826.2 million (\$4,710.3 million in 2018), while UNHCR implemented activities in the amount of \$4,415.3 million (\$4,226.3 million in 2018) (see table IV.3).

C. Financial analysis

14. The financial position of UNHCR at year-end and the annual financial performance since 2015 are summarized in table IV.1.

Table IV.1

Financial position and financial performance, 2015–2019

(Millions of United States dollars)

	2015	2016	2017	2018	2019
Total assets	2 315	2 570	2 973	3 305	3 376
Total liabilities	859	940	998	986	1 269
Net assets	1 456	1 630	1 975	2 319	2 107
Revenue	3 582	3 979	4 230	4 338	4 183
Expense ^a	3 279	3 852	3 851	4 083	4 258
Surplus/deficit	303	127	379	256	(75)

^a Including foreign exchange gains/losses.

15. As at 31 December 2019, total fund balances and reserves amounted to \$2,106.8 million (see statement I), representing a decrease of \$212.3 million, or 9.2 per cent, compared with the balance as at 31 December 2018. This decrease was a result of the performance deficit of \$75.1 million (see statement II) and the loss arising from the actuarial valuation of employee benefit obligations of \$137.2 million (see statement III).

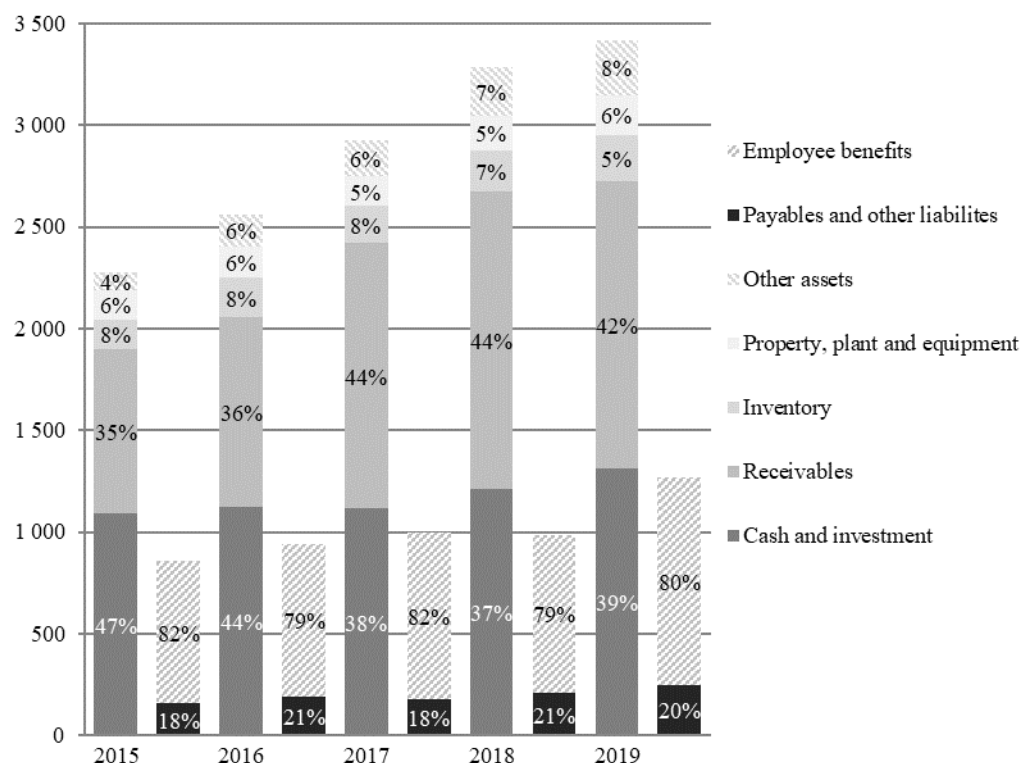
16. The fund balances and reserves comprise the accumulated fund balances and reserves (\$2,564.4 million), the Working Capital and Guarantee Fund (\$100.0 million), the Medical Insurance Plan (\$46.5 million) and the Staff Benefits Fund (net deficit of \$604.2 million).

17. The accumulated fund balances and reserves include, in addition to the balance of the Annual Programme Fund (\$2,292.3 million), the operational reserve (\$10.0 million), the new or additional mandate-related activities reserve (\$20.0 million), the Projects Fund (\$225.4 million), the Junior Professional Officers Fund (\$17.1 million) and the United Nations Regular Budget Fund (net deficit of \$0.3 million), as detailed in note 3.11.

18. The composition by main category of the assets and liabilities of UNHCR as at the year end for the years 2015 to 2019 is depicted in figure IV.I.

Figure IV.I
Assets and liabilities, 2015–2019

(Millions of United States dollars)



19. As at 31 December 2019, financial instruments such as cash, investments and receivables accounted for 81 per cent of total assets, most of which are current assets. Employee benefit obligations accounted for 80 per cent of total liabilities, largely consisting of long-term obligations.

20. Table IV.2 provides some key financial ratios as at 31 December 2019 compared with those as at 31 December 2018.

Table IV.2
Key financial ratios

	<i>As at 31 December 2019</i>	<i>As at 31 December 2018</i>
Current assets to current liabilities	7.88	9.53
Total assets to total liabilities	2.66	3.35
Cash and cash equivalents to current liabilities	2.74	3.20

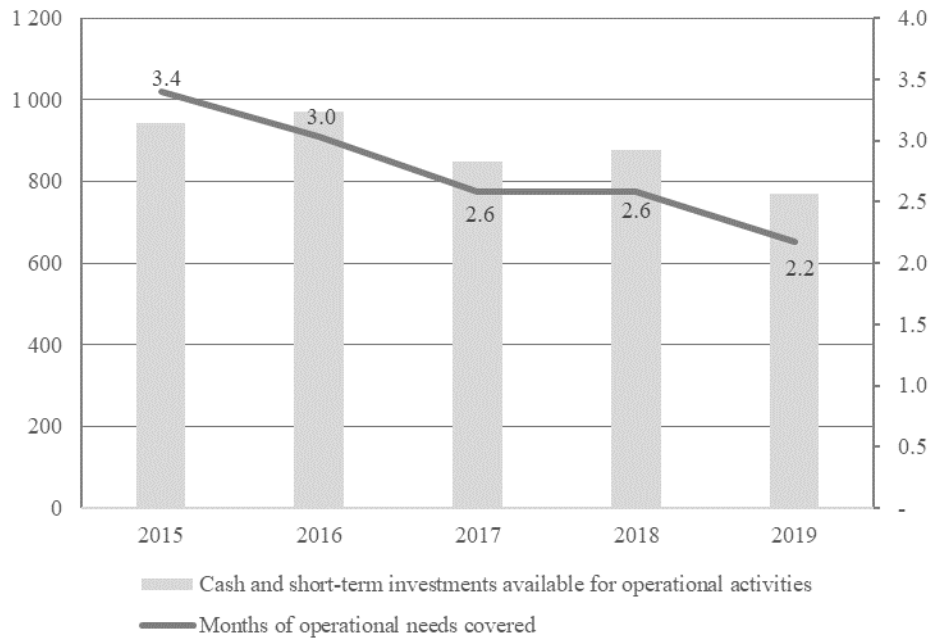
21. The current ratio (current assets to current liabilities) is a liquidity ratio reflecting the balance between those assets that will materialize within the next 12 months and those liabilities/payments that the organization needs to settle within the next 12 months. The higher the current ratio, the more capable the organization is of meeting its obligations. At the end of 2019, the current ratio was 7.88. This needs to be seen in the context of the specific activities performed by UNHCR. In general, entities that have control over the timing of revenue generation attempt to synchronize the generation of liabilities with the pattern of revenue; therefore, a straight comparison between current asset and current liability provides a good indication of the ability of the entity to meet its current obligations. In the case of UNHCR, much of the revenue recognized as receivable over the next 12 months is pledged when the annual pledging conference takes place, just before year-end. The contribution pledges are generally based on a budget designed to match the budgeted costs of delivering programmes for the same period. However, the budgeted projection of expenses does not constitute a liability, resulting in a mismatch in the timing of recognition of the revenue and assets and the corresponding liabilities. This mismatch produces a higher current ratio at the end of the financial year than would be the case if the timing of revenue pledges were more closely matched with the incurrence of costs for the programmes that such revenue is expected to fund.

22. As at 31 December 2019, the total amount of cash and short-term investments was \$1,313.5 million, an increase of \$98.4 million compared with \$1,215.1 million in 2018. Excluding the amounts pertaining to the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan, the cash and short-term investments available for operational activities amounted to \$770.5 million (\$875.8 million in 2018). This covers approximately 2.2 months of operational needs on the basis of average monthly expenses in 2019. At the time of the certification of the financial statements (31 March 2020), the balance of cash and investments available for operational activities had increased to \$811.2 million, representing 2.3 months of operational needs.

23. Figure IV.II depicts the total amount of cash and short-term investments available for operational activities as well as the number of months of operational needs covered based on the average monthly expenses for the period from 2015 to 2019.

Figure IV.II
Total amount of cash and short-term investments for operational activities/
months of operational needs covered, 2015–2019

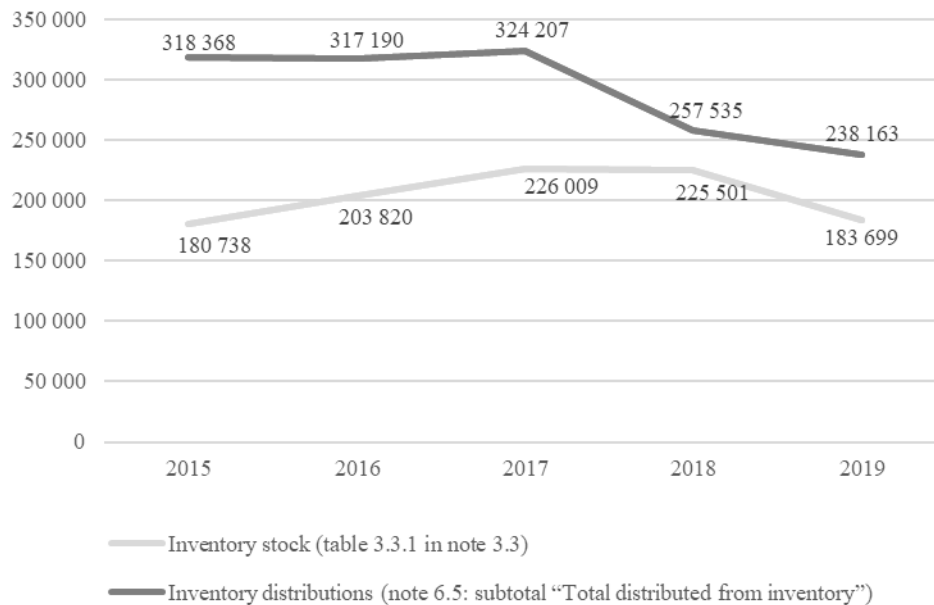
(Millions of United States dollars/number of months)



24. Figure IV.III depicts the average inventory distribution (see note 6.5) together with the inventory on stock (see table 3.3.1 in note 3.3) at year-end over the past five years.

Figure IV.III
Inventory distribution and on stock at year-end, 2015–2019

(Thousands of United States dollars)



25. In terms of financial performance (see statement II), UNHCR ended the year with a deficit (revenue minus expenses, including foreign exchange losses) of \$75.1 million, compared with a surplus of \$255.8 million at the end of 2018.

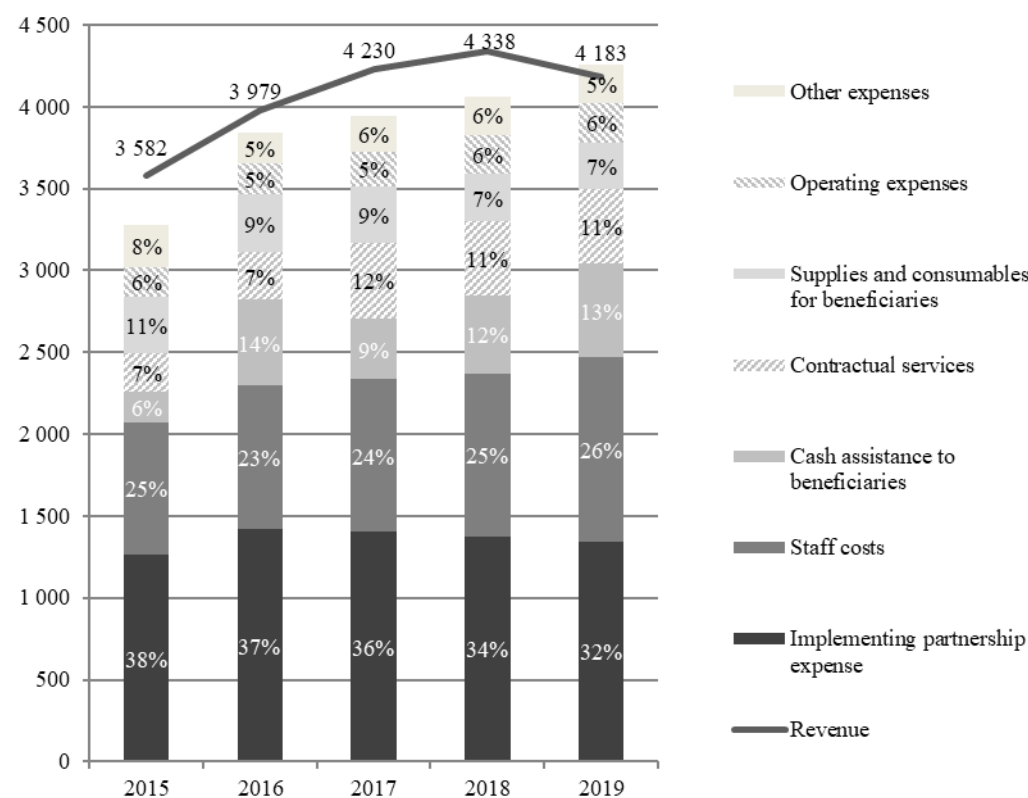
26. The change in the annual result of 2019 in comparison with 2018 was driven mainly by a decrease in voluntary contributions revenue of \$166.9 million, together with an increase in expenses for salaries and employee benefits of \$127.9 million and cash assistance to beneficiaries of \$97.3 million, offset by a decrease in implementing partnership expenses of \$30.1 million.

27. Figure IV.IV depicts the revenue and expenses for the period from 2015 to 2019.

Figure IV.IV

Revenue and expenses, 2015–2019

(Millions of United States dollars)



28. The total revenue for 2019 was \$4,183.1 million, a decrease of \$155.2 million, or 3.6 per cent, compared with 2018. Voluntary contributions from donors, including in-kind contributions, amounted to \$4,093.8 million (accounting for 97.9 per cent of the total revenue), of which \$1,102.4 million was intended for future years' activities (2020–2023).

29. The total expenses for the financial period amounted to \$4,258.3 million, an increase of 4.8 per cent compared with 2018 (\$4,064.0 million). Statement V presents the 2019 expenditure of \$4,415.3 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2018 in annual expenses reported in statement II for 2019 are explained in the paragraphs below.

30. Expenses pertaining to agreements signed with implementing partners, amounting to \$1,345.0 million, decreased by 2.2 per cent compared with 2018

(\$1,375.1 million). Substantial decreases occurred primarily in Uganda and Iraq, whereas the largest increases occurred in Nigeria, Lebanon, Bangladesh and the Niger. UNHCR continues its support to national partners as part of its commitment to support localization and to increase the resources entrusted to them.

31. Staff salaries and benefits, amounting to \$1,124.2 million, increased by 12.8 per cent compared with 2018 (\$996.4 million), reflecting the impact of the demands of emergencies faced during the period and some additional costs for prior service adjustments recorded in 2019 for after-service health insurance.

32. Cash assistance to beneficiaries represents support provided directly by UNHCR and excludes amounts distributed through partners, which are reported as part of implementing partnership expenses. The cash assistance managed directly by UNHCR, amounting to \$569.7 million, increased by 20.6 per cent compared with 2018 (\$472.4 million). The main increases related to the programmes in Iraq (\$38.4 million), Greece (\$29.8 million) and Mexico (\$12.7 million).

33. Expenses for contractual services, amounting to \$458.5 million, increased by 0.7 per cent compared with 2018 (\$455.4 million). Increases were observed across major operations for various specialized technical, analytical and operational services (\$23.0 million), offset by a decrease in direct services for beneficiaries (\$20.0 million).

34. Expenses for supplies and consumables for beneficiaries amounted to \$284.0 million, representing a decrease of 1.8 per cent compared with 2018 (\$289.3 million).

35. The year 2019 continued to be characterized by low interest rates in respect of the United States dollar and the euro. The organization's investment management objective is to emphasize capital preservation and liquidity over the rate of return. Interest revenue of \$19.3 million (\$18.1 million in 2018) was generated during the year. The increase compared with 2018 is attributable to slightly higher average cash balances and higher average interest rates, mainly with regard to the United States dollar.

36. The composition of the deficit for 2019 is shown in the statement of changes in net assets (statement III). The revenue for 2019 included the recognition of \$1,102.4 million relating to monetary contributions and pledges from donors recorded and recognized in 2019 but intended for future-period activities (2020–2023), as shown in table 5.1.2. Furthermore, UNHCR had legal commitments (open purchase orders) of \$518.8 million as at 31 December 2019 for goods and services to be received early in 2020. Accordingly, some of the revenue recognized in 2019 will only be matched by expenses to be incurred during 2020 and subsequent years.

D. Programme budget performance highlights

37. While the financial statements have been prepared on an accrual basis, the programme budget of UNHCR continues to be formulated and presented on a modified cash basis. Therefore, for the purpose of budgetary management and performance analysis, expenses are converted to an equivalent basis. A summary of the comparison of budget and actual amounts is shown in statement V.

38. All figures quoted in the present section as expenditure, income or funds available refer to modified cash basis figures, comparable with budgets and exclusive of the Working Capital and Guarantee Fund, the Staff Benefits Fund, the Medical Insurance Plan and any special accounts held during the period.

39. The programme budget of UNHCR is formulated on the basis of a global needs assessment methodology, meaning that an assessment of the needs of persons of

concern to UNHCR serves as the basis for the formulation of programme budget estimates.

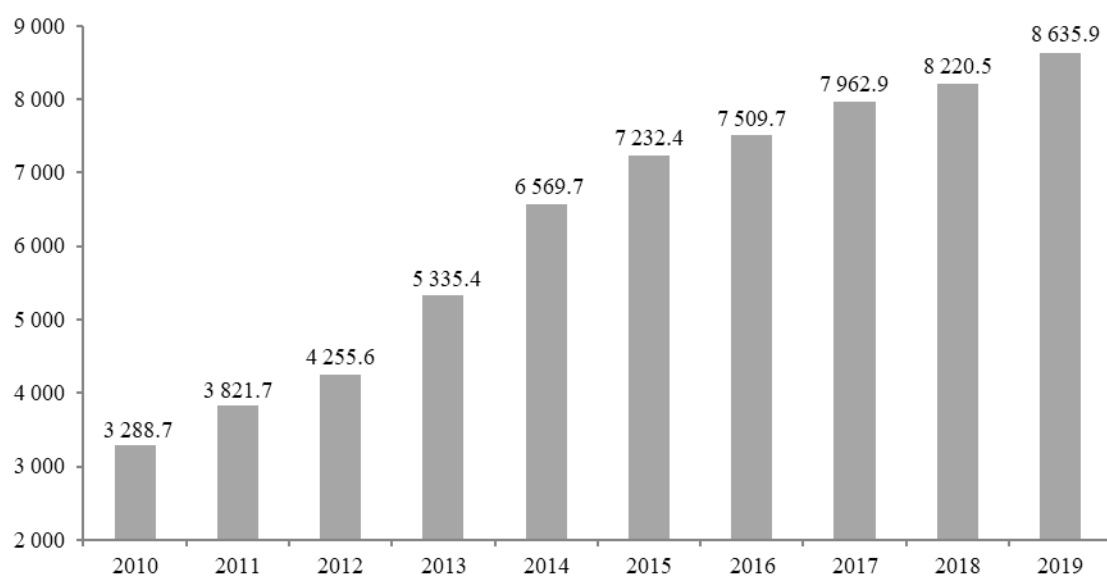
40. Subsequent to the approval of the budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the allocation of funds for the implementation of programmes and projects on the basis of the availability of funds. During the implementation period, the High Commissioner may revise the budget with supplementary budgets, in accordance with article 7.5 of the financial rules for voluntary funds administered by the High Commissioner, to meet new or additional needs arising in the course of the same period.

41. The original budget for 2019 approved by the Executive Committee at its sixty-eighth session (October 2017) amounted to \$7,352.3 million. Subsequently, at its sixty-ninth session (October 2018), the Executive Committee approved the revised budget for 2019 amounting to \$8,591.1 million on the basis of updated requirements. The final budget for 2019 amounted to \$8,635.9 million, representing the sum of the approved revised budget of \$8,591.1 million and the final supplementary budgets established by the High Commissioner in the course of the year in the amount of \$107.4 million, taking into account a budget reduction of \$62.6 million. The supplementary budgets established in 2019 pertained to responses to the situations in Cameroon (\$35.4 million) and the Bolivarian Republic of Venezuela (\$72.0 million). The budget reduction of \$62.6 million was a result of the downward revision of population planning figures in Uganda for refugees from Burundi, the Democratic Republic of the Congo and South Sudan.

42. Since the introduction of the global needs assessment budget in 2010, requirements have reflected a steady increase, reaching \$8,635.9 million in 2019, a 5.1 per cent increase compared with the \$8,220.5 million reported for 2018 (see figure IV.V).

Figure IV.V
Requirements, 2010–2019

(Millions of United States dollars)



43. The resource requirements of UNHCR are grouped under each of the four main programme pillars: the Global Refugee Programme (pillar 1), the Global Stateless Programme (pillar 2), Global Reintegration Projects (pillar 3) and Global Internally Displaced Persons Projects (pillar 4).

44. Table IV.3 shows the breakdown of total requirements, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1. The difference between the total requirements (global needs assessment budget) and the funds available represents the unfunded needs of persons of concern to UNHCR. In 2019, unfunded needs amounted to \$3,809.7 million, or 44 per cent of total requirements.

Table IV.3

Total requirements, funds available and expenditure, 2019^a

(Millions of United States dollars unless otherwise indicated)

	<i>Pillar 1^b</i>	<i>Pillar 2</i>	<i>Pillar 3</i>	<i>Pillar 4</i>	<i>Total</i>
Total requirements (global needs assessment budget)	6 692.5	71.5	581.7	1 290.2	8 635.9
Funds available	3 978.3	41.3	128.0	678.6	4 826.2
Expenditure	3 611.7	40.0	121.9	641.7	4 415.3
Carry-over	366.6	1.3	6.0	37.0	410.9
Expenditure on total requirements (percentage)	54	56	21	50	51
Expenditure on funds available (percentage)	91	97	95	95	91

^a Totals in the table may not add up owing to rounding.

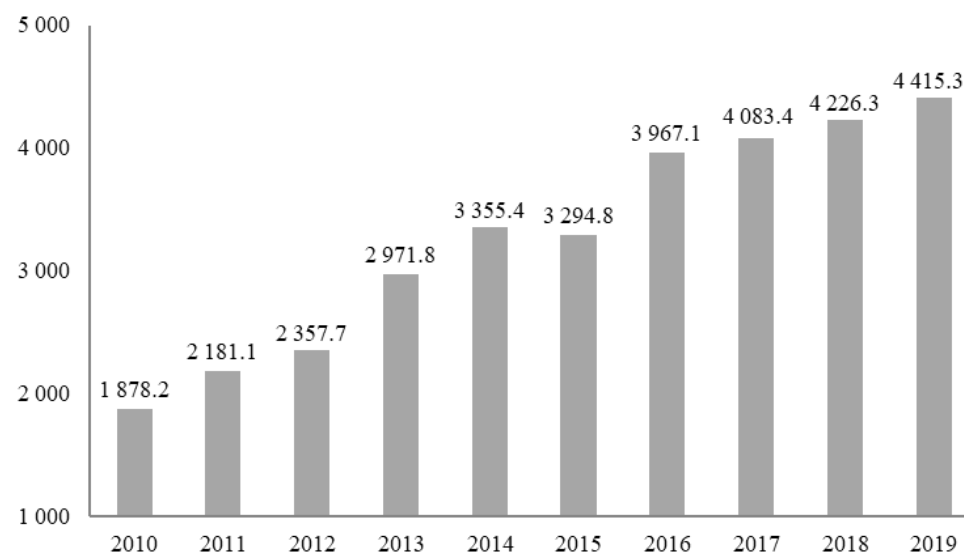
^b Pillar 1 is inclusive of the United Nations Regular Budget Fund, the Junior Professional Officers Fund, the operational reserve and the reserve for new or additional mandate-related activities.

45. The expenditure amount of \$4,415.3 million in 2019 represents an increase of \$189.0 million, or 4.5 per cent, compared with the expenditure amount in 2018 (\$4,226.3 million). Figure IV.VI illustrates annual expenditure over the period from 2010 to 2019.

Figure IV.VI

Expenditure, 2010–2019

(Millions of United States dollars)



46. Table IV.4 shows 2019 expenditure, broken down in terms of programme, programme support, management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2018.

Table IV.4
2019 expenditure by programme, programme support, management and administration and Junior Professional Officers Programme

(Millions of United States dollars)

	2019		2018	
	Amount	Percentage	Amount	Percentage
Programme	3 541.2	80.2	3 411.2	80.7
Programme support	701.3	15.9	647.8	15.3
Management and administration	164.0	3.7	159.2	3.8
Junior Professional Officers Programme	8.8	0.2	8.1	0.2
Total expenditure	4 415.3	100.0	4 226.3	100.0

47. The evolution of the expenditure for the programmed activities under the three budget components, namely, programme, programme support and management and administration costs (excluding the Junior Professional Officers Programme), is presented in figures IV.VII and IV.VIII for the period from 2010 to 2019 in values and percentages, respectively.

Figure IV.VII
Evolution of expenditure, 2010–2019

(Millions of United States dollars)

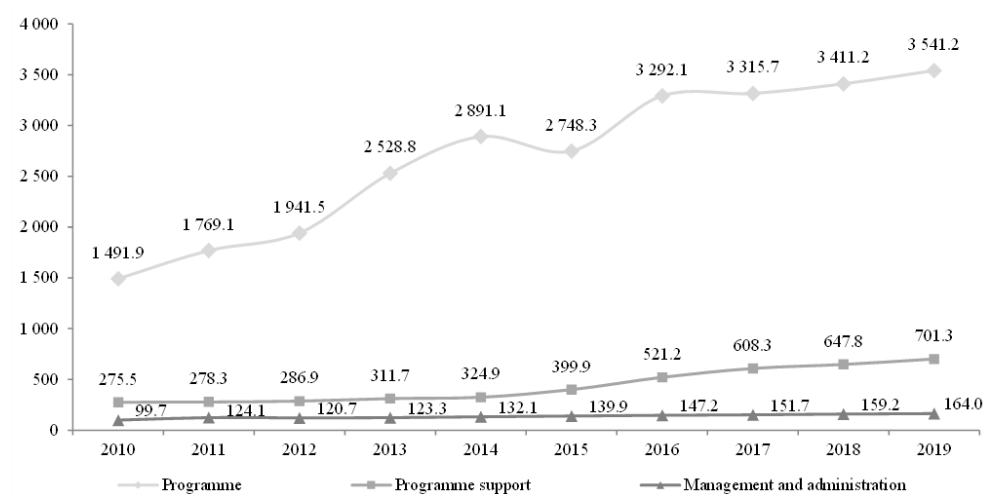
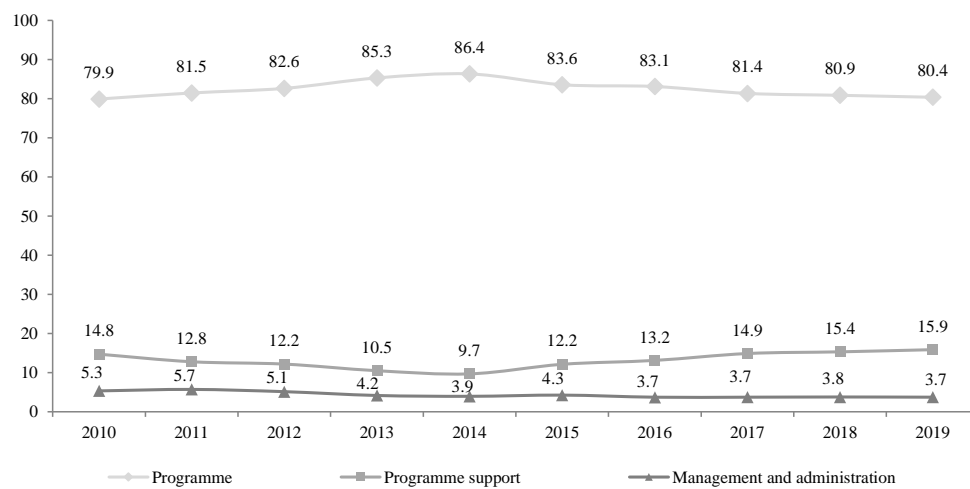


Figure IV.VIII
Evolution of expenditure, 2010–2019

(Percentage)



E. Going concern

48. The consequences of any potential reductions, delays in receipt or defaults in payments of contributions, in particular within the current context of the global economic and financial situation, have been evaluated by the management of UNHCR. As at the date of preparation of the present report, 31 March 2020, the impact of the coronavirus disease (COVID-19) pandemic was characterized as a material event occurring since 31 December 2019, the impact of which could not be reliably measured and assessed. Management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the revised budget requirements for 2019 during its meeting in October 2018 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

F. Internal control system

49. In accordance with UNHCR financial rule 10.1, the Controller is responsible to the High Commissioner for establishing internal controls to ensure: (a) the regularity of receipt, custody and disposal of all assets entrusted to him; and (b) the conformity of commitments and expenses with the directives of the Executive Committee or, as appropriate, with the purpose and conditions of the funds or accounts administered by UNHCR.

50. Internal control and accountability processes are exercised continually at all operational levels within the organization, constituting a key element of a proactive system and a pillar of accountability. Internal controls are applied to ensure that UNHCR adheres to its established policies, rules and procedures so that it is delivering its mandate in line with the principle of stewardship of resources. There are a multitude of controls embedded in various forms in the day-to-day operations of all organizational units of UNHCR. Such controls are either embedded in the enterprise resource planning system used by UNHCR, or implemented outside that system through adherence to requirements emanating from the Financial Regulations

and Rules and the Staff Regulations and Rules of the United Nations or from UNHCR internal legislation in the form of policies, administrative instructions and procedures.

51. UNHCR applies the “three lines of defence” approach in allocating internal control responsibilities across the organization. In the first line of defence, operational management is responsible for maintaining effective internal controls and executing risk management and control procedures on a day-to-day basis. The second line of defence, which covers monitoring and compliance, is executed by management to ensure that controls and procedures implemented by the first line of defence are designed appropriately and operate as intended. The third line of defence is provided by a robust oversight system conducted by the following bodies: the UNHCR Internal Audit Service, provided by the Office of Internal Oversight Services (OIOS); the Inspector General’s Office, responsible for investigations and inquiries; and the Evaluation Service.

Office of Internal Oversight Services

52. OIOS has performed internal audit services at UNHCR since 1997, in accordance with UNHCR financial rule 12.1 and United Nations financial regulation 5.15. A memorandum of understanding between UNHCR and OIOS defines the arrangements for internal audit services to be provided by OIOS. The current memorandum of understanding was signed on 5 March 2018. The UNHCR Audit Service of the Internal Audit Division of OIOS is based in Geneva, with offices in Nairobi, Amman and Budapest. The Service consists of 26 staff, and all but four positions, two in Geneva and two in Budapest, were encumbered as at 31 March 2020. Of the four vacant posts, recruitment actions had been completed for two posts, but onboarding was delayed owing to the COVID-19 pandemic. The internal auditors undertake regular missions to review UNHCR operations in the field and organizational units, functions and systems at headquarters. The UNHCR Audit Service also undertakes thematic audits and reviews of recurrent issues. The audit observations and recommendations are issued as internal audit reports addressed to the High Commissioner. All audit reports are made public on the OIOS website. OIOS also provides an annual summary report on its activities and assessments both to the UNHCR Executive Committee and to the General Assembly. In 2019, OIOS issued 30 reports. These included 19 audit reports on field operations, 5 audit reports on thematic areas, 5 audit reports on information and communications technology (ICT) and 1 review report on recurrent procurement management issues. The thematic audit reports covered: cash-based interventions; emergency preparedness; the audit certification process for implementing partners; international recruitment; and health programmes. The ICT audits covered: the upgraded Managing Systems, Resources and People (MSRP) finance and supply chain module and payroll module; information technology governance; technology obsolescence; and the Global Service Desk. As at 31 March 2020, OIOS was in the process of reviewing its 2020 workplan with the objective of maximizing value to UNHCR and mitigating the impact on already stretched management teams during the COVID-19 crisis.

Independent audit of projects implemented by partners

53. UNHCR carries out a high percentage of its activities through implementing partners. In 2019, UNHCR continued to collaborate with more than 1,126 partners in conducting its operations. The audit of projects implemented by partners is an important management tool for field offices and headquarters, as it assists the organization in obtaining:

(a) Reasonable assurance that the final report submitted by the partner is free from material misstatement and in accordance with the terms of the project partnership agreement;

- (b) A review of the partner's compliance with the partnership agreement;
- (c) An assessment of the partner's internal controls and financial management practices.

54. UNHCR applies a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project and the implementing partner organization. Audit services have been centrally procured and four global, independent and reputable audit service providers have been engaged by UNHCR, resulting in a competitive selection of audit services, an efficient process of project audit certification, enhanced timely delivery of reports and improved consistency and quality of reports. The quality of audit work delivered as part of this arrangement is monitored and assessed during the year against key performance indicators and mutually agreed terms of reference.

Independent Audit and Oversight Committee

55. The Independent Audit and Oversight Committee assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities, in accordance with relevant best practice, industry standards and the financial and staff regulations and rules applicable to UNHCR. In 2019, the Committee held three sessions, during which it discussed and made observations on the organization's transformative initiatives and the related changes to its accountability framework, acknowledged the completed reorganization of the Inspector General's Office and commented on the organization's oversight architecture as described in the new policy on independent oversight. The Committee also reviewed workplans and reports from internal and external audits, investigations, strategic oversight and evaluation functions. The Committee commented on risk management, financial management and ethics and fraud prevention, and on data challenges related to information systems. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2019.

Inspector General's Office

56. The Inspector General's Office is an independent internal oversight body headed by the Inspector General. Through its work, it supports the effective, efficient and accountable management of UNHCR field operations and headquarters activities, while informing the High Commissioner of challenges, problems and deficiencies in delivering the UNHCR mandate. The Inspector General facilitates coherence among oversight functions to avoid overlaps in their activities. The Inspector General's Office comprises two services (Investigation and Strategic Oversight). The Investigation Service undertakes investigations and conducts inquiries in response to incidents involving violent attacks on UNHCR personnel, operations or premises where these fatalities, major injuries or large-scale damages result in actual or potential reputational damage or major financial or material losses to UNHCR. The Strategic Oversight Service, established in 2017, analyses oversight findings, identifies root causes and recurring systemic issues, brings significant oversight matters to the attention of management and conducts inquiries into matters or other events that could directly impact or pose a serious risk to the organization's responsibilities, reputation, interests or operations. It also administers the memorandum of understanding with OIOS for the provision of internal audit services on behalf of UNHCR, provides the necessary support to facilitate the work of the OIOS-provided UNHCR Audit Service, coordinates matters related to the work of the Joint Inspection Unit of the United Nations system and provides secretariat support to the Independent Audit and Oversight Committee, with a view to enhancing cohesion among oversight functions.

Other tools and mechanisms

57. It is worth noting the following additional efforts made by UNHCR to strengthen its internal control system and maximize the effective and efficient use of its resources:

(a) Focusing management attention on effective follow-up to recommendations made by internal and external oversight bodies, reporting regularly to the Independent Audit and Oversight Committee and the Executive Committee on the volume and nature of the outstanding recommendations;

(b) Documenting all actions to be taken to address the recommendations of the Board of Auditors;

(c) Reviewing and streamlining, when deemed necessary, the internal policies, procedures and guidance available to staff;

(d) Holding periodic senior management committee meetings to review and discuss aspects relating to the reinforcement of risk and performance management practices throughout the organization.

58. In 2019, for the first time, UNHCR issued a statement of internal control, set out below.

Statement of internal control, 2019

Scope of responsibility

As the United Nations High Commissioner for Refugees, I am responsible for the administration of the organization and the implementation of its mandate. As such, I am accountable for maintaining a sound system of internal control to ensure the efficient and effective use of the organization's resources and the safeguarding of its assets. I have further delegated authorities and accountabilities to the Deputy High Commissioner, the Assistant High Commissioner for Operations, the Assistant High Commissioner for Protection, the Controller, the regional bureau directors, the country representatives, the division directors and other relevant staff. Internal control and accountability processes are exercised continually at all operational levels, and everyone in UNHCR, with varying degrees of responsibility, has a role to play.

Purpose of internal control

Internal control at UNHCR is understood to be a process which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, compliance and reporting, and is effected by myself, together with my senior management team and personnel at large. I consider effective internal controls to be instrumental in achieving UNHCR's strategic objectives; safeguarding its assets; ensuring reliability of both financial and non-financial reporting; complying with applicable legislation and policies; and promoting the efficiency and effectiveness of operations. As such I rely on UNHCR's management at all levels to:

- (a) Establish an environment and a culture that promotes effective internal control;
- (b) Identify and assess risks that may affect the achievement of objectives, including the risk of fraud and corruption;
- (c) Specify and implement plans, policies, procedures and operating standards, as well as systems and other control activities, to manage the risks identified;
- (d) Ensure an effective flow of information and communication so that all UNHCR personnel have the information they need to fulfil their responsibilities;
- (e) Monitor the effectiveness of internal controls.

This is UNHCR's first statement of internal control. It is applicable for the financial reporting period 1 January–31 December 2019, and up to the date of my approval of the organization's financial statements.

Roles and responsibilities in managing risk across the organization

UNHCR applies the "three lines of defence" approach in assigning internal control-related responsibilities at all levels of the organization to support achievement of the above objectives.

In the first line of defence, operational management is responsible for maintaining effective internal control and executing risk management and control procedures on a day-to-day basis. Operational managers implement the organization's control and risk management processes. These include internal control processes designed to: identify and assess significant risks; execute activities as intended;

highlight inadequate processes; address control breakdowns; escalate critical issues, emerging risks and outliers to the second line of defence; and communicate to key stakeholders.

The second line of defence, covering monitoring and compliance, is executed by management. It involves the establishment and implementation of various risk management and compliance monitoring functions to ensure that controls and procedures implemented by the first line of defence are designed appropriately and operate as intended. Second line functions may also develop, implement and/or modify internal control measures, including policies, procedures, administrative instructions and operational guidance.

In the third line of defence, UNHCR benefits from a robust internal independent oversight function incorporating the following bodies: the UNHCR Audit Service, provided by the Office of Internal Oversight Services (OIOS); the Inspector General's Office, responsible for investigations and inquiries; and the Evaluation Service.

UNHCR's operating environment

In delivering on its primary purpose to safeguard the rights and well-being of refugees and other persons of concern, UNHCR operates in an increasingly complex and unpredictable environment. We need to adapt and remain flexible, working closely with affected communities and with a wide range of partners while facing a number of risks to achieve our objectives. UNHCR operates in approximately 130 countries in some very challenging environments and is therefore exposed to situations with a high level of inherent risk. Examples may include a weak security environment for our personnel and poor access to technology, which may impact on the ability to maintain high standards of internal control. We monitor risks closely, and, where necessary, take strategic decisions to adapt our operations to manage and mitigate the risk exposure of our personnel and our assets.

Risk and control framework

UNHCR follows an enterprise risk management policy that outlines a structured approach to risk management across the organization, ensuring the comprehensive and consistent identification, assessment and mitigation of risks at all levels. The policy incorporates both a top-down (Strategic Risk Register) and a bottom-up (Corporate Risk Register) approach to identify and manage our key risks:

(a) The **Strategic Risk Register** captures critical risks at the organizational level that can largely be mitigated directly, or at least influenced, by UNHCR. Its purpose is to enable UNHCR to manage strategic risks proactively, effectively and transparently and to support risk-informed decision-making. In 2019, the Strategic Risk Register has been fully updated, and monitoring of the key mitigation actions is ongoing. A total of 16 strategic risks are captured in the Strategic Risk Register: 4 of them are rated as having a potentially critical impact on the achievement of the organization's objectives, should they materialize;

(b) The enterprise risk management policy requires all operations, regional bureaux and headquarters entities to identify, capture and review risks related to areas within their purview, to develop risk treatment plans and to monitor their implementation. The results of this annual risk review, and subsequent updates throughout the year, are recorded in the UNHCR online risk register tool. The totality of risks recorded in the online risk register forms the **Corporate Risk Register**.

To further enhance UNHCR's approach to risk management, in late 2017 I launched the Risk Management 2.0 initiative, with the aim of further enhancing the integrity and effectiveness of our programmes. As an important part of the initiative, dedicated Senior Risk Management and Compliance Adviser positions were established for identified high-risk operations. At the same time, the Enterprise Risk Management Unit at headquarters was also strengthened. Implementation of the initiative has continued in 2019, with an increased focus on enhancing learning from good practices.

In mid-2019, UNHCR initiated an external risk maturity assessment, with the aim of benchmarking its enterprise risk management maturity against a risk maturity model endorsed in April 2019 by the United Nations High-level Committee on Management. This external assessment confirmed that UNHCR has put in place an enterprise risk management system that meets the standards for an "established" function as set by the model endorsed by the Committee. An "established" level of risk maturity means that there are defined, documented and standardized enterprise risk management processes in place with good organizational coverage, while risk escalation activities and risk information are being used in operational decision-making.

Key findings of risk review

Having reviewed the findings of the risk reviews for 2019, I have concluded that the most significant risks in terms of their potential impact on the achievement of UNHCR's objectives, which are equally included in the Strategic Risk Register, are linked to our need to:

- (a) Ensure strong organization-wide integrity and ethical conduct;
- (b) Decentralize the organization in a coherent and timely manner with buy-in from all levels of workforce;
- (c) Effectively respond to emergencies while ensuring a long-term solution focus;
- (d) Ensure timely, coherent and accurate data and analysis to inform decision-making at all levels.

UNHCR is addressing these risks through a multifaceted approach involving a wide range of actions, a few examples of which are mentioned below:

- (a) Launching mandatory e-learning and training courses on key integrity issues for UNHCR personnel and establishing a SpeakUp helpline to facilitate reporting;
- (b) Promoting continuous organizational change and improvement to enhance its performance and impact through internal transformation (e.g., decentralization and regionalization) and United Nations reform;
- (c) Ensuring effective response to emergency situations through, for example, enhanced human resources and contingency planning, emergency preparedness and improved management of global stockpiles of core relief items in strategic locations;
- (d) Increasing its ability to generate, analyse and use data on forcibly displaced and stateless populations through, for example, global roll-out of key data management and registration tools as well as training and guidance delivered on registration and identity management.

I am reassured by the positive feedback from risk owners that necessary processes and action plans are in place and provide sufficient evidence that UNHCR

takes reasonable action to manage its key risks and adhere to internal control requirements.

Review of the effectiveness of internal control

As the United Nations High Commissioner for Refugees, I am responsible for reviewing the effectiveness of the system of internal control of the organization. My review is informed by the work of the directors and representatives within the organization, who are responsible for the development and maintenance of the internal control framework, and by recommendations made by the internal and external auditors in their audit reports or management letters.

My review of the effectiveness of UNHCR's system of internal control is based on the following:

(a) The annual certification statements, together with the internal control self-assessment questionnaires, submitted by all UNHCR representatives and directors of administrative support divisions, in which they confirmed their responsibility for having put in place and maintained adequate internal controls in their respective areas. The questionnaires were used to review and rate compliance of key controls in management, leadership, financial and administrative areas;

(b) The reports issued by OIOS following the audits conducted under the 2019 audit workplan. These provided me with objective information on compliance and control effectiveness in managing risks in UNHCR operations and activities, together with recommendations for improvement. All reports are made public on the OIOS website;¹

(c) The independent audit reports of projects implemented by partners. UNHCR's partners are audited following a risk-based audit approach. Each report highlights a review of the partner's compliance with the partnership agreement, as well as an assessment of its internal control and financial management practices;

(d) The results of activities led by the Inspector General's Office;

(e) The work of UNHCR's Independent Audit and Oversight Committee, which reviews audit reports, risk reports and financial reports, as well as other information relevant to the overall control framework. The Committee communicates its concluding observations to me following each session and presents its annual report² to the Standing Committee in its yearly fall session.

The most recurrent internal control matters that were identified in the management, financial and administrative areas, through the mechanisms described above, include issues related to:

- (a) Risk-based monitoring of implementing partners;
- (b) Procurement and travel planning processes;
- (c) Embedding the risk management practices into the day-to-day work of our operations;
- (d) Vendor master data management;
- (e) Information and communications technology disaster recovery plans.

¹ See <https://oios.un.org/audit-reports>.

² See www.unhcr.org/5d81f9610.

I am committed to ensuring continuous improvement of the internal controls in the areas identified above through reinforcing measures for:

(a) Strengthening relevant procedures and systems governing the management of projects implemented through partners to better manage risk and deliver the intended results;

(b) Earlier and more robust preparation of procurement plans and their timely and regular review at country office and regional bureau levels, and improving mechanisms and tools for monitoring of compliance with the travel policy and process requirements;

(c) Having risk owners conduct, on a regular and ongoing basis, reviews of risks and identify corresponding mitigation measures, in addition to the annual mandatory risk review;

(d) Conducting regular review and clean-up of the vendor database, which would assist in streamlining the master data management;

(e) Improving the documentation of minimum information technology recovery procedures applicable at local level, for further inclusion in business continuity plans of country offices.

The recurrent internal control matters have been presented to the senior management and the relevant risk owners to ensure that appropriate measures to address them are implemented at various organizational levels.

Furthermore, the status of implementation of recommendations issued by the internal and external audits is continuously monitored by senior management, together with other relevant risk owners, with the aim of taking timely actions to further strengthen the system of internal control. Increased attention will be paid by the senior management team to those audit recommendations rated as critical or that have passed their expected target date for implementation. Reports on the actions taken to implement audit recommendations are systematically reviewed by UNHCR's senior management team and submitted periodically to UNHCR's governing bodies.³

Statement

Internal controls, while operating effectively, have inherent limitations, including the possibility of circumvention, no matter how well designed, and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal controls may vary over time.

I am committed to addressing any internal control matters noted during the year by management and personnel of UNHCR or brought to my attention by the oversight mechanisms.

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR has an effective system of internal control and there were no material weaknesses to report for the year 2019 and up to the date of the approval of the organization's financial statements.

(Signed) Filippo Grandi
United Nations High Commissioner for Refugees

31 March 2020

³ For internal audit recommendations, see www.unhcr.org/5d5fcd364.pdf; for external audit recommendations, see www.unhcr.org/5d81f95a0.

Chapter V

Financial statements for the year ended 31 December 2019

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	983 466	965 055
Investments	Note 3.1	330 000	250 000
Contributions receivable	Note 3.2	1 092 699	1 226 581
Inventories	Note 3.3	183 699	225 501
Other current assets	Note 3.4	238 013	204 445
Total current assets		2 827 876	2 871 582
Non-current assets			
Contributions receivable	Note 3.2	319 566	230 742
Property, plant and equipment	Note 3.5	193 429	171 628
Intangible assets	Note 3.6	35 015	30 717
Total non-current assets		548 010	433 087
Total assets		3 375 886	3 304 669
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	235 572	200 403
Employee benefits	Note 3.8	108 758	92 570
Provisions	Note 3.10	5 328	4 578
Other current liabilities	Note 3.9	9 122	3 824
Total current liabilities		358 780	301 376
Non-current liabilities			
Employee benefits	Note 3.8	910 276	684 105
Provisions	Note 3.10	–	64
Total non-current liabilities		910 276	684 169
Total liabilities		1 269 056	985 545
Net assets		2 106 830	2 319 125
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	2 564 444	2 744 365
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	46 538	41 759
Staff Benefits Fund	Note 3.14	(604 152)	(566 999)
Total fund balances and reserves		2 106 830	2 319 125

The accompanying notes form an integral part of these financial statements.
The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

II. Statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	<i>Reference</i>	<i>2019</i>	<i>2018</i>
Revenue			
Voluntary contributions	Note 5.1	4 093 811	4 260 756
United Nations regular budget		43 298	38 642
Interest revenue		19 314	18 130
Other revenue	Note 5.2	26 714	20 766
Total revenue		4 183 137	4 338 294
Expenses			
Implementing partnership expenses	Note 6.1	1 344 969	1 375 073
Salaries and employee benefits	Note 6.2	1 124 219	996 364
Cash assistance to beneficiaries	Note 6.3	569 659	472 381
Contractual services	Note 6.4	458 457	455 425
Supplies and consumables for beneficiaries	Note 6.5	284 034	289 269
Operating expense	Note 6.6	243 404	240 646
Equipment and supplies	Note 6.7	90 805	87 635
Travel expense		72 529	74 046
Depreciation, amortization and impairment	Note 6.8	40 133	45 030
Other expenses	Note 6.9	30 054	28 112
Total expenses		4 258 262	4 063 980
Foreign exchange (gains)/losses	Note 6.10	9	18 539
Surplus/(deficit) for the year		(75 134)	255 775

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

III. Statement of changes in net assets for the year ended 31 December 2019

(Thousands of United States dollars)

	<i>Reference</i>	<i>Accumulated fund balances and reserves</i>	<i>Working Capital and Guarantee Fund</i>	<i>Staff Benefits Fund</i>	<i>Medical Insurance Plan</i>	<i>Total</i>
Net assets at 1 January 2018		2 515 500	100 000	(677 507)	37 041	1 975 034
Movements in fund balances and reserves in 2018						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	305 496	(10 665)	(43 774)	4 718	255 775
Gain on actuarial valuations of post-employment benefits	Note 3.8	–	–	88 316	–	88 316
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(76 631)	10 665	65 966	–	–
Total movements during 2018		228 865	–	110 508	4 718	344 091
Total net assets at 31 December 2018		2 744 365	100 000	(566 999)	41 759	2 319 125
Movements in fund balances and reserves in 2019						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	6 913	7 437	(94 263)	4 779	(75 134)
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(137 161)	–	(137 161)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(186 834)	(7 437)	194 272	–	–
Total movements during 2019		(179 922)	–	(37 152)	4 779	(212 295)
Total net assets at 31 December 2019		2 564 444	100 000	(604 152)	46 538	2 106 830

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

IV. Statement of cash flow for the year ended 31 December 2019

(Thousands of United States dollars)

	<i>Reference</i>	<i>2019</i>	<i>2018</i>
Cash flows from operating activities:			
Surplus/(deficit) for the period		(75 134)	255 775
Depreciation, amortization and impairment	Notes 3.5, 3.6	40 133	45 030
(Increase)/decrease in contributions receivable	Note 3.2	45 058	(151 643)
(Increase)/decrease in inventories	Note 3.3	41 802	508
(Increase)/decrease in other assets	Note 3.4	(33 568)	(50 869)
Increase/(decrease) in accounts payable and accruals	Note 3.7	35 169	39 127
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss		105 198	46 627
Increase/(decrease) in provisions	Note 3.10	686	(9 066)
Increase/(decrease) in other liabilities	Note 3.9	5 299	(358)
(Gain)/loss on disposal of property, plant and equipment, and intangibles		(8 302)	(4 481)
Revenue from in-kind contributions of intangibles		(1 116)	–
Revenue from in-kind contributions of property, plant and equipment		–	(189)
Net cash flows from operating activities		155 224	170 461
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(63 557)	(74 527)
Purchase of intangible assets	Note 3.6	(10 215)	(7 784)
Proceeds from sale of assets		16 957	11 270
Purchase of short-term investments		(935 000)	(910 000)
Maturities and sale of short-term investments		855 000	830 000
Net cash flows from investing activities		(136 814)	(151 041)
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		18 410	19 420
Cash and cash equivalents at beginning of the year		965 055	945 635
Cash and cash equivalents at end of the year		983 466	965 055

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2019^a

(Thousands of United States dollars)

	Reference	Global needs assessment budget		Actual on comparable basis	Variances: final budget and actual amounts
		Original ^b	Final ^c		
Field operations					
Africa		2 520 183	2 675 896	1 321 325	1 354 571
Middle East and North Africa		2 205 502	2 750 786	1 252 734	1 498 052
Asia and the Pacific		480 380	777 099	386 454	390 645
Europe		794 306	831 151	497 275	333 876
Americas		156 568	385 800	251 654	134 147
Total field operations		6 156 939	7 420 733	3 709 442	3 711 291
Global programmes		408 706	491 220	462 576	28 644
Headquarters		218 949	246 989	234 495	12 494
Operational reserve and new or additional activities – mandate-related reserve		555 728	464 986	–	464 986
Junior Professional Officers Fund		12 000	12 000	8 778	3 222
Total	Note 7	7 352 323	8 635 927	4 415 291	4 220 636

^a The accounting basis and the budget basis are different. While the accounting basis is the International Public Sector Accounting Standards, this statement of comparison is prepared on a modified cash basis (further information is provided in note 7).

^b The original budget for 2019 of \$7,352.3 million was approved by the Executive Committee of the Programme of the High Commissioner at its sixty-eighth session (2–6 October 2017), as contained in [A/72/12/Add.1](#), paragraph 14.

^c At its sixty-ninth session (1–5 October 2018), the Executive Committee approved the revised budget for 2019 of \$8,591.1 million based on updated requirements (see [A/73/12/Add.1](#), para. 13). The final budget figure, \$8,635.9 million, represents the sum of the approved revised budget of \$8,591.1 million and the final supplementary budgets of \$107.4 million established by the High Commissioner in 2019 in accordance with article 7.5 of the UNHCR financial rules, taking into account a budget reduction of \$62.6 million.

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees
Notes to the financial statements

Note 1

Office of the United Nations High Commissioner for Refugees, its objectives and activities

1. The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution 319A (IV). Its mandate is laid down in the statute of the Office (Assembly resolution 428 (V), annex). In accordance with the statute, the High Commissioner, acting under the authority of the Assembly, shall assume the function of providing international protection, under the auspices of the United Nations, to refugees who fall within the scope of the statute and of seeking permanent solutions for the problem of refugees.

2. The General Assembly has also called upon the High Commissioner to provide assistance to returnees and to monitor their safety and well-being on return (Assembly resolution 40/118). In addition, on the basis of specific requests from the Secretary-General or the competent principal organs of the United Nations, and with the consent of the State concerned, the High Commissioner provides humanitarian assistance and protection to internally displaced persons (Assembly resolution 48/116). As to the High Commissioner's assistance activities, the basic provisions of the statute were expanded by the Assembly in its resolution 832 (IX).

3. UNHCR has been mandated by the General Assembly to provide international protection to refugees and to find solutions to their plight. While States bear the primary responsibility for protecting refugees on their territory, UNHCR was established to ensure protection on behalf of the United Nations and to promote accessions to and supervise the application of the 1951 Convention relating to the Status of Refugees and the 1967 Protocol thereto. Through successive resolutions, the Assembly has recognized additional categories of persons of concern to the Office, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975.

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution 1166 (XII) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and several intersessional meetings of its subsidiary body, the Standing Committee. As at 31 December 2019, the Executive Committee consisted of 106 members. Each year, the report on the session of the Executive Committee is submitted to the Assembly as an addendum to the annual report of the High Commissioner.

5. UNHCR has its headquarters in Geneva, with Global Service Centres in Budapest and Copenhagen, its Information and Communications Technology Service Centre in Amman and liaison offices in New York and Brussels. As at 31 December 2019, UNHCR had a presence in 130 countries and/or territories, where its core work was managed from a series of regional offices, branch offices, sub-offices and field offices in the following five regions: Africa; the Americas; Asia and the Pacific; Europe; and the Middle East and North Africa. Global programmes are managed by a number of divisions at headquarters.

Note 2

Accounting policies

Basis of preparation

6. The financial statements of UNHCR have been prepared on an accrual basis of accounting, in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

7. The financial statements have been prepared on a going-concern basis. This assertion is based on the approval by the UNHCR Executive Committee of the revised budget requirements for 2019 and the biennial budgets for 2020–2021 during its seventieth session in October 2019 and the historical trend of collection of pledges over the past years. The accounting policies have been applied consistently throughout the financial period. The amounts in the tables of the financial report, the financial statements and the notes to the financial statements are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

Transactions and balances

8. In accordance with the financial rules for voluntary funds administered by the High Commissioner for Refugees ([A/AC.96/503/Rev.10](#)), the functional and reporting currency of UNHCR is the United States dollar.

9. Foreign currency transactions are translated into dollars using the United Nations operational rate of exchange, which approximates the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the year-end closing rate of the operational rate of exchange.

10. Both realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated monetary assets and liabilities are recognized in the statement of financial performance.

Statement of cash flow

11. The statement of cash flow is prepared using the indirect method.

Materiality and use of judgment and estimates

12. The financial statements necessarily include estimated amounts based on management's knowledge, judgment and assumptions with regard to events and actions. Estimates include but are not limited to the fair value of donated goods and services, accrued charges and liabilities for after-service employee benefits, the impairment on accounts receivable, inventories, property, plant and equipment, and contingent assets and liabilities.

13. The concept of materiality is applied for the development of accounting policies and the preparation of financial statements.

Revenue*Non-exchange revenue*

14. Revenue from the United Nations regular budget, voluntary contributions and pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions in accordance with IPSAS 23: Revenue from non-exchange transactions. UNHCR considers that, owing to the application of substance over form, and while there are stipulations that represent restrictions on the use of contributions it receives, no stipulation meets the definition of a condition as described under IPSAS 23.

15. Voluntary and non-conditional cash contributions from donors for which no formal binding agreements are required are recognized as revenue when the cash contribution is received from the donor.

16. Refunds of voluntary contributions for which revenue was recognized in prior years are recorded as revenue adjustments in the year that the refund requirement is identified.

In-kind contributions

17. In-kind contributions of goods and services that directly support operations and activities and can be reliably measured are recognized as revenue at fair value. Fair value is generally measured by reference to the price of the same or similar items in an active market. These contributions include goods which are distributed to beneficiaries, use of premises, utilities, transport and personnel. In-kind contributions of goods are recognized as revenue and assets either when the related pledges are confirmed in writing or upon receipt of the goods, whichever is earlier. In-kind contributions of services are treated as both revenue and expense upon receipt.

Exchange revenue

18. Revenue arising from the rendering of services, sale of goods or use by others of UNHCR assets is recognized as exchange revenue in accordance with IPSAS 9: Revenue from exchange transactions.

Interest revenue

19. Interest revenue is recognized over the period that it is earned.

Expenses

20. In accordance with the accrual basis of accounting, expense recognition occurs at the time of delivery by the supplier or service provider and acceptance of goods or services. Expenses are recorded and recognized in the financial statements for the periods to which they relate.

Financial instruments

21. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument for another. UNHCR financial instruments comprise cash and cash equivalents, investments, accounts receivable and accounts payable and accruals. All of the financial assets of UNHCR are currently classified as loans and receivables. The classification is subject to annual review.

Assets

Cash and cash equivalents

22. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks and short-term deposits with maturities of three months or less.

Investments

23. Investments are short-term deposits with maturities between 3 and 12 months. Investment revenue is recognized over the period that it is earned and is included in interest revenue.

Contributions and other receivables

24. Current receivables are stated at nominal value, less allowance for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized on the basis of historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt. Impairment losses are recognized in the statement of financial performance of the year in which they arise. Non-current receivables are discounted where the effect of the time value of money is considered material.

Inventories

25. Inventories consist primarily of items which are distributed to beneficiaries – mainly non-food items such as tents, bedding materials, household items, medical and hygienic supplies and apparel, and construction materials and related equipment.

26. Inventories are stated at fair value, measured as the lower of cost and current replacement cost. Inventory items received as in-kind contributions are measured at fair value as at the date the related asset is initially recorded.

27. The cost of inventories includes purchase cost (or fair value if received in kind) and all other costs, such as transportation, insurance and inspection costs incurred to bring the inventories to the first UNHCR receiving location in the final destination country.

28. The cost of inventories purchased and shipped directly to field offices is determined by using specific identification of their individual actual cost. The cost of inventories purchased and initially shipped to central warehouses is determined on a weighted average basis.

29. Inventories are expensed when control is relinquished through direct distribution by UNHCR to beneficiaries, transferred to implementing partners for final distribution or upon transfer to other entities for relief assistance purposes.

30. Inventories are reviewed periodically for obsolescence and an allowance is made on the basis of past experience.

Property, plant and equipment

Measurement of costs at recognition

31. Property, plant and equipment are considered non-cash-generating assets, as they are not held to generate a commercial return and are stated at historical cost, less accumulated depreciation and any impairment losses.

32. Individual items of movable property, plant and equipment other than buildings are capitalized when their expected original acquisition price is equal to or greater than the threshold of \$10,000.

33. Buildings are capitalized when their expected original acquisition price or construction costs, including capitalizable internal costs, are equal to or greater than the threshold of \$250,000, and only in locations of UNHCR headquarters, UNHCR regional offices or UNHCR representations.

34. Acquisition or construction costs of all other buildings are expensed at the time of acquisition or construction. UNHCR rights in relation to other buildings, used primarily for operations in direct support of beneficiaries, are regularly limited and not fully equivalent to a title of ownership.

Depreciation method and useful life

35. Depreciation is charged in order to allocate the cost of assets over their estimated useful lives. Property, plant and equipment is depreciated using the straight-line method, except for land, which is not subject to depreciation. The estimated useful lives for the various classes of property, plant and equipment are as follows and are subject to annual review:

<i>Class</i>	<i>Estimated useful life (in years)</i>
Permanent buildings – headquarters	40
Permanent buildings – other locations	20
Leasehold – major improvements and alterations	The lesser of the remaining lease term, plus any renewal option expected to be exercised, and the asset’s useful life
Donated right of use – major improvements and alterations	The lesser of the period for which UNHCR expects to use the asset and the asset’s useful life
Motor vehicle equipment – heavy	10
Motor vehicle equipment – armoured	10
Motor vehicle equipment – light	6
Equipment, including generators, telecommunications, security and safety, storage, computers and office furniture and fittings	5
Workshop equipment	3

36. Assets that are subject to depreciation or amortization are reviewed annually for evidence of impairment to ensure that the carrying amounts are still considered to be recoverable.

37. As a result of a review of the estimated useful lives of each major asset category, from 1 January 2019 the estimated useful lives of certain asset categories were modified as follows: the asset subclass “motor vehicle equipment – light” was extended from 5 to 6 years to better reflect the residual values that are typically observed at the time of their scheduled disposal; the estimated useful life of computer equipment was extended from 3 to 5 years to reflect longer average operational usage; a new asset subclass, “motor vehicle equipment – armoured”, was introduced to reflect useful life and differences in the pattern of incurred costs from other motor

vehicle subclasses. Armoured vehicles were previously included under motor vehicle equipment – light.

Intangible assets

38. Intangible assets are considered non-cash-generating assets as they are not held to generate a commercial return and are stated at historical cost less accumulated amortization and any impairment losses. For donated intangible assets, the fair value as of the date of acquisition is used as a proxy for cost. Capitalized intangible assets under development are recorded at cost where such cost can be reliably measured. Any remaining research and development costs are immaterial.

39. Intangible assets are capitalized if their original acquisition cost is equal to or greater than the threshold of \$30,000. Internally developed software, including any reliably measurable internal staff costs incurred in development, is capitalized for development projects where total costs exceed the threshold of \$250,000.

40. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for the intangible asset classes are as follows:

<i>Class</i>	<i>Estimated useful life (in years)</i>
Software acquired externally	3 years
Software developed internally	5 years
Licences and rights, copyrights, intellectual property and other intangible assets	Shorter of the licence or rights period and useful life of 3 years

Liabilities

Financial liabilities

41. Financial liabilities include accounts payable and accruals, employee benefits liabilities, provisions and other financial liabilities.

Accounts payable and accruals

42. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNHCR and for which the invoices have been received from the suppliers, or payments due to implementing partners against agreements with those partners. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNHCR generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

43. Accruals are liabilities for goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

Other liabilities

44. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. They are designated similarly to accounts payable and accruals and are recorded at nominal value, as the impact of discounting is immaterial.

Employee benefits

45. UNHCR recognizes the following categories of employee benefits:

- (a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period during which employees rendered the related service;
- (b) Post-employment benefits;
- (c) Other long-term employee benefits;
- (d) Termination benefits.

Short-term employee benefits

46. Short-term employee benefits in UNHCR comprise mainly salaries, wages and payroll-related allowances, employee benefits on initial assignment, education grants and other benefits such as paid annual leave. Short-term employee benefits are measured at nominal value.

Post-employment benefits

47. Post-employment benefits in UNHCR include defined benefit plans, such as the United Nations Joint Staff Pension Fund, after-service health insurance and repatriation grants.

48. The liability recognized for these benefits, other than for the Pension Fund, is the present value of the defined benefit obligations at the reporting date. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from changes in actuarial assumptions are recognized directly in equity.

United Nations Joint Staff Pension Fund

49. UNHCR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international or intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

50. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNHCR and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNHCR in the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNHCR has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. UNHCR contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

51. Other long-term employee benefits include end-of-service grants.

Provisions and contingencies

52. A provision is made when UNHCR has a present legal or constructive obligation as a result of past events and it is probable that UNHCR will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. This estimate is discounted where the effect of the time value of money is material.

53. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNHCR.

Budget comparison

54. The UNHCR budget is formulated on a modified cash basis. In the statement of financial performance (statement II), expenses are classified and listed by the nature of expenses, whereas in the statement of comparison of budget and actual amounts (statement V), expenditure is classified by operation.

55. The UNHCR budget is based on a global needs assessment and provides a comprehensive statement of resources required to address the needs of persons of concern. The High Commissioner may approve supplementary budgets under the biennial programme budget in the case of new needs that cannot be fully met from the operational reserve. These adjustments are reported to each subsequent meeting of the Standing Committee. The High Commissioner is authorized to implement the budgets to the extent that funds become available under the voluntary funds administered by the High Commissioner.

56. The statement of comparison of budget and actual amounts (statement V) shows the original budget and compares the final budget to actual amounts on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and the financial statements differ, note 7 provides the reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of financial performance (statement II).

Segment reporting

57. In accordance with IPSAS 18: Segment reporting, the financial statements are also presented by segment. A segment is a distinguishable activity or group of activities for which financial information is reported separately for the purpose of evaluating the entity's past performance in achieving its objectives and in making decisions about the future allocation of resources.

58. UNHCR classifies all its activities into three segments: (a) programmes; (b) projects; and (c) special funds and accounts. UNHCR reports on the transactions of each segment during the year and on the balances held at the end of the year.

59. Programmes include the Global Refugee Programme (pillar 1), the Global Stateless Programme (pillar 2) and the activities funded by the United Nations Regular Budget Fund and the Junior Professional Officers Fund. The Global Refugee Programme relates to the UNHCR mandate regarding refugees and covers protection, assistance and durable solutions in countries of asylum (including all activities to facilitate the voluntary repatriation of refugees), together with capacity-building, advocacy and resource mobilization activities. The Global Stateless Programme relates to the UNHCR mandate regarding statelessness and covers all programmes addressing stateless persons, including populations with undetermined nationality.

The Junior Professional Officers Fund covers activities relating to the recruitment, training and development of young professionals sponsored by various Governments.

60. Projects include the Global Reintegration Projects (pillar 3) and the Global Internally Displaced Persons Projects (pillar 4). The Global Reintegration Projects relate to an area where UNHCR has joint responsibilities with other United Nations system organizations covering longer-term activities to reintegrate returning refugees in their country of origin or to locally integrate refugees in their country of asylum. The Global Internally Displaced Persons Projects cover operations for internally displaced persons where UNHCR is operating within the inter-agency cluster approach.

61. The High Commissioner submits the financial requirements for programmes and projects under the four pillars, including the operational reserve and the new or additional mandate-related activities reserve, biennially to the Executive Committee for approval.

62. As at 31 December 2019, the special funds and accounts comprised the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan.

New accounting standards

63. IPSAS 40: Public sector combinations, was issued in 2017 with an effective date of 1 January 2019 and is not expected to be applicable to UNHCR in the foreseeable future.

64. IPSAS 41: Financial instruments, was issued in 2018 with an effective date of 1 January 2022 and its impact on the financial statements of UNHCR upon adoption is currently being assessed.

65. IPSAS 42: Social benefits, was issued in 2019 with an effective date of 1 January 2022 and is not expected to be applicable to UNHCR in the foreseeable future.

66. Exposure draft 68: Improvements to IPSAS, 2019, which will become effective in 2021, is not expected to have a significant impact on the financial statements of UNHCR upon its adoption. The impact of those improvements to IPSAS that will become effective with the adoption of IPSAS 41 in 2022 are currently being assessed.

67. In February 2020, the IPSAS Board issued a suite of three exposure drafts for comment: 70: Revenue with performance obligations; 71: Revenue without performance obligations; and 72: Transfer expenses. Exposure draft 70 is expected to replace IPSAS 9: Revenue from exchange transactions. Exposure draft 71 would replace IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). Exposure draft 72 is a draft of a new standard. The impact of exposure drafts 70 and 72 is currently being assessed. However, assuming these exposure drafts result in the issuance of new IPSAS standards that are substantially equivalent in scope and content to the relevant exposure drafts, the impact of exposure draft 71 on UNHCR accounting for earmarked voluntary contributions is likely to be significant. Under the current IPSAS 23, UNHCR recognizes substantially all voluntary contributions revenue upon signature of the relevant contribution agreement. Under a new standard based on exposure draft 71, UNHCR will be required to record revenue when (or as) any identified present obligations under earmarked contributions are satisfied. The change in revenue recognition approach would likely result in a delay in the timing of recognition for a substantial share of annual revenue from the year of signature of the contribution agreement to the subsequent year(s) of satisfaction of any present obligations. The suite of three exposure drafts is not expected to be converted to published IPSAS standards before the end of 2020, and new standards resulting from these exposure drafts are not expected to be mandatory before 2022.

Note 3
Assets and liabilities

3.1 Cash and cash equivalents and investments

Table 3.1.1

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Cash and cash equivalents		
Headquarters	114 237	55 559
Field offices	169 228	159 496
Short-term deposits	700 000	750 000
Total cash and cash equivalents	983 466	965 055

68. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts are available at short notice.

69. Table 3.1.2 shows the purposes for which cash and cash equivalents and short-term investments were held.

Table 3.1.2

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Cash and cash equivalents		
Operational	753 463	852 697
Junior Professional Officers Fund	16 993	14 006
Operational cash and cash equivalents	770 455	866 703
Staff Benefits Fund	115 452	–
Working Capital and Guarantee Fund	97 558	98 352
Non-operational cash and cash equivalents	213 010	98 352
Total cash and cash equivalents	983 466	965 055
Short-term investments		
Staff Benefits Fund	283 462	199 124
Medical Insurance Plan	46 538	41 760
Operational	–	9 116
Total short-term investments	330 000	250 000
Cash and cash equivalents and short-term investments		
Operational	770 455	875 819
Non-operational	543 010	339 236
Total cash and cash equivalents and short-term investments	1 313 466	1 215 055

70. Investments pertain to the Staff Benefits Fund, the Medical Insurance Plan and a temporary surplus of cash holdings in operational activities that are not required for

immediate use. The investments are placed in money markets with maturities ranging between 3 and 12 months.

3.2 Contributions receivable

71. The following tables summarize the composition of contributions receivable by donor type (table 3.2.1) and year due (table 3.2.2).

Table 3.2.1

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Current contributions receivable		
Governments	778 634	744 652
United Nations system organizations and funds	51 978	31 190
Other intergovernmental organizations	202 782	394 439
Private donors	66 722	64 974
Current contributions receivable before allowance	1 100 116	1 235 255
Allowance for doubtful accounts	(7 417)	(8 674)
Total current contributions receivable	1 092 699	1 226 581
Non-current contributions receivable		
Governments	294 025	117 984
United Nations system organizations and funds	8 545	1 885
Other intergovernmental organizations	13 371	109 031
Private donors	3 625	1 843
Total non-current contributions receivable	319 566	230 742
Net contributions receivable	1 412 265	1 457 323

Table 3.2.2

(Thousands of United States dollars)

Year due	31 December 2019	Percentage	Year due	31 December 2018	Percentage
2018 and before	–	–	2017 and before	39 226	2.7
2019	160 964	11.4	2018	145 377	10.0
2020	931 735	66.0	2019	1 041 977	71.5
Total current contributions receivable	1 092 699	77.4		1 226 581	84.2
2021	245 802	17.4	2020	220 721	15.1
2022	70 087	5.0	2021	5 990	0.4
2023	3 677	0.2	2022	4 031	0.3
Total non-current contributions receivable	319 566	22.6		230 742	15.8
Total contributions receivable	1 412 265	100		1 457 323	100

72. The movement of the allowance for doubtful accounts during 2019 was as follows:

Table 3.2.3

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>Write-offs</i>	<i>Increase</i>	<i>(Decrease)</i>	<i>31 December 2019</i>
Allowance for doubtful accounts	8 674	(1 296)	1 741	(1 702)	7 417

73. Contributions receivable are shown net of allowances for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized on the basis of donor-specific historical collection experience and evidence indicating that the collection of particular receivables is in doubt.

Table 3.2.4

(Thousands of United States dollars)

<i>Contributions receivable</i>	<i>Gross nominal amount</i>	<i>Allowances (impairment)</i>	<i>Net nominal amount</i>
Not overdue as at 31 December 2019	1 252 169	(868)	1 251 301
Overdue as at 31 December 2019 but not impaired	156 624	–	156 624
Less than 12 months overdue	10 299	(5 959)	4 340
More than 12 months overdue	590	(590)	–
Total	1 419 682	(7 417)	1 412 265

3.3 Inventories

74. UNHCR holds inventory items to be distributed to its beneficiaries in 166 warehouses (159 warehouses in 2018) worldwide and 7 global central warehouses. These are located in Accra, Amman, Copenhagen, Douala (Cameroon), Dubai (United Arab Emirates), Kampala and Nairobi. During 2019, the value of inventory items distributed totalled \$238.2 million (\$257.5 million in 2018) and is recorded as an expense in the statement of financial performance (see note 6.5).

75. The following tables show the composition of the inventory balance at year-end (table 3.3.1) and the reconciliation of inventory changes during the year (table 3.3.2).

Table 3.3.1
(Thousands of United States dollars)

<i>Inventory type</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Bedding materials	58 047	63 568
Tents	36 888	61 581
Household items	49 986	55 077
Construction materials and related equipment	24 698	27 980
Medical hygienic supplies and apparel	17 961	19 024
Food and other supplies	1 999	2 360
Material consumables	269	1 044
Subtotal	189 848	230 634
<i>Less: inventory valuation allowance</i>	<i>(6 149)</i>	<i>(5 133)</i>
Total inventory	183 699	225 501

Table 3.3.2
(Thousands of United States dollars)

<i>Inventory reconciliation</i>	<i>2019</i>	<i>2018</i>
Opening inventory as at 1 January	225 501	226 009
Cost of goods acquired ^a	199 597	245 097
Cost of goods distributed	(238 163)	(257 535)
Other adjustments	(2 220)	11 943
Change in inventory valuation allowance	(1 016)	(13)
Closing inventory as at 31 December	183 699	225 501

^a Including in-kind contributions.

76. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary.

77. The movement of the inventory valuation allowance is as follows:

Table 3.3.3
(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>Increase/(decrease)</i>	<i>31 December 2019</i>
Inventory valuation allowance	5 133	1 016	6 149

78. The inventory valuation allowance at 31 December 2019 reflects value adjustments for inventories beyond their shelf lives (\$3.3 million), and inventory items overdue from suppliers (\$2.1 million) and in transit for extended periods between warehouses (\$0.8 million).

79. At year-end, UNHCR held inventory items with a total value of \$183.7 million net of valuation allowances. This is equivalent to approximately eight months' distribution made in 2019 (approximately nine months in 2018).

3.4 Other current assets

Table 3.4.1
(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Prepayments	159 023	128 519
Implementing partner receivables and advances	54 470	53 847
Value added tax receivables	28 014	26 513
Deposits with suppliers	3 649	3 286
Staff advances	4 106	3 063
Other assets	8 439	8 170
Subtotal	257 701	223 397
<i>Less: allowance for other current assets</i>	<i>(19 688)</i>	<i>(18 952)</i>
Total other current assets	238 013	204 445

80. Prepayments are payments made in advance of the period to which the expense relates and include implementing partnership agreements, rent, education grants and travel advances. Prepayments for implementing partnership agreements of \$85.4 million (2018: \$47.8 million) include \$22.8 million for 61 projects where the delivery of services is extended into 2020 (2018: \$15.9 million for 45 extended projects) and \$62.6 million of first instalments for 167 projects due for implementation in 2020 (2018: \$31.9 million against 89 new projects).

81. Implementing partner receivables and advances includes \$25.4 million (2018: \$27.3 million) of refunds receivable for ineligible and underspent funding.

82. Reporting to UNHCR on advances to implementing partners in the amount of \$167.4 million (2018: \$149.7 million) is still pending (see note 6.1). Based on past experience, the pending reports are expected to confirm implementing partner expenses of approximately \$148.7 million. The estimated refunds due to ineligibility and underspending of \$18.6 million (2018: \$16.7 million) are recorded under implementing partner receivables and advances.

83. Staff advances consist primarily of rental subsidies, travel, medical expenses, salary and other staff entitlements.

84. The allowance for other current assets primarily covers valid value added tax receivables from a limited number of host countries where recovery is being actively pursued but has not been forthcoming.

3.5 Property, plant and equipment

85. The main asset classes for property, plant and equipment comprise land and buildings, major alterations and improvements to properties, motor vehicles, generators, and computers and telecommunications equipment.

Table 3.5.1
Property, plant and equipment, 2019

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost/valuation							
Opening balance at 1 January 2019	8 647	5 951	299 328	37 343	20 078	14 199	385 546
Additions – purchased	–	1 653	51 892	4 703	2 374	2 935	63 557
Additions – contributions in kind	–	–	–	–	–	–	–
Disposals	–	–	(41 705)	(3 804)	(1 793)	(1 507)	(48 808)
Closing balance at 31 December 2019	8 647	7 604	309 515	38 242	20 660	15 627	400 295
Accumulated depreciation							
Opening balance at 1 January 2019	(3 504)	(5 165)	(155 132)	(24 466)	(16 273)	(9 377)	(213 918)
Disposals	–	–	36 010	2 127	1 105	910	40 152
Depreciation charge for the year	(405)	(384)	(24 737)	(4 321)	(1 604)	(1 649)	(33 101)
Closing balance at 31 December 2019	(3 909)	(5 550)	(143 859)	(26 660)	(16 772)	(10 117)	(206 866)
Net book value							
Opening balance at 1 January 2019	5 143	785	144 196	12 878	3 805	4 821	171 628
Closing balance at 31 December 2019	4 738	2 054	165 656	11 582	3 888	5 510	193 429

Table 3.5.2
Property, plant and equipment, 2018

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost/valuation							
Opening balance at 1 January 2018	9 900	5 670	267 017	32 151	19 034	14 464	348 237
Additions – purchased	(701)	701	64 050	6 605	1 710	2 162	74 527
Additions – contributions in kind	–	–	44	63	81	–	189
Disposals	(552)	(421)	(31 783)	(1 477)	(746)	(2 428)	(37 407)
Closing balance at 31 December 2018	8 647	5 951	299 328	37 343	20 078	14 199	385 546
Accumulated depreciation							
Opening balance at 1 January 2018	(4 061)	(4 638)	(149 383)	(21 408)	(14 903)	(8 415)	(202 808)
Disposals	552	84	26 886	1 336	720	1 041	30 618
Depreciation charge for the year	5	(612)	(32 635)	(4 393)	(2 090)	(2 003)	(41 728)
Closing balance at 31 December 2018	(3 504)	(5 165)	(155 132)	(24 466)	(16 273)	(9 377)	(213 918)
Net book value							
Opening balance at 1 January 2018	5 839	1 033	117 634	10 743	4 131	6 049	145 429
Closing balance at 31 December 2018	5 143	785	144 196	12 878	3 805	4 821	171 628

3.6 Intangible assets

86. The movements in intangible assets during the year are as follows:

Table 3.6.1

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2019</i>
Cost			
Opening balance 1 January 2019	5 145	34 581	39 725
Additions – purchased	10 215	–	10 215
Additions – contributions in kind	–	1 116	1 116
Transfers into service	(6 412)	6 412	–
Closing balance 31 December 2019	8 947	42 109	51 056
Accumulated amortization			
Opening balance 1 January 2019	–	(9 008)	(9 008)
Amortization charge for the year	–	(7 032)	(7 032)
Closing balance 31 December 2019	–	(16 041)	(16 041)
Net book value			
Opening balance 1 January 2019	5 145	25 572	30 717
Closing balance 31 December 2019	8 947	26 068	35 015

Table 3.6.2

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2018</i>
Cost			
Opening balance 1 January 2018	16 278	15 664	31 942
Additions	7 784	–	7 784
Transfers into service	(18 917)	18 917	–
Closing balance 31 December 2018	5 145	34 581	39 725
Accumulated amortization			
Opening balance 1 January 2018	–	(5 706)	(5 706)
Amortization charge for the year	–	(3 302)	(3 302)
Closing balance 31 December 2018	–	(9 008)	(9 008)
Net book value			
Opening balance 1 January 2018	16 278	9 958	26 235
Closing balance 31 December 2018	5 145	25 572	30 717

87. The capitalized value of internally developed software excludes those costs related to research and maintenance.

88. Intangible assets under development as at 31 December 2019 represents individual ongoing software development projects for which the total costs of

development are each expected to exceed the capitalization threshold of \$0.25 million. The largest relates to the UNHCR Population Registration and Identity Management EcoSystem (PRIMES). The other ongoing development projects relate to results-based management, business intelligence and the integrity and assurance module of the UN Partner Portal.

89. Licences, software and other primarily represents software licences acquired and development costs incurred for software already in use. The cost of acquired licences and software is amortized over the licence or rights period or three years, whichever is shorter. The cost of internally developed software is amortized over five years from the date of deployment. During 2019, a total of \$6.4 million was transferred into service and capitalized for internally developed software projects completed during the year. These are: an upgrade of the finance and supply chain management modules of the enterprise resource planning system (Managing Systems, Resources and People (MSRP)); an upgrade (phase 2) of the human resources and payroll modules of MSRP; the “CashAssist” project; and the upgrade of the UNHCR health information system (Twine).

3.7 Accounts payable and accruals

Table 3.7.1

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Accounts payable		
Commercial and other suppliers	73 395	78 622
Implementing partners	63 619	33 151
Total accounts payable	137 014	111 773
Accruals	98 558	88 630
Total accounts payable and accruals	235 572	200 403

90. Accounts payable to commercial and other suppliers relate primarily to amounts due for goods and services for which invoices have been received.

91. Accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

92. Substantially all accruals represent liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

3.8 Employee benefits liabilities

Table 3.8.1

(Thousands of United States dollars)

	2019	2018
Employee benefits liabilities		
After-service health insurance	798 877	588 581
Repatriation benefits	125 739	103 311
Annual leave	76 640	72 773
Salaries and other staff benefits	15 968	10 552
Other separation benefits	1 810	1 458
Total employee benefits liabilities	1 019 034	776 675
Composition		
Current	108 758	92 570
Non-current	910 276	684 105
Total employee benefits liabilities	1 019 034	776 675

93. After-service health insurance is available in the form of continued membership in the United Nations Staff Mutual Insurance Society, an insurance scheme managed by the United Nations Office at Geneva, or through the Medical Insurance Plan for locally recruited staff members and retirees who served at designated duty stations away from Headquarters, and their eligible dependants.

94. Annual leave liabilities are calculated for the unused annual leave balance. Separating staff are entitled to be paid for unused annual leave they may have accrued, up to a maximum of 60 days.

95. Salaries and other staff benefits include short-term employee benefits such as salary and wage increments arising from the revision of salary scales, home leave, education grants and other benefits.

Actuarial valuation of post-employment liabilities

96. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. Actuarial assumptions are summarized as follows:

<i>Assumptions used in valuation of after-service health insurance obligations</i>	
Discount rate	1.79% (2018: 2.81%) – Each year's projected after-service health insurance cash flow is discounted at a spot rate for high-quality corporate bonds payable in each major currency appropriate for that maturity. The rate disclosed represents a weighted average of discount rates of three major currencies used to calculate after-service health insurance liabilities, i.e., the United States dollar, the euro and the Swiss franc.
Expected rate of medical cost increase	1.70% (2018: 1.80%) – Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement.

Assumptions used in valuation of repatriation benefit obligations

Discount rate	2.75% (2018: 4.05%) – The entitlements to repatriation benefits are determined in United States dollars. Each year’s projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value.
Expected rate of salary increase	2.20% (2018: 2.20%)

After-service health insurance liability

Table 3.8.2

(Thousands of United States dollars)

	2019		2018	
	<i>Present value of future benefits</i>	<i>Accrued liability</i>	<i>Present value of future benefits</i>	<i>Accrued liability</i>
Gross liability	1 313 473	1 170 573	1 206 768	858 739
Offset from retiree contributions	(417 072)	(371 696)	(376 288)	(270 158)
Net liability as at 31 December	896 401	798 877	830 480	588 581

97. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and to active staff from the date of expected retirement. The accrued liability represents the already earned portion of the present value of benefits that has accrued from the staff member’s date of entry on duty into qualifying service until the valuation date. The total period of qualifying service may include non-continuous prior periods. An active staff member’s benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are calculated using the projected unit credit method, whereby each participant’s benefits under the plan are expensed as they accrue, taking into consideration the plan’s benefit allocation formula.

98. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3

(Thousands of United States dollars)

<i>After-service health insurance</i>	2019	2018
Defined benefit obligation at 1 January	588 581	633 273
Past service cost	47 429	–
Service cost for year	31 929	30 298
Interest cost for year	16 298	14 810
Benefits paid (net of participant contributions)	(5 108)	(5 577)
Actuarial (gain)/loss	119 748	(84 223)
Defined benefit obligation at 31 December	798 877	588 581

99. Service and interest costs are recognized as an expense in the statement of financial performance (statement II). The expense recognized in 2019 is \$95.7 million (\$45.1 million in 2018), as detailed in note 6.2.

100. The past service cost of \$47.4 million in 2019 reflects the impact of changes in management assumptions and the correction of certain immaterial errors in the calculation of the after-service health insurance liability accrued in previous years.

101. The change in assumptions was triggered by the identification of a specific category of staff whose salary and related costs had not been previously included in the calculation of liability owing to a different interpretation of the responsibilities for discharging the settlement of such liability. In 2019, the responsibility related to this liability was clarified and UNHCR recorded as a past service cost the accrued value of benefits earned prior to 2019 by staff in this category. The impact of the change in assumptions was to increase prior service costs by \$36.5 million.

102. Prior to 2019, the actuarial calculation of after-service health insurance overstated the liability relating to a small number of staff who joined UNHCR within 10 years of the age of 55. Instead of accumulating the cost of their after-service health insurance benefit over the first 10 years of service during which the benefit vests for this group, the liability was accumulated over the period from the staff members' dates of entry into service until they reached the age of 55. The impact of the error was to overstate prior service costs by \$10.1 million. Similarly, the after-service health insurance liability was understated in respect of certain staff members who joined UNHCR with a history of employment at other United Nations entities, because the prior period of service, which counts towards the minimum period of contributions required to obtain the after-service health insurance benefit, was excluded from the calculation basis. The impact of the correction was to increase prior service costs by \$21.1 million.

103. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$119.7 million in 2019 is attributable primarily to actuarial losses related to lower discount rates (\$165.5 million) and changes in inflation and currency mix assumptions (\$15.3 million), offset by actuarial gains attributable to cost experience and demographic changes since 2018 (\$61.0 million).

104. Since 1 January 2012, UNHCR has set aside funds in respect of after-service health insurance liabilities for past service by charging 3 per cent of the net base salary of all Professional and General Service staff under the United Nations Staff Mutual Insurance Society health-care plan. From April 2017, the 3 per cent charge also includes General Service staff covered by the Medical Insurance Plan. From 1 January 2017, the funding level was increased to also cover the current-year costs (service and interest), which in 2019 also included the prior service costs referred to in paragraph 102 above, which are substantially all expected to be funded from voluntary contributions. The total amount funded as at 31 December 2019 is \$302.4 million (\$182.6 million in 2018). The amounts funded are not held by a trust that is legally separate from UNHCR and are thus not considered to be plan assets for the purpose of IPSAS 39.

Table 3.8.4

(Thousands of United States dollars)

<i>After-service health insurance</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Defined benefit obligations	798 877	588 581
Funded	(302 385)	(182 639)
Unfunded defined benefit obligations	496 492	405 942

105. The contribution of UNHCR in 2020 for after-service health insurance is estimated at \$82.5 million.

Sensitivity analysis

106. On the basis of the actuarial assumptions used, the effect of an increase or decrease of one percentage point in the assumed medical cost trend rate and the discount rate on (a) the aggregate of the current service cost and interest cost for 2019 and (b) the accumulated post-employment benefit obligation as at 31 December 2019 is shown in table 3.8.5.

Table 3.8.5
(Thousands of United States dollars)

	<i>Service cost and interest cost</i>	<i>Accumulated post-employment benefit obligations</i>
Effect of change in key assumptions on the aggregate of the current service cost and interest cost components		
Net periodic post-employment medical costs:		
One percentage point increase	16 701	240 093
One percentage point decrease	(11 461)	(174 897)
Discount rates:		
One percentage point increase	(11 568)	(197 534)
One percentage point decrease	17 616	252 891

Repatriation benefits

107. In line with the Staff Regulations and Rules of the United Nations, staff members in the Professional category and other relevant staff members are entitled to repatriation grants and related relocation costs upon their separation from the organization, based on the number of years of service. The organization's actuarially determined accrued liability for repatriation grant and travel as at 31 December 2019 was \$125.7 million (\$103.3 million in 2018), as shown in table 3.8.6.

Table 3.8.6
(Thousands of United States dollars)

	<i>31 December 2019</i>		<i>31 December 2018</i>	
	<i>Present value of future benefits</i>	<i>Accrued liability</i>	<i>Present value of future benefits</i>	<i>Accrued liability</i>
Repatriation grant	104 767	69 381	83 211	56 647
Travel and shipment	56 358	56 358	46 664	46 664
Net liability	161 125	125 739	129 875	103 311

108. The accrued liability represents the already earned portion of the present value of repatriation benefits. The present value of future benefits is the discounted value of all expected benefits to be paid in the future, including the portion expected to be earned until the maximum entitlement is vested.

109. Table 3.8.7 presents a reconciliation of opening and closing balances of the repatriation liability.

Table 3.8.7
(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>2019</i>	<i>2018</i>
Net obligation at 1 January	103 311	103 110
Service cost for the year	4 621	5 126
Interest cost for the year	4 011	3 374
Benefits paid	(3 617)	(4 093)
Actuarial (gain)/loss	17 413	(4 206)
Total obligation at 31 December	125 739	103 311

110. The aggregate of the current-year service and interest costs is recognized as an expense in the statement of financial performance (statement II). For 2019, the expense recognized was \$8.6 million (\$8.5 million in 2018), as detailed in note 6.2.

Table 3.8.8
(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Total obligations	125 739	103 311
Funded	(19 890)	(16 486)
Unfunded obligations	105 849	86 825

111. The contribution by UNHCR in 2020 for repatriation benefits is estimated at \$3.4 million.

Sensitivity analysis

112. On the basis of the actuarial assumptions used, the effect of an increase or decrease of one percentage point in the salary inflation and the discount rate on (a) the aggregate of the current service cost and interest cost for 2019 and (b) the accumulated post-employment benefit obligation as at 31 December 2019 is shown in table 3.8.9.

Table 3.8.9
(Thousands of United States dollars)

	<i>Aggregated service cost and interest cost</i>	<i>Accumulated post-employment benefit obligations</i>
Salary inflation:		
One percentage point increase	802	6 248
One percentage point decrease	(677)	(5 494)
Discount rates:		
One percentage point increase	(673)	(10 477)
One percentage point decrease	815	12 886

United Nations Joint Staff Pension Fund

113. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every

three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

114. The financial obligation of UNHCR to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

115. The latest actuarial valuation for the Pension Fund was completed as at 31 December 2017, and the valuation as at 31 December 2019 is currently being performed. A roll forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

116. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account.

117. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

118. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to \$7,131.56 million, of which 4.7 per cent was contributed by UNHCR.

119. During 2019, UNHCR contributions paid to the Pension Fund amounted to \$137.1 million (\$122.7 million in 2018). Expected contributions due in 2020 are approximately \$147.0 million.

120. Membership in the Pension Fund may be terminated by a decision of the General Assembly upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination are to be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

121. The Board of Auditors carries out an annual audit of the Pension Fund and reports on the audit to the Pension Board and the General Assembly every year. The

Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

122. Other current liabilities include various payroll withholdings for third parties and contributions received by UNHCR before the agreements with donors were finalized. Upon finalization of the agreements, the amounts involved are recognized as revenue.

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Other payables	7 366	2 759
Contributions pending agreement	1 757	1 065
Total other current liabilities	9 122	3 824

3.10 Provisions

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Type of provision		
Provisions for refunds of contributions	340	64
Legal claims	4 988	4 578
Total provisions	5 328	4 642
Composition of provision		
Current	5 328	4 578
Non-current	–	64
Total provisions	5 328	4 642

123. Provisions for legal claims represent cases where payment is probable and the amount of the settlement claim can be reliably estimated. UNHCR is in ongoing commercial disputes with a small number of suppliers regarding the quantities delivered and prices charged. These disputes are subject to negotiation and may ultimately be settled through arbitration, with uncertain outcome. The estimated additional cost to settle the agreements in arbitration is included as a legal provision. During 2019, an increase of \$0.4 million in provisions for legal claims was included under miscellaneous expenses (see note 6.9).

3.11 Accumulated fund balances and reserves

(Thousands of United States dollars)

	<i>Closing balance 31 December 2018</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/ (out)</i>	<i>Closing balance 31 December 2019</i>
Annual Programme Fund				
Annual Programme Fund net of reserves	2 490 935	(6 180)	(192 484)	2 292 271
Operational reserve	10 000	–	–	10 000
New or additional activities – mandate-related reserve	20 000	–	–	20 000
Total Annual Programme Fund	2 520 935	(6 180)	(192 484)	2 322 271
United Nations Regular Budget Fund	(305)	(34)	–	(339)
Junior Professional Officers Fund	14 086	2 987	–	17 073
Projects Fund	209 650	10 140	5 649	225 439
Total accumulated fund balances and reserves	2 744 365	6 913	(186 834)	2 564 444

124. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization.

125. Transactions for pillar 1: Global Refugee Programme, and pillar 2: Global Stateless Programme, are recorded in:

- (a) The Annual Programme Fund;
- (b) The Regular Budget Fund;
- (c) The Junior Professional Officers Fund.

Transactions for pillar 3: Global Reintegration Projects, and pillar 4: Global Internally Displaced Persons Projects, are consolidated into the Projects Fund.

126. The operational reserve is utilized to provide assistance to refugees, returnees and displaced persons for which there is no provision in the programmes and projects approved by the Executive Committee. The reserve is maintained at not less than \$10 million by replenishments from the Working Capital and Guarantee Fund.

127. The new or additional activities – mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at \$50.0 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For the financial period 2019, within the approval of the total 2019 revised budget, the Executive Committee approved \$20.0 million as the new or additional activities – mandate-related reserve.

3.12 Working Capital and Guarantee Fund

128. The Working Capital and Guarantee Fund is maintained by revenue from interest on invested funds, savings from prior-year programmes, voluntary contributions and other miscellaneous revenue. It is utilized to replenish the operational reserve and to meet essential payments and guarantee obligations pending receipt of pledged contributions.

(Thousands of United States dollars)

	31 December 2018	Surplus/ (deficit)	Transfer in/ (out)	31 December 2019
Working Capital and Guarantee Fund	100 000	7 437	(7 437)	100 000

3.13 Medical Insurance Plan

(Thousands of United States dollars)

	31 December 2018	Surplus/ (deficit)	Transfer in/ (out)	31 December 2019
Medical Insurance Plan	41 759	4 779	–	46 538

129. The Medical Insurance Plan was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The Plan is maintained by premiums from field staff and proportional contributions from UNHCR, as well as by interest revenue. Expenses include claims processed during the year and associated administrative expenses. Coverage under the Plan is limited to General Service staff members and National Professional Officers and eligible retirees originally recruited to designated duty stations away from headquarters.

3.14 Staff Benefits Fund

Table 3.14.1

(Thousands of United States dollars)

	31 December 2018	Surplus/ (deficit)	Actuarial gain/ (loss)	Transfer in/ (out)	31 December 2019
Staff Benefits Fund	(566 999)	(94 263)	(137 161)	194 272	(604 152)

Table 3.14.2

(Thousands of United States dollars)

	31 December 2019			31 December 2018		
	Liabilities	Funding	Net fund balance	Liabilities	Funding	Net fund balance
After-service health insurance	(798 877)	302 385	(496 492)	(588 581)	182 639	(405 942)
Repatriation	(125 739)	19 890	(105 849)	(103 311)	16 486	(86 825)
Annual leave	(76 640)	76 640	–	(72 773)	–	(72 773)
Other separation benefits	(1 810)	–	(1 810)	(1 458)	–	(1 458)
Total	(1 003 065)	398 914	(604 152)	(766 124)	199 124	(566 999)

130. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits.

131. In accordance with the decision of the Standing Committee in June 2011, UNHCR started funding after-service health insurance liabilities for past service by charging 3 per cent of the net base salary of all Professional and relevant General Service staff under the United Nations Staff Mutual Insurance Society plan, with effect from 1 January 2012. From April 2017, following a decision of the Standing Committee in March 2017, the 3 per cent charge also includes General Service staff covered by the Medical Insurance Plan. UNHCR charges the current-year cost of

after-service health insurance (service and interest) to the annual budget for staff costs. The amount funded as at 31 December 2019 is \$302.4 million (\$182.6 million in 2018) (see also para. 104 above).

132. In addition, in accordance with the decision of the Standing Committee, a total of \$19.9 million has been reserved for funding repatriation benefits since 2012. The funding of annual leave liabilities, previously included in the Annual Programme Fund, was transferred to the Staff Benefits Fund in 2019 (see statement III) to better reflect the overall funding position of staff benefits.

133. All of the funds and reserves referred to above were established by the Executive Committee or by the High Commissioner with the concurrence of the Executive Committee.

Note 4

Risk analysis

Credit risk

134. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

Cash and investments

135. UNHCR risk management policies limit the amount of cash and investment holdings with any bank. In the identification and maintenance of the list of approved custodians, the risks of loss of principal in the event of counterparty default are mitigated through the application of risk management evaluations and bank risk rating grades. Surplus funds are placed with financial institutions worldwide with the greatest financial strength as measured by adequacy of capital and reserves. Geographical distribution and specific threshold limits by counterparty are practiced. All surplus funds placements are made with financial institutions that are accorded the strongest credit ratings by the primary rating agencies.

Receivables

136. Contributions receivable are composed primarily of voluntary contributions due from Member States. Historically, no material amounts have remained uncollected. The risk of non-collection has been assessed and has been provided for, as indicated in table 3.2.3.

Liquidity risk

137. UNHCR total cash and cash equivalent holdings amounted to \$983.5 million as at 31 December 2019, compared with \$965.1 million as at 31 December 2018.

138. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of \$770.5 million and encumbered non-operational cash holdings amounting to \$213.0 million (see note 3.1).

139. The average balance of unencumbered operational cash holdings during 2019 represents a coverage of 2.2 months of expenses (2018: 2.6 months).

140. The implementation of UNHCR programme and emergency activities is planned using cash flow forecasting for actual and estimated pledged contributions and special appeals. Liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when

due. However, UNHCR is heavily dependent upon cash flows from a small number of major donors. Due to donor restrictions (“earmarking”), not all liquid assets are available to fund general operations in the event of delays in the receipt of funds pledged, declining contributions, or other unanticipated events that negatively impact liquidity. At 31 December 2019, the cash balance included \$422.1 million and accounts receivable included an additional \$466.5 million in respect of contributions that are earmarked for specific purposes in 2020 and beyond. Similarly, short-term future charges on net assets include the obligation to liquidate commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered by 31 December (see note 9.2). Typically, approximately 60 per cent of the total of such commitments at year-end are liquidated within the first three months of the subsequent period.

Interest rate risk

141. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of the Office’s programme and budget is not directly dependent on interest earnings.

Foreign exchange risk

142. The organization is impacted by the foreign exchange risk derived from direct cash flows throughout the year of contributions that are received primarily in 11 major currencies and payments that are made in 102 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, short-term hedging interventions are limited. There are no open contracts at year-end.

143. There is significant foreign exchange risk derived from pledges of voluntary contributions, specifically in the timing of the receipt of a pledge. UNHCR addresses the underlying uncertainty by using an established risk methodology to substantiate and validate the benefit of a high degree of diversification in its currency portfolio.

144. UNHCR mitigates foreign exchange impacts for each currency flow by matching cross-correlated currencies at the portfolio level. The automated cash flow forecasting tool embedded in UNHCR enterprise resource planning systems is a key component for tracking and optimizing forthcoming cash flows worldwide in underlying transactional modules.

145. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 130 countries.

Sensitivity analysis

146. The effect of a strengthening or weakening of the United States dollar against all other relevant currencies by one percentage point between 31 December 2019 and the date of settlement of monetary assets and liabilities is to increase or decrease net assets by approximately \$11.4 million.

Note 5
Revenue

5.1 Voluntary contributions

Table 5.1.1

(Thousands of United States dollars)

	<i>2019</i>	<i>2018</i>
Monetary contributions		
Government	3 393 247	3 045 506
Other intergovernmental organizations	164 772	706 206
Private donors	412 729	371 839
United Nations system organizations and funds	91 791	106 830
Total monetary contributions (before adjustments)	4 062 539	4 230 382
Refunds to donors and other reductions in prior-year revenue	(470)	(5 810)
Total monetary contributions	4 062 069	4 224 571
In-kind contributions		
Government	18 806	19 930
Private donors	12 673	15 971
United Nations system organizations and funds	263	284
Total in-kind contributions	31 742	36 184
Total voluntary contributions	4 093 811	4 260 756

147. Monetary contributions revenue is adjusted for refunds made to donors and reductions in prior-year revenue arising from underspending against earmarked funding.

148. In-kind contributions represent donations of goods and, where material, services received that directly support operations. In-kind contributions generally include inventory items to be distributed to beneficiaries and the use of premises and personnel. The amount of in-kind contributions in 2019 comprised \$7.5 million for goods (\$12.2 million in 2018) and \$24.2 million for services (\$24.0 million in 2018).

149. The total monetary contributions (before adjustments) of \$4,062.5 million recorded in 2019 are further analysed below by year funded and by type of earmarking:

Table 5.1.2
Monetary contributions recognized

(Thousands of United States dollars)

<i>By year</i>	<i>2019</i>	<i>By year</i>	<i>2018</i>
2019 and earlier	2 960 137	2018	3 099 924
Future years		Future years	
2020	791 460	2019	1 025 367
2021	235 494	2020	94 697
2022	63 455	2021	10 331
2023	11 993	2022	63
Subtotal	1 102 402		1 130 458
Total monetary contributions (before adjustments)	4 062 539		4 230 382

Table 5.1.3
Monetary contributions by type of earmarking

(Thousands of United States dollars)

	<i>2019</i>	<i>2018</i>
Unearmarked	713 132	646 948
Softly earmarked	502 223	601 494
Earmarked	2 111 095	2 140 837
Tightly earmarked	736 089	841 103
Total monetary contributions (before adjustments)	4 062 539	4 230 382

150. Unearmarked contributions are fully flexible in how they can be used. Contributions are softly earmarked if they can be used for a specific geographical region or strategic objective only. Earmarked contributions are those that are directed to a specific country operation or subobjective. Tightly earmarked contributions can only be used for a specific project or are restricted both geographically and thematically. As most contributions pending an earmarking decision by the donor are ultimately restricted to a specific country, these contributions are reflected as earmarked.

5.2 Other revenue

(Thousands of United States dollars)

	<i>2019</i>	<i>2018</i>
Sale of assets	15 063	9 404
Use of guest-house accommodations	4 552	4 091
Medical premiums from Medical Insurance Plan participants	3 156	3 137
Use of office space and parking	732	811
Miscellaneous revenue	3 212	3 323
Total other revenue	26 714	20 766

151. Sale of assets primarily represents the gains from the sale of vehicles.

Note 6
Expenses

6.1 Implementing partnership expense

152. The total expenses incurred by implementing partners during the financial period amounted to \$1,345.0 million (\$1,375.1 million in 2018) and is analysed by type of implementing partner and by pillar, as follows:

Table 6.1.1
(Thousands of United States dollars)

Pillar	Government	International non-governmental organizations	Local non-governmental organizations	United Nations system organizations	Total expenses	
					2019	2018
Refugees	160 410	478 973	452 310	12 093	1 103 786	1 145 104
Stateless	858	3 089	5 500	399	9 846	10 033
Reintegration	4 439	22 126	18 293	156	45 013	37 056
Internally displaced persons	10 434	82 044	93 836	10	186 324	182 880
Total	176 140	586 232	569 939	12 658	1 344 969	1 375 073

153. Included under local non-governmental organizations is \$55.0 million (\$54.0 million in 2018) with partners for fundraising and awareness-raising.

154. Implementing partnership expenses by rights group across pillars are shown in the table below:

Table 6.1.2
(Thousands of United States dollars)

Rights group	Global Refugee Programme	Global Stateless Programme	Global Reintegration Projects	Internally Displaced Persons Projects	Total expenses	
					2019	2018
Basic needs and essential services	412 581	357	13 251	52 556	478 746	509 592
Logistics and operations support	148 406	1 542	194	6 638	156 780	127 520
Fair protection processes and documentation	99 738	1 770	11 768	27 969	141 244	169 090
Durable solutions	98 273	1 245	4 473	14 029	118 020	46 351
Leadership, coordination and partnerships	68 364	–	2 359	24 157	94 880	43 883
Headquarters and regional support	66 927	–	–	12	66 939	75 387
Security from violence and exploitation	41 818	2 418	890	13 155	58 282	85 420
Community empowerment and self-reliance	36 003	2 647	5 228	3 918	47 796	122 237
Favourable protection environment	22 695	23	1 859	14 517	39 094	62 760
Expenses reported by implementing partners against current-year agreements	994 805	10 002	40 023	156 952	1 201 782	1 242 240
Report pending receipt or processing	123 587	399	6 188	37 186	167 359	149 652
Prior-year agreement adjustments ^a	(14 607)	(555)	(1 197)	(7 814)	(24 173)	(16 819)
Total expense	1 103 786	9 846	45 013	186 324	1 344 969	1 375 073

^a The prior-year agreement adjustments amount of \$24.2 million (2018: \$16.8 million) includes refundable unspent balances of \$40.1 million (2018: \$42.7 million) and recoveries resulting from partner audits of \$1.2 million (2018: \$2.6 million), which are offset by partner expenses in the current year against previously recorded prepayments of \$17.1 million (2018: \$28.5 million).

155. The amount of \$1,345.0 million reported as implementing partner expenses (2018: \$1,375.1 million) includes \$167.4 million (2018: \$149.7 million) already paid to implementing partners in respect of which reporting is pending receipt or final processing by UNHCR. The estimated refunds for underspending are recorded within implementing partner receivables and advances (see note 3.4).

156. The total amount of funds recovered from implementing partners in 2019 for unjustified expenses was \$1.2 million (\$2.7 million in 2018). These were determined through UNHCR review of audit reports of projects implemented by partners.

157. Interest and miscellaneous revenue amounting to \$2.3 million (\$3.8 million in 2018) were received from implementing partners for the year.

6.2 Salaries and employee benefits

(Thousands of United States dollars)

	2019	2018
Salary	583 939	544 960
Pension	137 083	122 688
Allowances	100 313	97 167
After-service health insurance	95 656	45 108
Temporary assistance	58 871	58 454
Medical insurance – current	33 701	31 217
Reassignment	30 909	28 859
Education grant	28 556	21 602
Termination	16 127	4 808
Repatriation grant	8 632	8 500
Appointment	7 418	7 322
Reimbursement of income tax	5 257	4 765
Annual leave accrual	3 866	2 810
Evacuation	3 519	3 724
Home leave	1 344	2 111
Other personnel costs	9 026	12 269
Total salaries and employee benefits	1 124 219	996 364

158. After-service health insurance costs of \$95.7 million in 2019 include the past service costs resulting from a change in interpretation of responsibilities for settlement of certain liabilities and the correction of immaterial errors identified in 2019, as further explained in paragraphs 100 to 102 above.

159. Termination costs of \$16.1 million in 2019 include \$13.4 million for 107 agreed voluntary separations, \$1.1 million of which is accrued for payments to be released in 2020.

160. Included in other personnel costs are \$5.8 million for staff rental subsidy (2018: \$6.0 million), \$3.5 million for rest and recuperation (2018: \$3.9 million) and \$2.0 million for overtime payments (2018: \$2.1 million), offset by \$5.6 million (2018: \$2.4 million) reflecting the capitalization of internal staff costs in the development of intangible assets.

6.3 Cash assistance to beneficiaries

(Thousands of United States dollars)

	2019	2018
Basic needs (multipurpose cash)	542 182	434 440
Repatriation needs	4 952	8 740
Other cash assistance	22 525	29 201
Total cash assistance to beneficiaries	569 659	472 381

161. Cash assistance provided through implementing partners is not included in these amounts. The amount of cash assistance provided through partners is \$76.2 million (2018: \$95.7 million) and is included in implementing partner expense in note 6.1.

6.4 Contractual services

(Thousands of United States dollars)

	2019	2018
Affiliated workforce and individual contractors	140 824	145 357
Advertising, marketing and public information	51 599	45 868
Transport, cargo handling and warehouse management	44 189	38 791
Construction contracts	41 969	50 685
Direct services for beneficiaries	40 973	60 957
Data processing	25 824	20 720
Professional services	22 858	23 195
Individual consultants	10 970	12 765
Translation, printing and publication	9 194	9 998
Other services	70 056	47 088
Total contractual services	458 457	455 425

162. Direct services for beneficiaries includes the provision of medical care, accommodation and other services where UNHCR contracts with service providers on behalf of persons of concern in lieu of cash assistance to beneficiaries. Other services includes various specialized services of a technical, analytical and operational nature provided through contractual arrangements.

6.5 Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2019	2018
Distributed from inventory		
Bedding materials	66 913	68 984
Household items	56 535	71 444
Medical, hygienic supplies and apparel	42 916	43 533
Construction materials and related equipment	38 069	35 146
Tents	28 497	24 986
Basic food	2 385	5 817
Other supplies and equipment	2 848	7 624
Total distributed from inventory	238 163	257 535
Other costs of supplies and distributions		
Other supplies and consumables distributed	46 748	35 796
Other changes in inventory (not yet distributed)	(877)	(4 061)
Total supplies and consumables for beneficiaries	284 034	289 269

163. Other supplies and consumables distributed includes expenses pertaining to consumable items that are not considered inventory. These include medical items amounting to \$19.7 million (2018: \$22.3 million) and household items amounting to \$14.2 million (2018: \$4.3 million).

6.6 Operating expenses

(Thousands of United States dollars)

	2019	2018
Rental and maintenance of premises	68 254	72 269
Security	45 988	44 184
Communications	34 547	34 626
Fuel and lubricants	27 641	27 075
Bank charges	15 062	11 025
Rental and maintenance of vehicles and equipment	10 009	8 119
Guest houses	9 322	13 126
Utilities	8 846	7 703
Insurance	2 592	3 418
Other operating expenses	21 142	19 100
Total operating expenses	243 404	240 646

164. Other operating expenses includes local transport, miscellaneous supplies and materials for various operational needs.

6.7 Equipment and supplies

(Thousands of United States dollars)

	2019	2018
Equipment and related supplies	59 829	51 879
General office supplies	13 399	12 838
Furniture and fixtures	8 928	7 969
Vehicles and workshop supplies	4 101	6 398
Property, plant and equipment transferred	2 003	4 722
Buildings (non-capitalizable)	1 311	2 517
Software and licenses	684	1 047
Alterations and improvements	549	264
Total equipment and supplies	90 805	87 635

165. Expenses recognized under equipment and related supplies include the purchase of items below their respective capitalization thresholds.

6.8 Depreciation, amortization and impairment

(Thousands of United States dollars)

	2019	2018
Depreciation of property, plant and equipment	33 101	41 728
Amortization of intangible assets	7 032	3 302
Total depreciation, amortization and impairment	40 133	45 030

166. Depreciation of property, plant and equipment reflect extensions in the estimated useful lives of certain asset subclasses effective from 2019 (see paras. 35 to 37 above).

6.9 Other expenses

(Thousands of United States dollars)

	2019	2018
Seminars and workshops	20 007	15 871
Training	6 965	7 045
Bad debt expense	2 215	7 749
Miscellaneous expenses	866	(2 553)
Total other expenses	30 054	28 112

167. Miscellaneous expenses include adjustments to prior-year expenses, losses/(gains) on disposal of fixed assets and intangibles, and legal claims.

6.10 Foreign exchange gains and losses

(Thousands of United States dollars)

	2019	2018
Realized (gain)/loss	9 422	(34 231)
Unrealized (gain)/loss	(9 414)	52 771
Total foreign exchange (gains) and losses	9	18 539

168. In 2019, the unrealized exchange gains of \$9.4 million resulted primarily from the impact of the weakening of the United States dollar against those currencies in which UNHCR held accounts receivable and bank balances as at 31 December 2019. Items denominated in pounds sterling accounted for more than half of the realized gains.

Note 7**Statement of comparison of budget and actual amounts**

169. As required by IPSAS 24: Presentation of budget information in financial statements, reconciliation is provided between the actual amounts on a comparable basis, as presented in statement V, and the actual amounts, as shown in the financial accounts, identifying separately any basis, timing and entity differences which are described below:

(a) **Basis differences:** the budget of UNHCR is formulated on a modified cash basis and the financial statements are prepared on an accrual basis, thereby giving rise to basis differences;

(b) **Timing differences** occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNHCR for the purpose of comparison between budgets and actual amounts;

(c) **Entity differences** occur when the budget does not include programmes or entities that are part of the main entity for which the financial statements are prepared. In UNHCR, the budget does not include activities relating to the Working Capital and Guarantee Fund and the Medical Insurance Plan;

(d) **Presentation differences** are due to differences in the format and classification schemes adopted for presentation of the statement of financial performance (statement II) and the statement of comparison of budget and actual amounts (statement V). The UNHCR budget in statement V is presented on an operational and geographical basis, while expenses are presented by nature of expense in the statement of financial performance (statement II).

170. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement V) and the actual amounts in the statement of financial performance (statement II) for the year ended 31 December 2019 is presented below:

(Thousands of United States dollars)

	2019
Actual amount on a comparable basis (statement V)	4 415 291
Basis differences	
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(138 187)
Property, plant and equipment, and intangible assets	(65 183)
Employee benefits funding	(61 761)
Elimination of inter-segment expenses	(54 173)
Implementing partner expenditure current year	(25 461)
Implementing partnership refunds and adjustments for prior-year projects	(25 212)
Inventory obsolescence	(877)
Inventory	56 559
Depreciation, amortization and impairment of property, plant and equipment, and intangible assets	40 133
Bad debt expense	3 422
Other	(622)
Total basis differences	(271 363)
Entity differences	
Staff Benefits Fund	99 853
Medical Insurance Plan	10 298
Working Capital and Guarantee Fund	4 183
Total entity differences	114 334
Total expenses	4 258 262

171. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Note 8 Segment reporting

8.1 Statement of financial position by segment as at 31 December 2019

(Thousands of United States dollars)

	<i>Programmes</i>	<i>Projects</i>	<i>Special funds and accounts</i>	<i>Total</i>
Assets				
Current assets				
Cash and cash equivalents	649 149	121 306	213 010	983 466
Investment	–	–	330 000	330 000
Contributions receivable	1 092 699	–	–	1 092 699
Inventories	122 739	60 960	–	183 699
Other current assets	192 995	42 576	2 442	238 013
Total current assets	2 057 582	224 842	545 452	2 827 876

	<i>Programmes</i>	<i>Projects</i>	<i>Special funds and accounts</i>	<i>Total</i>
Non-current assets				
Contributions receivable	319 566	–	–	319 566
Property, plant and equipment	164 113	29 316	–	193 429
Intangible assets	28 900	6 115	–	35 015
Total non-current assets	512 579	35 431	–	548 010
Total assets	2 570 161	260 272	545 452	3 375 886
Liabilities				
Current liabilities				
Accounts payable and accruals	204 267	31 304	–	235 572
Employee benefits	11 285	2 181	95 292	108 758
Provisions	4 650	678	–	5 328
Other current liabilities	8 831	291	–	9 122
Total current liabilities	229 034	34 454	95 292	358 780
Non-current liabilities				
Employee benefits	2 123	379	907 773	910 276
Total non-current liabilities	2 123	379	907 773	910 276
Total liabilities	231 157	34 833	1 003 066	1 269 056
Net assets	2 339 004	225 439	(457 614)	2 106 830
Fund balances and reserves				
Accumulated fund balances and reserves	2 339 004	225 439	–	2 564 444
Working Capital and Guarantee Fund	–	–	100 000	100 000
Medical Insurance Plan	–	–	46 538	46 538
Staff Benefits Fund	–	–	(604 152)	(604 152)
Total fund balances and reserves	2 339 004	225 439	(457 614)	2 106 830

8.2 Statement of financial performance by segment for the year ended 31 December 2019

(Thousands of United States dollars)

	<i>Programmes</i>	<i>Projects</i>	<i>Special funds and accounts</i>	<i>Inter- segment</i>	<i>Total</i>
Revenue					
Voluntary contributions	3 762 789	331 021	–	–	4 093 811
United Nations regular budget	43 298	–	–	–	43 298
Transfers	(404 548)	404 548	–	–	–
Interest revenue	1 015	1	18 298	–	19 314
Other revenue	23 557	(1)	13 998	(10 840)	26 714
Total revenue	3 426 111	735 570	32 296	(10 840)	4 183 137

	<i>Programmes</i>	<i>Projects</i>	<i>Special funds and accounts</i>	<i>Inter- segment</i>	<i>Total</i>
Expenses					
Implementing partner expenses	1 113 497	231 472	–	–	1 344 969
Salaries and employee benefits	886 204	138 891	109 963	(10 840)	1 124 219
Cash assistance to beneficiaries	473 954	95 705	–	–	569 659
Contractual services	403 820	54 635	1	–	458 457
Supplies and consumables for beneficiaries	159 128	124 870	36	–	284 034
Operating expenses	193 324	45 876	4 204	–	243 404
Equipment and supplies	76 111	14 684	10	–	90 805
Travel expenses	62 049	10 373	107	–	72 529
Depreciation, amortization and impairment	34 057	6 076	–	–	40 133
Other expenses	27 194	2 847	12	–	30 054
Total expenses	3 429 339	725 429	114 333	(10 840)	4 258 262
Foreign exchange (gains)/losses	–	–	9	–	9
Surplus/(deficit) for the year	(3 228)	10 140	(82 047)	–	(75 134)

8.3 Long-lived asset additions by segment

(Thousands of United States dollars)

	<i>Programmes</i>	<i>Projects</i>	<i>Total</i>
2018 asset additions			
Property, plant and equipment	68 394	6 321	74 716
Intangible assets	7 718	66	7 784
Total	76 112	6 387	82 499
2019 asset additions			
Property, plant and equipment	56 619	6 938	63 557
Intangible assets	9 356	1 975	11 330
Total	65 975	8 912	74 887

172. Some internal activities lead to accounting transactions that create inter-segment revenue and expense in the financial statements. The organization's share of medical insurance premiums in respect of the Medical Insurance Plan created inter-segment amounts in 2019 of \$10.8 million.

173. Earmarked contributions are recorded to the applicable fund/pillar upon receipt. Unearmarked and softly earmarked contributions are initially recorded under pillar 1 (Global Refugee Programme) and are subsequently transferred to other pillars, as needed, to cover budgetary requirements. Accumulated fund balances under programmes, projects and special accounts represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements.

Note 9
Commitments and contingencies

9.1 Leases

174. Obligations for non-cancellable operating leases are as follows:

(Thousands of United States dollars)

	<i>2019</i>
Obligations for operating leases	
Under 1 year	27 586
1–5 years	33 930
Beyond 5 years	10 724
Total obligations for operating leases	72 240

175. As at 31 December 2019, UNHCR did not have any finance leases.

9.2 Commitments

176. At 31 December 2019, UNHCR had commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered, as follows:

(Thousands of United States dollars)

	<i>2019</i>
Assets and supplies	249 808
Services	120 141
Instalments due against partnership agreements	94 681
Operating expenses	47 828
Consultants	1 810
Other commitments	4 496
Total open commitments	518 764

9.3 Legal or contingent liabilities

177. Voluntary contribution revenue includes revenue that, under the terms of the contribution agreement, must be spent within a specified period and for an agreed purpose (“earmarked”). Where UNHCR has clearly not fully spent an earmarked contribution by the agreed deadline and a refund is expected, such shortfalls are accounted for as a reduction in revenue and disclosed in table 5.1.1.

178. As at 31 December 2019, potential underspending has been identified for certain expired contributions for which a final determination of spending status will be established in 2020. To the extent that a final determination ultimately indicates underspending, UNHCR may be required to make a refund to the donor. However, it is not possible to reliably estimate the amount of the potential refunds. Therefore, they represent contingent liabilities as at 31 December 2019. The maximum extent of the refund obligation is estimated at approximately \$4.9 million.

179. As at 31 December 2019, there were 60 outstanding cases relating to various claims from staff members or former staff members pending United Nations Dispute Tribunal judgments against UNHCR, with a total potential financial compensation

amounting to approximately \$1.9 million. Forty-five of these cases challenged the post adjustment made as at 1 May 2017 that resulted in a pay cut of 3.5 per cent for all staff in Geneva. If UNHCR loses these cases, the financial exposure would likely extend to apply to all staff employed in Geneva, in which case the impact of compensation for periods up to 31 December 2019 would be approximately \$15 million.

180. Furthermore, there are 42 unresolved third-party claims against UNHCR. The main third-party claims relate to ongoing commercial disputes with a small number of suppliers regarding the prices and quantities charged. These disputes are subject to negotiation and some may be settled through arbitration, with uncertain outcome. While the best estimate of additional costs to settle the agreements in arbitration have been accounted for as accruals and legal provisions and disclosed in note 3.10, there are additional contingent liabilities for possible third-party claims of approximately \$28.7 million.

Note 10

Losses, ex gratia payments and write-offs

181. UNHCR financial rule 10.5 provides that ex gratia payments may be approved by the Controller for an amount not exceeding \$5,000, when such payments are considered desirable in the interest of the organization. Ex gratia payments in excess of \$5,000 require the approval of the High Commissioner. A statement of ex gratia payments was submitted to the Board of Auditors and to the Executive Committee with the financial statements. For 2019, no ex gratia payments were approved.

182. Financial rule 10.6 provides that write-offs up to \$10,000 owing to the loss of cash or of the book value of accounts receivable may be authorized by the Controller, while the write-off of individual monetary assets in excess of \$10,000 requires the approval of the High Commissioner. A statement of all monetary and non-monetary assets written off was submitted to the Board of Auditors. In 2019, such write-offs amounted to \$2.5 million, consisting primarily of donation reductions from six donors, compared with \$0.1 million in 2018, comprising mainly unrecoverable value added tax receivables.

183. In 2019, there were 61 substantiated fraud cases (43 cases in 2018), with a total estimated amount of \$0.52 million (\$1.22 million in 2018), including misappropriation of the organization's funds; misuse of assets; abuse of authority and procurement fraud by staff, affiliate workforce or partners; falsification of documents; solicitation and receipt of bribes; and submission by staff of fraudulent claims for various entitlements. As at the end of 2019, there were also 45 open fraud allegation cases (59 cases in 2018) for which investigations were ongoing, and their outcome will be reported, as appropriate, once the determination is concluded.

Note 11

Related party disclosures

184. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

(Thousands of United States dollars)

	<i>Number of posts filled</i>	<i>Compensation and post adjustments</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration</i>	<i>Outstanding advances against entitlements</i>	<i>Outstanding loans</i>
Key management personnel, 2019	5	1 132	132	266	1 530	50	–

185. The table above summarizes aggregate remuneration paid to key management personnel, which includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

186. Key management personnel also qualify for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. They are also ordinary participants in the Pension Fund.

187. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 12

Events after the reporting date

188. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year. At the date of signing these financial statements, 31 March 2020, the impact of the COVID-19 pandemic was characterized as a material event occurring since 31 December 2019, the impact of which could not be reliably measured or assessed. No other material events, favourable or unfavourable, have occurred that would have impacted the present statements.

189. The financial statements were approved on 31 March 2020 and submitted to the Board of Auditors for opinion. No one other than UNHCR has the authority to amend these financial statements.

