



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 2023

and

Report of the Board of Auditors

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



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Commissioner for Refugees**

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Report of the Board of Auditors



United Nations • New York, 2024

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 7 May 2024 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 ([A/AC.96/503/Rev.12](#)), we have the honour to submit the financial statements for the year ended 31 December 2023, approved and certified in accordance with rule 602.1 of those rules.

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 2023:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All 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 are 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 inventories, the property, plant and equipment, and the intangible assets disclosed, respectively, in notes 3.3, 3.5 and 3.6 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 are 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 as at 31 December 2023 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 2023, are disclosed in note 9.2 to the financial statements. Commitments for future expenses are not recognized as liabilities.

8. All known legal or contingent liabilities as at 31 December 2023 are disclosed in note 9.3 to 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 ensure that they present fairly the results of the transactions during the period.

12. There have been no events since the UNHCR reporting date of 31 December 2023 that necessitate revision of the information presented in the financial statements.

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

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

**Letter dated 24 July 2024 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, together with the financial report and audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2023.

(Signed) **Hou Kai**
Auditor General of the People's Republic of China
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 2023 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 2023 and its 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 and the International Standards of Supreme Audit Institutions. 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.

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 2023 and the statement of internal control, 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 conclusion 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 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 either intends 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 financial reporting process for the voluntary funds administered by the United Nations High Commissioner for Refugees.

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:

(a) 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;

(b) 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;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions as to 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;

(e) 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 a 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, except for the submission of the financial statements that were due on 31 March 2024 but were not issued until 7 May 2024.

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) **Hou Kai**
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(Signed) **Pierre Moscovici**
First President of the French Cour des comptes
(Lead Auditor)

(Signed) **Dorothy Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile

24 July 2024

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 2023. 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 2023 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 2023, the total revenue decreased by 22 per cent compared with 2022, owing primarily to the decrease in voluntary contributions related to the Ukraine crisis.

In 2023, UNHCR responded to protracted displacement and new crises. According to its analysis, UNHCR faced 43 new emergencies (against 52 in 2022) in 29 countries. The overall estimate for persons forced to flee, including displaced persons returning home, was 122 million in 2023, against 113 million the previous year. Among the new crises of 2023, UNHCR provided life-saving assistance and protection to those affected by earthquakes in Afghanistan, the Syrian Arab Republic, and Türkiye; the conflict in the Sudan; a worsening crisis in the Democratic Republic of the Congo; unprecedented mixed movements of refugees and migrants in Latin America and the Caribbean; and floods in Libya and the Horn of Africa. In that context, UNHCR prioritized the delivery of essential services to vulnerable populations, including the distribution of core relief items to approximately 8.1 million people, the provision of shelter assistance and the creation of livelihood opportunities.

Five supplementary budgets were established during the course of 2023 to respond to unexpected contingencies with high impact: \$250.0 million in support for the situation in Ukraine; \$201.3 million for the earthquake emergency response in Türkiye and the northern Syrian Arab Republic; \$268.7 million for the conflict in the Sudan; \$55.8 million for the Pakistan situation and \$41.7 million for the Somalia situation.

Financial overview

Total revenue amounted to \$4,707.3 million, a decrease of \$1,360.1 million (22 per cent). Voluntary contributions represented 96 per cent of total revenue, amounting to \$4,534.6 million, a decrease of \$1,396.8 million (24 per cent). The primary reason for the decrease in voluntary contributions is the decline in donations related to the Ukraine crisis, which dropped by \$909.3 million.

The expenses amounted to \$5,297.4 million, a level comparable with that of 2022 (\$5,483.5 million).

Given that revenue decreased significantly and expenses remained stable, the 2023 financial position ended with a deficit of \$590.1 million, compared with a surplus of \$584.0 million in 2022.

UNHCR maintains a high level of current assets to meet its current liabilities. Constraints with regard to earmarked resources increased from 2022 to 2023. The ratio between unrestricted or softly earmarked funds and earmarked or tightly earmarked funds shifted from 58 per cent to 71 per cent, underlying a sharp decrease in flexibility.

UNHCR remains highly dependent on a limited number of donors, with one donor providing 42 per cent of all contributions in 2023 and 10 donors providing more than 71 per cent.

Key findings

In addition to the financial statements, the Board's audit for 2023 focused on the management by UNHCR of budget processes and of large camps.

Finance

Processing of financial reports from implementing partners

Information and technology limitations stemming from the business transformation programme caused significant delays in the receipting and processing of implementing partners' financial reports in 2023. The total volume of implementing partner activities for 2023 was \$1,392.5 million. In order to obtain reasonable assurance on the year-end estimate of unreported implementing partner expenses, the Board agreed to extend its audit period. With respect to the transactions in 2024, the Board expects implementing partners to comply with the mandatory deadlines set in the UNHCR administrative instruction on partnership management and UNHCR to process the reports in a timelier manner.

Overview of uninvoiced receipts at year-end

UNHCR is unable to generate a comprehensive report from the Cloud enterprise resource planning system (Cloud ERP) to detail uninvoiced receipts at year-end. This analytical weakness increases the risk of unidentified misstatement in year-end accrued liabilities.

Automation in the Cloud ERP system

As part of its ambitious transformation plan launched in 2020, UNHCR implemented a new Cloud ERP system to enable integrations and automations. However, by April 2024, they were not yet fully finalized. The ongoing stabilization phase led to a higher proportion of estimates and manual adjustments in the 2023 financial statements compared with the previous year. Nevertheless, the Board considers that the new system will ultimately enhance the reliability of the financial reporting by reducing the need for manual transactions.

Weaknesses in users' rights and access management for the Cloud ERP system

User access management in the Cloud ERP system shows weaknesses owing to insufficient preparation prior to the go-live, resulting in numerous incidents post-go-live. More than six months after the launch of the enterprise resource planning system, and notwithstanding several reviews at the local and central levels, insufficient assurance regarding segregation of duties remains. Automated checks to detect conflicts in roles and inappropriate transactions are not yet in place.

Incident management for the Cloud ERP system

The Board reviewed the information technology incident management since the Cloud ERP system went live in September 2023 and observed a particularly high number of incidents, especially related to travel processes (persisting into April 2024) and user access management (notably in October 2023), with finance processes having been less affected. In addition, the service-level agreement for system maintenance, which was to be implemented in early April 2024, was not enforced.

Information and technology security management

The Board noted that the vendor now handles risks and business continuity plans related to information and technology security management, which appear to be appropriate. However, with regard to the organization's overall internal security based on the new policy approved in February 2023, a number of weaknesses were identified by the Chief Information Security Officer through self-assessment questionnaires and need to be addressed.

Management of budget processes*Budget preparation, planning and appropriation*

UNHCR is funded almost exclusively through voluntary contributions. The programme budget adopted annually by the UNHCR Executive Committee is based on an assessment of the needs, not on estimated revenue. By approving the programme budget each year, the Executive Committee indirectly sets the maximum funding level that the High Commissioner is authorized to raise and limits the number and type of positions that UNHCR is authorized to recruit. The preparation of the programme budget is therefore essentially a bottom-up exercise.

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

Resource mobilization

The funds raised by UNHCR are far from the assessed needs. This “funding gap” against the needs varies from region to region. In addition, only one third of voluntary contributions are flexible and multi-year funding has not reached sufficient levels.

The funding concentration risk is critical, with UNHCR remaining dependent on a very limited number of public donors. Funding from private sources shows a positive trend but would need to be further developed. A progressive introduction of new financing models could also be explored.

Budget implementation

To implement the budget, an annual target, called the “operating level”, is set at the beginning of the year and constantly updated by the High Commissioner. The operating level represents, at any given time, the maximum amount of commitments and payments that can be incurred until the end of the fiscal year. An automated internal budget control is designed to ensure that, at the level of each operation and within each budget category, no commitments can be incurred in excess of the available operating-level amounts. That system does not, however, integrate the resource limits set under UNHCR financial rule 501.3, which have to be periodically monitored separately to verify compliance.

The management and internal control of budget implementation relies on a process that is in the hands of the High Commissioner. This process is based on a clear segregation of duties between those who approve the spending authority and those who carry out the expenditure and is built to ensure that commitments and expenses are consistent and in line with the operating-level spending authority, while allowing for necessary flexibility in the field. The information provided to the Executive Committee on budget implementation, although compliant with governance requirements, could be strengthened.

Staff costs doubled between 2018 and 2023. A realignment exercise has been launched in line with the Global Compact on Refugees, which may produce its first impacts in 2024 in terms of curbing headcount and expenditure, as well as responding to the needs regarding staff profile.

Accountability on budget management and reporting on performance

Although it is carried out after the actual spending, the reporting to donors reflects their requirements. To date, the funding allocation to expenditure has been performed manually. Covering support and administrative costs, as well as expenses for less attractive regions, can be challenging given the earmarking requirements. Until the new information and communications technology (ICT) tools are in place, the voluminous results-based data will continue to be processed manually, which is both time-consuming and resource-intensive.

Budgetary reporting to the Executive Committee is aligned with governance requirements but could be strengthened. In particular, more substantial information should be provided on the prioritization process carried out through the operating level and on the implementation of prioritized allocation.

Systems for monitoring, checking and reporting on results are in place, or will soon be deployed, but their effective implementation remains uneven. The quality and relevance of results indicators also need to be improved, and there is a margin to increase ownership among staff and use the performance framework as managerial leverage.

Management by UNHCR of large camps

Strategy and knowledge of large camps

It is estimated that between 5.9 and 7.1 million refugees currently live in camps, according to UNHCR sources, and there are presently some 30 large camps. UNHCR considers such camps to be undesirable solutions. Although there are country strategies, there are no tailored strategies for camps. Most of them are the result of long-standing situations and often have been in existence for several decades. There is also great diversity among the large camps, reflecting the multiple situations faced by displaced persons and the various conditions offered to them by the host countries, in particular in terms of freedom of movement and access to work. In that context, ensuring up-to-date knowledge of the situation in the large camps remains challenging.

Alternatives and exit solutions for large camps

Long-lasting camps and protracted situations raise the issue of exit solutions. In that regard, the costs for both UNHCR and the host Governments, although insufficiently reported, provide an incentive to move towards alternatives. UNHCR has made significant efforts to promote solutions, such as more integration within host communities or the transformation of camps into ordinary towns, which have led to some success, but a more proactive, collaborative and operational approach is still needed.

Registration processes

The registration processes in the large camps suffer from a number of weaknesses. The registration procedures remain fragile and vulnerable to fraud risks, resulting in unequal effectiveness. This makes it difficult to know the number of forcibly displaced persons living in the camps and to assess their needs. In that regard, improving inter-operability in operations where data are exchanged between UNHCR and other entities such as the World Food Programme (WFP) appears to be key.

Needs assessment and expenditure

Neither the specific needs of large camps nor the related expenditure in the implementation phase are specifically isolated in the budget development process, although some of the goods and services identified have obviously been requested for camps. As a result, drawing a comparison between the cost per refugee inside camps and the cost per refugee outside camps is challenging, although the gap can be significant in countries in which the majority of the refugees live in urban areas.

Governance of large camps, coordination and service delivery

UNHCR pays particular attention to its role regarding coordination of activities in the camps. Its mandated accountabilities include leadership responsibilities in refugee emergency responses, which encompasses the coordination of inter-agency refugee responses, in cooperation with host Governments. The number of sectors is determined by the context, refugee needs and operational priorities. Under the Refugee Coordination Model, UNHCR co-coordinates the following sectors with the Government: protection, with sub-sectors in child protection and gender-based violence, where appropriate; public health and nutrition; education; settlement and shelter/housing; and livelihoods and economic inclusion. Other sectors that can be established based on needs and capacity include water, sanitation and hygiene; food security; basic needs; and supply and telecommunications.

The co-ordination of the sectors is based on the presence and expertise of partners in the field, as well as on global agreements. In the refugee responses, UNHCR is the provider of last resort. When there are critical gaps, UNHCR may need to cover the life-saving activities.

However, the Board has noted that in certain instances, UNHCR has directly implemented part of the core mandate of other United Nations agencies or played the leading role in the coordination of technical issues, without substantiating the necessity of intervening in situations with critical and urgent gaps.

Moreover, certain tasks that fall fully or mainly under the responsibility of UNHCR deserve more attention. In the area of activities related to the protection mandate, protection against gender-based violence in all its components is managed unequally and sometimes very insufficiently.

Performance and accountability

Not enough is known about the costs and performance of large camp management. Donors, host countries and beneficiaries are unaware of the costs of camps compared with other solutions, in particular because UNHCR presents its budget and reporting without distinguishing between refugees in camps and refugees in urban areas. In a context of financial constraints, UNHCR would benefit from a reflection on how to improve accountability, efficiency and effectiveness.

Main recommendations

The Board has made 19 new recommendations on the basis of its audit. Details on how they can be implemented are provided throughout the report, notably in the paragraphs immediately following each recommendation. The recommendations are that UNHCR:

Finance

Processing of financial reports from implementing partners

(a) **Achieve a level of processing of financial reports from implementing partners that is at least as high as in the previous enterprise resource planning system at a comparable time within the annual reporting cycle;**

Overview of uninvoiced receipts at year-end

(b) **Implement, for the next financial year, an automated report within the Cloud ERP system that enables control, at the entity level, of all uninvoiced receipts that are accrued at the end of the reporting period;**

Automation in the Cloud ERP system

(c) **Monitor the implementation of scheduled automations in the Cloud ERP system to ensure that they are fully in place and reliable for the next reporting period;**

Weaknesses in users' rights and access management for the Cloud ERP system

(d) **Strengthen users' rights and access management for the Cloud ERP system by: (i) performing a review of all users with privileged roles; (ii) activating automated advanced access controls to detect inappropriate role combinations; (iii) implementing advanced financial controls and developing procedures to clear inappropriate transactions; and (iv) using advanced audit controls to track atypical use of the enterprise resource planning system;**

Incident management for the Cloud ERP system

(e) **Improve the management of incidents for the Cloud ERP system by: (i) enforcing maintenance clauses in the service-level agreement with the provider; (ii) reducing the number of travel process incidents, starting with the most critical ones; and (iii) using the regular incident classification to more appropriately assign the incidents;**

Information and technology security management

(f) **Strengthen the management of information technology security by: (i) continuing to implement, on a yearly basis, the self-assessment questionnaire initiative and adapting the staff security training accordingly; (ii) developing specific training sessions for the information security focal points; and (iii) pursuing anti-phishing campaigns and adapting training and communication on that threat accordingly;**

Management of budget processes

Budget preparation, planning and appropriation

(g) **Define a strategy to bring its budgeting methodology in line with the Global Compact on Refugees, with a programme of work that better describes the organization's role and comparative advantage in relation to what is being done by other stakeholders, and in line with sustainable programming; and**

consult and agree with Member States on the most suitable ways to expand and improve information on allocations, priorities, trade-offs and urgent gaps based on funds available against the approved programme of work, so that they have greater visibility regarding and understanding of UNHCR activities on the ground, including, but not limited to, the provision of improved information in the budget and funding updates provided three times a year;

(h) Improve its needs assessment methodology in order to better inform the budget process;

Resource mobilization

(i) Leverage its resource mobilization strategy, including the new private sector engagement strategy to: (i) increase both the volume and quality of its voluntary contributions, in terms of flexibility, multi-year visibility and diversification, including by demonstrating to donors the impact of its operations; and (ii) assess the pros and cons and feasibility of progressively introducing new financing models;

Budget implementation

(j) Define and implement a comprehensive strategy to increase its efficiency, identifying desirable business process re-engineering, opportunities to consolidate back-office functions at a global or regional level, taking advantage of the digital transformation resulting from the business transformation programme, and ensuring that the organization develops measures to monitor and report on that strategy;

Accountability on budget management and reporting on performance

(k) Strengthen the quality of its reporting on budget and results to both the Executive Committee and donors, and better use the performance framework as a managerial tool for the organization;

Management by UNHCR of large camps

Strategy and knowledge of large camps

(l) Strengthen its strategy and knowledge of the large camps, in particular by: (i) defining priority actions; (ii) regularly collecting and updating quantitative and qualitative operational data on the populations concerned, including by means of statistical estimates; and (iii) providing structured communication on the situation in the camps and the results of their management;

Alternatives and exit solutions for large camps

(m) Expand initiatives to promote, where possible, a variety of alternatives and exit solutions for large camps;

Registration processes

(n) Improve registration processes in large camps, including by: (i) reviewing the Guidance on Registration and Identity Management in order to foster a continuous registration approach in a one-year cycle and to set verification schedules in case that approach is not feasible; (ii) reinforcing capacity-building and support on anti-fraud procedures and ensuring a full application of the new policy and procedures on addressing fraud committed by forcibly displaced and stateless persons, including the nomination of fraud focal points where required;

and (iii) implementing an interoperability gateway in all operations in which data are exchanged between UNHCR and WFP;

Needs assessment and expenditure

(o) Better inform the budget process with the needs and expenditure associated with the management of large camps;

Governance of large camps, coordination and service delivery

(p) Strengthen its relations with the United Nations resident coordinator to better integrate refugee issues into the system-wide United Nations strategy in the host country, in order to develop synergies and avoid duplications;

(q) Better identify and mitigate the risks related to the protection of forcibly displaced and stateless persons in large camps, including those concerning gender-based violence, and reinforce capacity-building in that field;

(r) Study ways of improving coordination in the management of the large camps, by clearly defining, through an update of the Refugee Coordination Model, the priority tasks entrusted to UNHCR and those for which the other partners are responsible;

Performance and accountability

(s) Improve reporting on the management of large camps, including costs and results achieved, and develop scenarios for generating savings and increasing efficiency and effectiveness.

Follow-up of previous recommendations

Out of 58 outstanding recommendations, 34 have been implemented (representing 59 per cent of all outstanding recommendations, an improvement compared with 40 per cent in the report for 2022), 21 are under implementation (36 per cent) and 3 are considered as overtaken by events (5 per cent) (see annex).

Key facts

\$10.93 billion	Final budget based on needs-driven assessment
\$5.72 billion	Available funds
\$4.71 billion	Revenue reported (including \$1.20 billion for future years)
\$5.30 billion	Expenses incurred in 2023
122.6 million	People forced to flee
20,305	UNHCR global workforce (including 4,815 affiliates)
136	Countries and territories of operation, with offices in 544 locations

A. Mandate, scope and methodology

1. In 2023, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to approximately 122 million people forcibly displaced¹ within or outside their countries of origin. It is a devolved organization with more than 20,500 staff working in 544 offices located in 136 countries and territories. Its mandate encompasses delivering support to long-term and protracted situations and responding to humanitarian emergencies. The year 2023 has been characterized by protracted displacement and new crises responding to 43 new emergencies in 29 countries. UNHCR facilitated the deployment of security personnel to numerous emergency missions, notably to protect people affected by the earthquakes in Afghanistan, the Syrian Arab Republic and Türkiye, the conflict in the Sudan, a deteriorating crisis in the Democratic Republic of the Congo, unprecedented mixed movements of refugees and migrants in Latin America and the Caribbean and floods in Libya and the Horn of Africa.

2. UNHCR is funded almost entirely through voluntary contributions, representing \$4.53 billion out of a total of \$4.71 billion in revenue. Recognized revenue from donor agreements included \$1.17 billion relating to future years. Total expenses were \$5.30 billion in 2023.

3. The Board of Auditors audited the financial statements of UNHCR and reviewed its operations for the financial year ended 31 December 2023 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 voluntary funds administered by the United Nations High Commissioner for Refugees and, where applicable, the Financial Regulations of the United Nations, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions providing guidelines for the financial audit of public sector entities.

4. However, the Board noted that the financial statements had been submitted on 7 May 2024 instead of 31 March 2024, as required under the Financial Regulations of the United Nations. The Administration emphasized that the delay was due to the complexities associated with the transition to the new business transformation

¹ The total number of forcibly displaced people (122 million) is an estimate and encompasses refugees, asylum-seekers, other people in need of international protection and internally displaced persons. It includes refugees and other displaced people not covered by the UNHCR mandate and excludes other categories such as returnees and non-displaced stateless people.

programme solutions, including the implementation of a new enterprise resource planning system, which serves as a core pillar for the preparation of the statements.

5. 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 2023 and its financial performance and cash flows for the year then ended, in accordance with the 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 ST/SGB/2013/4/Amend.1) and the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.12). 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.

6. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which entitles the Board to 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 finance, budget and the management of large camps.

7. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the Global Service Centre offices in Budapest. The Board audited seven country offices located in Algeria (remotely), Mauritania, Jordan, Rwanda, Uganda, the United Republic of Tanzania and Bangladesh and the Regional Bureau for the Middle East and North Africa. The Board continued to work collaboratively with the Office of Internal Oversight Services 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. Follow-up of previous recommendations

(a) General overview

8. Out of 58 outstanding recommendations, 34 have been implemented (representing 59 per cent of all outstanding recommendations, an improvement compared with 40 per cent in the report for 2022), 21 are under implementation (36 per cent) and 3 (5 per cent) are considered as overtaken by events.

9. Out of the 21 recommendations that are still under implementation, 7 relate to the 2022 audit, 11 to 2021, 1 to 2020 and 2 to 2019. Details of the status of implementation of the recommendations are shown in table II.1 and in the annex to the present chapter.

Table II.1
Status of implementation of previous recommendations

	<i>Total</i>	<i>Fully implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2019	7	5	2	–	–
2020	7	6	1	–	–
2021	27	16	11	–	–
2022	17	7	7	–	3
Total	58	34	21	0	3
Percentage	100	59	36	0	5

Source: Board of Auditors.

(b) Implementation of recommendations linked to the 2022 audit

10. The Board issued 17 recommendations in its previous report (A/78/5/Add.6), of which 7 are considered as implemented, 7 are under implementation and 3 are considered as overtaken by events.

11. In that report, the Board notably focused on the identification and management of critical risks within UNHCR and made two recommendations. UNHCR acknowledged that the Board's comprehensive review had significantly helped to boost its risk management and the development of a strong risk culture. Despite challenges, the recommendation on risk appetite provided practical guidance to maintain focus on this key area amidst the various organizational priorities.

12. The Board also reviewed the financial management and advised UNHCR to enhance the role of regional bureaux in the internal control process, in particular in reviewing internal control questionnaires from country operations. In response, UNHCR encouraged the regional bureaux to actively conduct quality reviews of the self-assessments submitted by country operations. Such reviews contribute to a more robust and objective assessment of internal controls, which feeds into the statement of internal control.

13. Regarding supply chain management, the Board notably recommended that UNHCR develop a more systemic approach in the way procurement and inventory management were linked. UNHCR considered that, guided by that recommendation as well as previous ones, and complemented by a comprehensive analysis conducted as part of the design and implementation of its new Cloud ERP system, it had configured the new system to enable the evaluation of alternative sourcing options by a category manager or a buyer, including sourcing from existing inventory. UNHCR also stressed that a buyer command centre had been introduced as an extension of the new Cloud ERP system, allowing a streamlined review of sourcing options and of decisions on defined procurement categories, especially inventories. In addition, the demand and supply planning solutions had been parameterized and the related processes were under development, including such measures as checks and alerts to optimize the inventory on hand or in the pipeline. The Cloud ERP system and inventory management will remain a matter of attention for the Board in its audit work for the coming year.

2. Financial overview

14. Net assets decreased by 17 per cent, to \$3,200.2 million, in 2023 (2022: \$3,869.5 million). Accumulated fund balances and reserves amounted to

\$3,116.1 million (2022: \$3,854.1 million) and included cash and investments of \$2,018.3 million (2022: \$2,307.4 million).

15. Overall, the key financial indicators have decreased significantly owing to a decrease in assets and an increase in liabilities but remain at a robust level. 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 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Current ratio ^a (current assets: current liabilities)	5.1	8.3	8.0	9.0	7.9
Total assets: total liabilities ^b	2.7	3.6	2.6	2.6	2.7
Cash ratio ^c (cash + investments: current liabilities)	2.4	4.4	4.2	4.3	3.7
Quick ratio ^d (cash + investments + short-term accounts receivable: current liabilities)	3.9	6.8	6.7	7.6	6.7

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.

16. In 2023, total revenue decreased by \$1,360.1 million. Voluntary contributions represented 96 per cent of the total revenue of UNHCR (2022: 98 per cent). Voluntary contributions decreased by 24 per cent, to \$4,534.6 million (2022: \$5,931.4 million). The main reason for the decrease in voluntary contributions is the fall in donations linked to the Ukraine crisis (-\$909.3 million) as well as the decline in donations linked to the Middle East and North Africa (-\$144.8 million).

17. Expenses (excluding foreign exchange gains/losses) decreased by 1 per cent, or \$41.0 million, and amounted to \$5,297.4 million (2022: \$5,483.5 million). The result from foreign exchange improved by \$145.0 million owing to foreign exchange gains of \$22.3 million (2022: foreign exchange losses of \$122.7 million), resulting in a deficit of -\$590.1 million, compared with a surplus of \$584.0 million in 2022.

18. Main expense decreases pertained to cash assistance to beneficiaries (-\$156.5 million) and supplies and consumables for beneficiaries (-\$105.3 million). Salaries and employee benefits increased by \$87.7 million and amounted to \$1,498.9 million. The main decreases in cash assistance to beneficiaries were in Poland (\$99.7 million), Afghanistan (\$50.7 million), Iraq (\$28.0 million) and Lebanon (\$26.6 million). The overall decrease was offset in part by increases in the Republic of Moldova (\$24.7 million) and Pakistan (\$21.9 million). The decrease in supplies and consumables by \$105 million in 2023 was driven by decreases of \$94 million in medical and hygiene supplies and \$26 million in bedding materials. The increase in salaries and employee benefits reflects scheduled salary increases, increases in temporary assistance costs and higher costs for unconsumed annual leave balances, offset in part by lower costs for after-service health insurance.

19. As in previous years, approximately 71 per cent of the voluntary contributions derived from a limited number of top donors (10). One of those top donors accounted for 42 per cent of all contribution revenue as at 31 December 2023.

20. Nearly 90 per cent of contributions to UNHCR are earmarked (see table II.3). In 2023, the proportion of earmarked and tightly earmarked contributions was 71 per cent, while the proportion of unearmarked and softly earmarked contributions was 29 per cent. Earmarked contributions place constraints on management's ability to use resources flexibly and to meet demand across all areas of activity. Governments remained the largest donors of UNHCR (\$3,374.1 million). In 2023, private donor contributions amounted to \$745.0 million (\$1,240.4 million in 2022).

Table II.3

Monetary contributions by type of earmarking in 2023 and 2022

(Millions of United States dollars)

<i>Type of earmarking</i>	<i>2023</i>	<i>2022</i>	<i>2023 (percentage)</i>	<i>2022 (percentage)</i>
Earmarked	2 264.6	2 428.1	51.2	42.0
Tightly earmarked ^a	878.9	949.6	19.9	16.5
Softly earmarked ^b	694.3	1 619.5	15.7	28.1
Unearmarked	588.4	777.3	13.3	13.5
Total monetary contributions	4 426.2	5 774.5	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. Finance

(a) Processing of financial reports from implementing partners

21. Information and technology limitations stemming from the business transformation programme caused significant delays in the receipting and processing of implementing partners' financial reports in 2023. The total volume of implementing partner activities for 2023 was \$1,392.5 million. In order to obtain reasonable assurance on the year-end estimate of unreported partner expenses, the Board agreed to extend its audit period. For 2024 transactions, the Board expects implementing partners to comply with the mandatory deadlines set in the UNHCR administrative instruction on partnership management and UNHCR to process the reports in a timelier manner.

22. In accordance with its financial rule 509.2, UNHCR may implement its programmes directly or through implementing partners. A funded partner is an entity to which UNHCR has entrusted the implementation of projects specified in a signed and standard partnership document or grant agreement along with the assumption of full responsibility and accountability for the effective use of resources and the delivery of outputs as specified in such a document. Funded partners may be governmental, intergovernmental or non-governmental entities, United Nations organizations or other non-profit organizations, and the funds are made available for one financial year.

23. In order to implement their projects, funded partners receive an advance in accordance with UNHCR risk assessment and as agreed in their partnership agreements and workplans. Such advance instalments are accounted for by UNHCR as prepayments within "other current assets" and are offset against "partnership expenses" at the time

they are reported by partners and the reports are verified by UNHCR. Implementation by partners and their related expenses are monitored and reported through standard project financial reports submitted by partners as agreed in the project workplans. A minimum of three such reports must be provided annually: mid-year, interim and year-end. Although each operation is responsible for setting specific deadlines for each reporting component, the following deadlines must be met in accordance with the administrative instruction: interim project financial report by 10 December and end-of-project financial report by 15 February. The reports must be verified² and processed into the system by the end of the same month. Unless a derogation is granted by UNHCR to allow the partner to continue and finalize implementation in the following period, any unused prepayment balance from a partner whose end-of-project financial report has been submitted and validated should be refunded to UNHCR, and therefore the remaining portion of the prepayment is converted into a receivable. At year end, an estimate of unreported partner expenses is accrued to reflect the actual cost incurred in the financial statements.

24. The business transformation programme was introduced in 2020 as part of the UNHCR reform agenda launched by the High Commissioner. The programme, which was officially closed as at 31 December 2023, comprised six projects: programme and results-based management (COMPASS); human resources (Workday); finance, procurement and supply (Cloud ERP); partnerships (Project Reporting, Oversight and Monitoring Solution (PROMS)); external engagement (Synergy); and process integration, data exchange management and a common data platform for reporting (LINK). Implementing partner transactions were affected by this change, with the launch of the Cloud ERP system and PROMS in September 2023 and January 2024, respectively. The 2024 transactions will be managed in PROMS; meanwhile, UNHCR used a temporary semi-automated solution (“executable”) provided by the software provider to format and process 2023 project financial reports after the migration of January to August 2023 prepayments and partnership expenses from the Managing Systems, Resources and People system (MSRP).

25. By April 2024, UNHCR had received and processed an abnormally low number of project financial reports (in number and amount) on a total number of 1,799 partnership agreements amounting to a total of \$1,325.6 million in 2023, as evidenced by the \$0.8 billion prepayment balance communicated in the first version of the financial statements, which was reduced to \$328.6 million in the final version of the financial statements following an offline review of the reports. Such a delay in the submission and processing of project financial reports is not compliant with the UNHCR administrative instruction regarding partnership agreement deadlines and had a significant impact on the 2023 financial statements (larger than the typical amount of \$291.1 million in implementing partner expenses not yet reported or processed).

Table II.4
Status of interim and final project financial reports

<i>Interim reports</i>	<i>October</i>	<i>November</i>	<i>December</i>	<i>January</i>	<i>Total</i>
Submitted	161	1 113	736	60	2 070
Completed	45	725	965	282	2 017
<i>Final reports</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>Total</i>	
Submitted	239	694	389	1 322	
Completed	0	0	0	0	

Source: Board of Auditors.

² PMC02 and PMC03.

26. UNHCR justifies the delays in submission and processing by a series of information and technology limitations arising from the implementation of the Cloud ERP system and PROMS. Following the two-month freeze (August and September 2023) in the processing of project financial reports in MSRP, which allowed the data migration and go-live of Cloud ERP, UNHCR was able to process reports again in October after setting up a central stabilization team under the Division of Financial and Administrative Management to support the processing. However, the temporary Cloud ERP solution for the accounting for the 2023 reports was not provided in time and required several enhancements to become operational, both in terms of the template used and the semi-automation of the process, which remained highly manual compared with the volume of reports to be processed. UNHCR made the strategic decision to prioritize the year-end processing of 2023 prepayments to partners with its limited available human resources, to the detriment of the timeliness of the financial reporting of 2023 transactions by the partners. This resulted in a significant backlog of interim project financial reports compared with the historical processing timelines.

27. To overcome the challenges that UNHCR faced in the processing of the temporary operational template, the Division of Strategic Planning and Results, in coordination with the regional bureaux and operations, prepared a revised template in January 2024, which was rolled out in early February. This new version included some new features, such as the year-to-date expenditures and available/unused balances to guide operations and partners on pending operations reported in the final reports, as well as the signatures of the partner management and UNHCR operations managers who approved the reports.

28. Given that the majority of the 2023 project financial reports were not submitted or processed until after the deadline for submission of the financial statements, the other current assets initially showed an unrealistic balance of unconsumed prepayments. In order to obtain reasonable assurance on the 2023 consumption rate of prepayments to partners, the Board agreed to extend the control period and enabled UNHCR to refine the accrual calculation on the basis of additional processing of project financial reports and an offline analysis of final reports that were submitted but not processed. The significant delays in the processing of 2023 project financial reports are considered to be specific to the transition period, and it is expected that reporting and processing of 2024 partners' expenditures within PROMS will allow comparable compliance with the administrative instruction, as was the case with MSRP, especially with regard to the mandatory deadlines for partnership agreements.

29. **The Board recommends that UNHCR achieve a level of processing of financial reports from implementing partners that is at least as high as in the previous enterprise resource planning system at a comparable time within the annual reporting cycle.**

30. The Administration accepted the recommendation.

(b) Overview of uninvoiced receipts at year-end

31. UNHCR is unable to generate a comprehensive report from the Cloud ERP system to detail uninvoiced receipts at year-end. This analytical weakness increases the risk of unidentified misstatement in year-end accrued liabilities.

32. In accordance with IPSAS and its year-end financial closure instructions, UNHCR accrues unreceived invoices for goods or services provided during the reporting period within its current liabilities. These amounted to \$137.3 million in 2023. This year-end accrual exercise is carried out by each operation, and the Division of Financial and Administrative Management is responsible for verifying the accuracy and consistency of the accrued liabilities at the headquarters level.

33. As part of its internal control assessment and validation of year-end accounts payable accrual reported in the 2023 financial statements, the Board noted that the Division of Financial and Administrative Management was not able to review an aggregated report showing all accounts payable accruals recorded in the system at year-end, although that information is available by operation (business unit). This analytical weakness is due to the implementation of the new Cloud ERP system, which is still in the stabilization phase and does not yet provide such an aggregated report.

34. The Board and the Division considered that it should be possible, albeit cumbersome, to reconstitute the total open items from the business unit level and preferred to obtain reasonable assurance regarding the year-end accrual by performing a risk-based review of uninvoiced receipts in 2023.

35. The Board is of the view that this current technical limitation may result in an increased risk of material misstatements that are not detected by the global accounts payable team controls.

36. The Board recommends that UNHCR, for the next financial year, implement an automated report within the Cloud ERP system that enables it to control, at the entity level, all uninvoiced receipts that are accrued at the end of the reporting period.

37. The Administration accepted the recommendation.

(c) Automation in the Cloud ERP system

38. As part of its ambitious transformation plan launched in 2020, UNHCR implemented a new Cloud ERP system to enable integrations and automations. However, as of April 2024, these were not yet fully finalized. The ongoing stabilization phase led to a higher proportion of estimates and manual adjustments in the 2023 financial statements compared with the previous year. Nevertheless, the Board considers that the new system will ultimately enhance the reliability of the financial reporting by reducing the need for manual transactions.

39. A key objective of the business transformation programme, and especially the Cloud ERP system as the cornerstone of IPSAS financial reporting, is to enhance integration and automation, with the aim of both increasing efficiency in the day-to-day processing and further securing transactions that will eventually be reported in the financial statements.

40. The Cloud ERP system went live only four months (September 2023) before the financial closure, and a number of functions were not yet fully implemented by year-end and during the period in which the closure activities were performed. As a result, the Division of Financial and Administrative Management and operations had to manually process and estimate a higher proportion of UNHCR financial statement aggregated transactions and balances than in the previous financial period. While taking into account the challenges of implementing a new system, the Board identified processes where automation was relevant for financial reporting purposes and reviewed the status of functionalities.

41. In April 2024, out of the 20 key automated processes identified by UNHCR, 6 still needed adjustments or stabilization. The processes identified as already implemented were:

(a) Accounts payable with the integration from source systems of 70 per cent of 2023 transactions as well as certification and approval workflows, including automatic holds and releases when discrepancies are detected;

(b) Digitalized cash replenishment requests for cash management from local offices;

(c) Centralized approval for commercial suppliers and auto-creation and update of workforce master data for suppliers;

(d) Self-service staff advances and reimbursement platform;

(e) Tax engine for value added tax (VAT) management.

42. Stabilization and refinement of the system were still ongoing, requiring manual adjustments and additional monitoring for:

(a) Automated creation and application of receipts for accounts receivable through the new e-banking solution;

(b) Cash management auto-reconciliation and digital bank connections in order to increase the number of transactions processed within Digital Hub of Treasury Solutions;

(c) The self-service travel solution, including the management of the approval workflow and the fund-checking mechanism;

(d) Streamlining the chart of accounts and the automation of the subledger workflow, with some enhancements still required to achieve full operational effectiveness;

(e) Partners' transactions with PROMS in 2024 and the decommissioning of the temporary executable (semi-automated) solution used for processing the 2023 project financial reports.

43. The implementation of six key processes was identified as still ongoing (five) or planned (one) at the time of the audit. These were:

(a) The financial reporting platform to support the preparation of the financial statements;

(b) A transaction account builder for accounts payable, which is expected to automate the derivation of accounting distribution on the basis of information regarding the project, task, expenditure type and expenditure organization;³

(c) An advanced system control that enables automated review of system access rights and complex business processes, which should highlight risk areas and automatically flag relevant transactions for review;

(d) The self-service personal bank account management tool for suppliers;

(e) The full automation of integrated payment and scheduled deduction from payroll of staff account payables and receivables other than salary, which are currently recorded in the subledgers and are consolidated and visible to users in one place instead of being recorded only in multiple general ledger accounts, as was the case previously;

(f) The automation of repetitive processes through robotic enhancements and artificial intelligence, which UNHCR plans to roll out in the coming years.

44. The Board also identified that:

(a) For voluntary contributions (\$4.5 billion), the new module was not used for the financial year 2023, given that it was designed for IPSAS 47: Revenue, which

³ All transactions in Cloud ERP must be recorded with information on the project, task, expenditure type and expenditure organization, information that replaced the MSRP chart field combinations.

is expected to be adopted in 2024. Therefore, manual adjustments had to be made for the 2023 financial reporting under IPSAS 23;

(b) The funding allocation engine, which should automatically match actual expenditures with contributions depending on their earmarking, was not implemented and fund allocation was processed manually in 2023;

(c) Freight cost calculation and capitalization for inventories were also manually processed and should be automated for 2024 financial reporting.

45. Concerning the internal control mechanism, four processes related to the Division of Financial and Administrative Management were assessed by the Administration as having a moderate level of internal control compliance. Overall, the results of the internal control self-assessment questionnaire show room for improvement in financial tracking and reporting. The Board considers that the new Cloud ERP system offers opportunities for automation, which should increase the reliability of financial reporting by reducing manual transactions.

46. The Board recommends that UNHCR monitor the implementation of scheduled automations in the Cloud ERP system to ensure that they are fully in place and reliable for the next reporting period.

47. The Administration accepted the recommendation.

(d) Weaknesses in users' rights and access management for the Cloud ERP system

48. User access management in the Cloud ERP system shows weaknesses owing to insufficient preparation prior to the go-live, which resulted in numerous incidents post-go-live. More than six months after the go-live, and despite several reviews at the local and central levels, insufficient assurance regarding segregation of duties remains. Automated checks to detect conflicts in roles and inappropriate transactions are not yet in place.

49. The new financial and accounting system, Cloud ERP, one of the key systems within the business transformation programme, went live on 18 September 2023. It replaced the previous system, MSRP, for all the financial operations and for general accounting management, procurement and supply chain management.

50. User access management is one of the most important internal control processes. The "roles" (user profiles) assigned to the UNHCR users must comply with the appropriate segregation of duties regarding the organizational structure of UNHCR in order to guarantee the reliability of the financial data and prevent internal fraud.

51. To support that process in the Cloud ERP system, UNHCR developed a new framework for delegation of authority and role provisioning and issued an implementation note in mid-September 2023 just before the go-live. The note was reviewed after the go-live in mid-November 2023 to reflect lessons learned.

52. The Board reviewed users' access management within the new Cloud ERP system during project implementation, after the go-live and again in January and April 2024.

Creation of custom roles and upload of roles before go-live

53. The initial project planned to use standard roles from the software provider. After testing them extensively, it was decided that custom roles needed to be designed, but they could not be tested thoroughly in time for the go-live. The Board's analysis of all roles used in the Cloud ERP system in January 2024 showed that the majority (64 per cent) were not the standard software vendor roles and were therefore customized by UNHCR (115 different custom roles compared with 63 different

standard software vendor roles used). To set up the initial users' access rights in the Cloud ERP system, the project team provided a proposal for system roles on the basis of the previous system roles in MSRP, even though the user access management philosophy of the two systems (the legacy and the new system) is quite different. These were reviewed by the Division of Financial and Administrative Management and implemented shortly before the go-live.

54. The Division issued its first note providing guidance on the implementation of roles in the Cloud ERP system on 17 September 2023, just before the system went live. The guidance contained instructions for offices on how to organize and request their access roles. The period after the go-live was considered as a transition period that would allow all operations to learn the system, check the assigned roles in accordance with the instructions and identify any issues related to access roles that might not have been explained in the implementation note.

55. The users' access rights set up in the new system were inadequately prepared prior to the go-live: the custom roles were implemented late and were insufficiently tested and there was a delay in issuing the first guidelines on delegation of authority and role provisioning. As a result, numerous incidents related to user access rights occurred after the go-live.

Delegation of authority and role provisioning in the Cloud ERP system, change request forms, and reviews

56. On the basis of the post-go-live experience, the Division of Financial and Administrative Management issued an update to the implementation note on 8 November 2023, in which it provided additional details on the assignment of roles and established a more standardized way to request changes in role assignments using the delegation of authority and role provisioning change request form (see para. 54 above). However, there is no segregation of duties matrix in the document (the complexity of the new system does not allow for the production of such a document in a readable format), but only recommendations on the importance of avoiding giving creation rights and approval rights to a single user. The principles of the segregation of duties are highlighted in the delegation of authority and role provisioning change request form; for each role, there is a comment on the segregation of duties that needs to be implemented. The forms must be filled in locally and are managed centrally by a dedicated Division of Information Systems and Telecommunications team through the centralized service portal.

57. Focal points for the Cloud ERP system roles (319 persons as of April 2024) have been designated at the appropriate level to manage the roles. The focal points are also responsible for conducting periodic reviews on the basis of specific delegation of authority and role provisioning reports. In the fourth quarter of 2023, all the country operations had to perform role assignment reviews, and the results were verified by the Division of Financial and Administrative Management and transmitted to the Division of Information Systems and Telecommunications team for correction. However, the whole process was completely manual. The quality of the review depends on the expertise of the Cloud ERP role focal point and on the expertise of the Division in detecting conflicts between roles. However, it is also based on the correct description of the roles defined in the system. Indeed, a role set-up makes it possible to assign different privileges. This situation makes it difficult to detect conflicts between roles because any conflict must be detected at the privilege level, not just at the role level.

58. It is also difficult to detect centrally inappropriate role assignments. For instance, the Board noticed that seven users had the role "Access Request Security Administrator": three of them were from the Division of Information Systems and

Telecommunications, which is normal, but four of them were from the Costa Rica business unit. The error was not detected during the local reviews, but was corrected only later.

59. The Board considers that without automatic tools that can detect such potential conflicts between roles, it is difficult to be certain of the correct assignment to each role.

Current users' access management

60. In April 2024, there were more than 208,000 roles assigned to users in the Cloud ERP system (an average of 10 roles per user). Considering the security context values (parameters that configure which data one is allowed to access, for instance, business unit, control budget, asset book, etc.), there are more than 1.8 million combinations of user roles and data contexts to manage in the system.

61. The large number of roles (six roles are automatically assigned to all employees) and security context values makes maintenance difficult for the reduced Division of Information Systems and Telecommunications team in charge of the user access set-up in the system. That was especially problematic during the post-go-live period, when many user access incidents had to be managed, but it was also very sensitive in January 2024 (and will probably be the same in July 2024), as that was the period of major moves for UNHCR employees.

62. In April 2024, the Division of Information Systems and Telecommunications reviewed the process with a view to reducing the number of actions required to assign roles to some users by using the concept of "typical functions", which embeds a combination of several roles (for instance, 14 roles are assigned for the typical function "purchase order preparer"). The reviewed process makes it possible to auto-provision the roles to users when they move.

Advanced access control, advanced financial controls and advanced audit controls

63. The Cloud ERP system allows for the implementation of different types of controls:

(a) Advanced access controls to identify users with sensitive-access and segregation-of-duties conflicts. Each UNHCR user has been assigned a combination of roles whose authorizations create the potential for fraud or significant error;

(b) Advanced financial controls to detect fraud, error and other risks in transactions that have already been completed;

(c) Advanced audit controls to detect atypical changes in the systems, such as multiple bank account changes or operations during the weekend.

64. The development and deployment of automated controls started very late, at the beginning of 2024, priority having been given to the stabilization of the system post-go-live. In April 2024, two controls were under implementation (not yet "active") to detect users who could create invoices and approve payable invoices (control 5800) and users who could create payments and approve payable invoices (control 5810). The results (several thousand users) were analysed to decide whether those controls needed to be implemented as active controls, as there was a risk of detecting "false positives". In addition, two advanced financial controls were tested to detect duplicate invoices. The results were also analysed by the Division of Financial and Administrative Management. Decisions had to be made on how to proceed if such an error occurred. There are 11 standard advanced audit controls in the Cloud ERP system, but they are not yet in use.

65. Notwithstanding the recommendation of the Board in April 2023, controls to detect incompatible role combinations or inappropriate transactions in the system have not yet been implemented. In that context, it is difficult for UNHCR to mitigate the risk of fraud or errors owing to inappropriate role combinations. In addition, there is another project to detect inappropriate combinations of user rights between different systems (Cloud ERP, COMPASS, Synergy, PROMS, etc.), but it has just been initiated.

66. **The Board recommends that UNHCR strengthen users' rights and access management for the Cloud ERP system by (a) performing a review of all users with privileged roles; (b) activating automated advanced access controls to detect inappropriate role combinations; (c) implementing advanced financial controls and developing procedures to clear inappropriate transactions; and (d) using advanced audit controls to track atypical use of the enterprise resource planning system.**

67. UNHCR accepted the recommendation.

(e) Incident management for the Cloud ERP system

68. The Board reviewed the information and technology incident management since the Cloud ERP system went live and observed a particularly high number of incidents, especially related to travel processes (persisting into April 2024) and user access management (notably in October 2023), with finance processes being less affected. In addition, the service-level agreement for system maintenance, which was supposed to be implemented in early April 2024, was not enforced.

69. The present audit is based on the Control Objectives for Information and Related Technology (COBIT) repository, which identifies best practice in terms of governance and information technology audit.

70. The Board reviewed Cloud ERP incident management during the period from 18 September 2023 to 31 March 2024.

Incident management organization and process

71. During its audit, the Board noted that the incident management process was well identified and divided into three levels of response (level 1, 2 or 3), with roles and responsibilities defined for each actor in the processing chain.

72. Level 1 and level 2 incidents are functional incidents and are managed by the "business" team (travel team, supply chain team, finance team, etc.). If the incident requires a technical solution, the ticket is escalated to level 3 and resolved either by the external team in charge of system maintenance or by the software provider team if a technical evolution of the system is necessary.

73. Access management incidents are handled separately by an internal team from the Division of Information Systems and Telecommunications. However, in April 2024, the Board noted that no service-level agreement with the external team for system maintenance was in place, even during the "stabilization phase", which lasted six months after the launch of the system.

Incident categorization

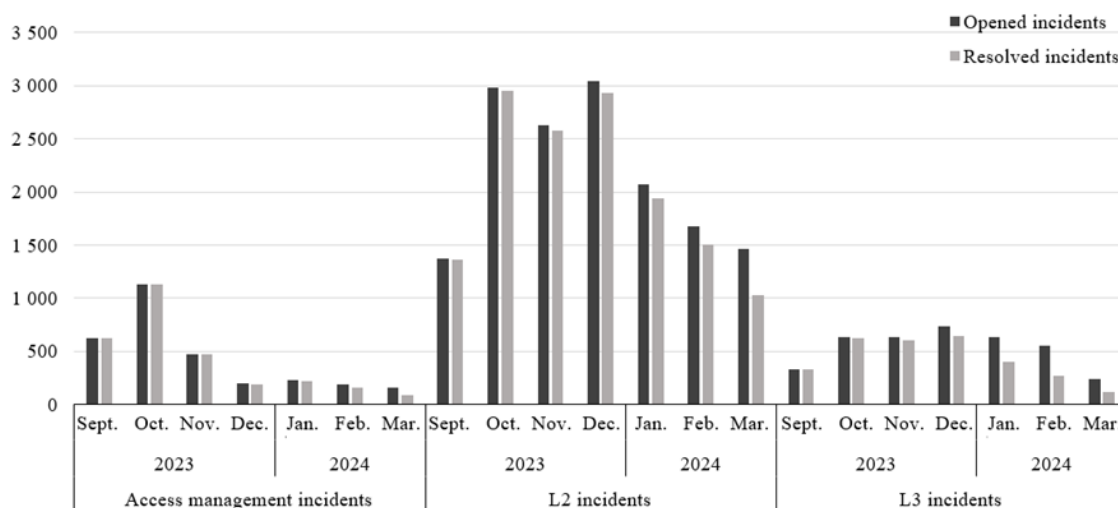
74. Each incident is categorized according to its impact (high, medium or low) and urgency (high, medium, low). The combination of the two criteria defines the priority of the incident (1: critical, 2: high, 3: medium, 4: low and 5: very low). In the classification used by UNHCR, the critical priority should be used when the system has stopped and an urgent solution is needed to get it back up and running. However,

during the stabilization phase, “critical” was inappropriately used to highlight which incidents needed to be resolved as a priority.

75. In addition, the Board noted that the Middle East and North Africa warehouse (regional inventories) in Gaziantep, Türkiye, had been affected by an information technology issue since September 2023. It seems that the incident was caused by an incorrect cost centre mapping of the warehouse. As a result, transactions were rejected by the Cloud ERP system, and the local staff had to pull out each item manually in response to the crisis in Libya and wait for a solution (i.e. the creation of a new cost centre). As of January 2024, the warehouse had not functioned properly since the enterprise resource planning system went live and the delegation of authority and role provisioning form (required to give the appropriate rights to access the warehouse functions in Gaziantep) had yet to be completed. This incident was initially considered as low priority, even though it was critical to the Middle East and North Africa, and in April 2024, the local delegation of authority and role provisioning form still had not been properly completed.

76. The Board is of the view that it is difficult to manage incidents in this context if the correct categorization is not applied. As a result, some incidents that require urgent action may be resolved late and those that are not a priority may be resolved first. However, UNHCR highlighted that appropriate classification would be used once the volume of incidents returned to normal.

Figure II.I
Number of incidents over time



Source: Board of Auditors.

77. The Board analysed the population of incident tickets from 18 September 2023 to the end of March 2024 and observed that 3,763 level 3 incident tickets, 15,232 level 2 incident tickets and 2,998 access management incident tickets had been created during that period.

78. Most of the incidents are related to the travel process (21 per cent of total incidents), access management (16 per cent) and finance/accounts payable (13 per cent). This reflects the difficulties that UNHCR had and still has to deal with in respect of the travel process and user access management post-go-live (see below).

79. As at 31 March 2024, most of the incidents were closed; however, 778 level 3 incidents, 936 level 2 incidents and 118 access management incidents remained open.

At the end of March 2024, 15 “critical” and 192 “high” incidents remained open, most of which related to the travel process (91 per cent), followed by finance (3 per cent), supply chain (2 per cent) and user access management (1.5 per cent). The incidents related to the travel process represent a large majority and need to be addressed; the number of tickets created each month is decreasing but remains high.

80. The Board carried out the same analysis regarding user access management and observed a peak in incidents in October 2023. Since December 2023, the number of open tickets has stabilized. The Board also reviewed, with the Division of Information Systems and Telecommunications, a sample of six level 3 incidents and six user access management incidents that were still open at the end of March 2024. The Board analysed the Division’s response and noted that 5 out of 12 incidents were closed in April 2024, 3 incidents were still open because the user’s validation, which was required for closure, was missing, and 2 incidents had been reassigned from level 3 to level 2 (business side). This illustrates the importance of assigning each incident to the appropriate level. The two remaining incidents in the sample were still open and assigned to the correct level but had a low impact.

81. The Board considers that the incident management process is well implemented globally but that it needs to be continuously improved by regularly updating the status of the incidents. The stock of incidents nevertheless remains significant, and there are no short-term prospects of reducing it, in particular as regards travel process issues.

82. The Board recommends that UNHCR improve the management of incidents for the Cloud ERP system by: (a) enforcing maintenance clauses in the service-level agreement with the provider; (b) reducing the number of travel process incidents, starting with the most critical ones; and (c) using the regular incident classification to more appropriately assign the incidents.

83. The Administration accepted the recommendation and stressed that it was working with both the product vendor and the maintenance provider to review and prioritize incidents. UNHCR tried to resolve 43 prioritized key issues regarding travel in April and May 2024. Additional resources were also added to the team to analyse and address the backlog.

84. UNHCR has agreed with the provider to use the category and subcategory incident fields to further identify and analyse the root causes for resolution.

(f) Information and technology security management

85. The Board noted that the vendor now handled risks and business continuity plans related to information and technology security management, which appear to be appropriate. However, with regard to the overall internal security of UNHCR, based on the new information and technology security policy approved in February 2023, the Chief Information Security Officer identified some weaknesses, through self-assessment questionnaires, that need to be addressed.

86. The Board reviewed the cloud services security management of the new Cloud ERP system, especially as the corresponding risks and business continuity plans were now managed by the suppliers. They appeared to be secured appropriately. The Board also reviewed the global internal security of UNHCR on the basis of the new information and technology security policy.

87. With the achievement of the business transformation programme at the end of December 2023, the UNHCR information system is now fully supported by cloud services, which has resulted in new risks for UNHCR in terms of security and continuity for its applications. The service providers must provide enough assurance to UNHCR in terms of the security and continuity of its systems by transmitting documents on a regular basis, such as the system and organization controls report and

the recovery plan and related tests. The Board reviewed the risk mitigation measures applicable to the new information technology environment.

88. The new information and technology security policy details the commitment of UNHCR to information security and, in particular, the protection of the confidentiality, integrity and availability of all electronic and physical information assets created, used, handled or controlled by the organization. The Chief Information Security Officer has taken numerous actions to enhance the security of the UNHCR information system, such as the designation of information security focal points throughout all local and regional UNHCR entities.

Cloud ERP security (security operation centre) and business continuity (recovery tests)

89. The Board reviewed the 2023 security reports in respect of the Cloud ERP system and did not identify any exceptions or breaches since the system went live in September 2023. Therefore, the Board is of the view that the vendor's services are well secured and reliable.

90. With the migration to cloud services (Cloud ERP and Workday), UNHCR is now fully dependent on service suppliers, including for its business continuity and recovery plans, which were reviewed by the Board. Cloud ERP and Workday tests and results were completed and documented successfully with respect to the disaster recovery plan.

UNHCR's global security management

91. The Board reviewed the internal security of UNHCR, which is managed by a security operation centre that operates 24/7 and is supervised by the Chief Information Security Officer and his team. The security operation centre is managed by a service provider, which performs incident investigation, response and remediation. UNHCR uses tools for log collection and correlation, alert generation, incident detection, triage and investigations, including a special endpoint detection and response client on every desktop and physical and virtual server, which are also integrated end-to-end with cloud and on-premises tools. Every security incident is tracked in ServiceNow, the ticket management tool. The database is then used by the Chief Information Security Officer to feed an incident dashboard, which facilitates monitoring. In February 2023, following multiple recommendations from internal and external auditors in recent years and after a two-year preparation, a new policy on information and technology security was approved by UNHCR, in order to reinforce its internal information and communications technology (ICT) security.

92. The organization of the information security of UNHCR is described above. In particular, information security focal points, also called "cybersecurity focal points", had to be designated in each UNHCR entity to manage, communicate and coordinate information security matters. During the fourth quarter of 2023, the Chief Information Security Officer created a self-assessment questionnaire in order to evaluate whether country operations, regional bureaux and headquarters divisions (including the Division of Information Systems and Telecommunications) complied with UNHCR security standards and requirements. A total of 95 self-assessment questionnaires were issued to medium- and high-risk country operations, regional bureaux, functions and headquarters entities to evaluate their information technology security maturity.

93. A total of 94 out of 95 self-assessment questionnaires were completed by the end of January 2024, with 68 entities showing strong or satisfactory compliance, 15 showing moderate compliance and 11 showing low compliance. A detailed analysis of the results revealed several critical breaches (use of personal computers with unsecured registration installation of cracked software, no change of password on local printers, key applications with no segregation of duties, generic/administrative

accounts used to perform transactions, applications with no encryption of confidential data, contracts that were not reviewed by the Chief Information Security Officer's team before signature, etc.). Although the responses were variable and probably underestimated given that it was a self-assessment, the questionnaire provided a good overview of the current situation and showed the necessity of implementing an action plan to mitigate most of the risks identified.

94. The Chief Information Security Officer also requested that the information security focal points compile an application inventory list of all the custom and local applications used in operations in a specific Excel file, with a significant amount of information required. The due date was initially the end of March 2024, but was postponed to 15 April. However, the Board was not able to obtain the results of that inventory in time. In addition, the Board identified a weakness regarding phishing campaigns; although results improved in 2023 compared with 2022, the number of users caught by a phishing campaign remains too high.

95. The Board recommends that UNHCR strengthen the management of information technology security by: (a) continuing to implement, on a yearly basis, the self-assessment questionnaire initiative and adapting the staff security training accordingly; (b) developing specific training sessions for the information security focal points; and (c) pursuing anti-phishing campaigns and adapting training and communication on that threat accordingly.

96. The Administration accepted the recommendation. UNHCR considered that the second part had already been partially implemented and that the third part was a continuous process of periodic phishing exercises, which would continue.

(g) Implementation of IPSAS 41: Financial instruments

97. The new IPSAS 41: Financial instruments has resulted in an adjustment of \$42.9 million to the 2023 voluntary contribution receivables due to their discounting.

98. Previously, the impact of any discounting of non-current voluntary contribution receivables was disclosed only in the notes to the financial statements, and not on the face of the statement of financial position (statement I), because they were not considered as financial assets. Effective 1 January 2023, IPSAS 41, which was issued in August 2018, made it clear that, unless considered as conditional under IPSAS 23: Revenue from non-exchange transactions, the voluntary contributions must be accounted for as financial assets.

99. The impact of the new standard on the UNHCR financial statements is a discount of \$46.8 million of the opening balance as at 1 January 2023 and of \$42.9 million at 2023 year-end.

100. The Board has reviewed the calculation provided by UNHCR, the adjustments carried out to statement I and the related note. In order to apply IPSAS 41, the discount method has been improved. As recommended by the Task Force on Accounting Standards in its guidance on IPSAS 41, the discount rate used is the special drawing rate developed by the International Monetary Fund.

101. The Board has reviewed the discounting of non-current voluntary contribution receivables and checked the related entries, including the restatement of the 2023 opening balance and the information provided in the notes to the financial statements.

4. Management of budget processes

102. The Board audited the management of the budget process at UNHCR. Its main observations and recommendations concern budget preparation, planning and appropriation (subsect. 4 (a)); resource mobilization (subsect. 4 (b)); budget

implementation (subsect. 4 (c)); and accountability on budget management and reporting on performance (subsect. 4 (d)).⁴

(a) Budget preparation, planning and appropriation

103. The programme budget approved by the Executive Committee is needs-driven (see paras. 104–110 below). It has several limits, resulting notably in the fact that it currently represents around twice the actual funding of UNHCR (see paras. 111–128 below).

(i) Programme budget approved by the Executive Committee is needs-driven

104. UNHCR is funded almost exclusively from voluntary contributions. The programme budget adopted annually by the UNHCR Executive Committee is based on an assessment of the needs, not on estimated revenue. By approving the programme budget each year, the Executive Committee indirectly sets the maximum funding level that the High Commissioner is authorized to raise and limits the number and type of positions that UNHCR is authorized to recruit. The preparation of the programme budget is therefore essentially a bottom-up exercise.

105. The programme budget (or “comprehensive budget” for the programmes to be implemented through impact areas as defined in financial rule 104.6 (r)) is approved annually by the Executive Committee.⁵ It is based on an assessment of the needs rather than on estimated revenue, i.e. it is needs-driven rather than resources-driven. It includes an operational reserve (rule 104.6 (r)). Improvements such as the new results-based framework and the COMPASS tool do not resolve the funding gap between needs and actual funding, and the complexity and diversity of approaches adopted by the various stakeholders make it challenging to assess needs in a relevant and accurate way.

106. The general rules applicable to the UNHCR budget are the Financial Regulations of the United Nations, notably articles II (budgets) and V (utilization of funds), complemented by the UNHCR financial rules, as amended in 2022.

107. At the initiative of UNHCR management, the Executive Committee endorsed a proposal in 2021 to request the General Assembly to authorize the High Commissioner to promulgate financial regulations addressing the specific needs of UNHCR. That project was grounded on the rationale that the Financial Regulations of the United Nations were designed to provide guidance for an organization funded by assessed contributions, whereas UNHCR was funded by voluntary contributions. However, the process of seeking approval for UNHCR to establish its own financial regulations was concluded without securing a decision from the Assembly, and UNHCR remains subject to the Financial Regulations of the United Nations. The Executive Committee, within the limits of its prerogatives, approved a revision of the financial rules in 2022 to better adapt them to the specific needs of UNHCR (see [A/76/12/Add.1](#) and [A/77/12/Add.1](#)).

108. It is stated in UNHCR financial rule 501.1 that the UNHCR programme budget approved by the Executive Committee shall constitute an authorization to the High Commissioner to incur commitments and make payments, for the intended purposes and up to the amounts so approved. By approving each year the programme budget

⁴ In addition to its own audit work at UNHCR headquarters and in the field, the Board was able to rely on audit reports published by the Office of Internal Oversight Services, whose independence and credibility constitute a precious asset for UNHCR.

⁵ The Executive Committee was established in 1958 by the Economic and Social Council at the request of the General Assembly (Assembly resolution 1166 (XII)). The Executive Committee functions as a subsidiary body of the General Assembly.

proposed by the High Commissioner, the Executive Committee indirectly sets the maximum funding level that the High Commissioner is authorized to raise. It also limits the maximum number and type of positions authorized to carry out the mission entrusted to UNHCR.

109. UNHCR also calls the programme budget for the year the “operations plan budget”, as it is based on plans prepared (or adjusted) by country operations, divisions and entities during the first half of the year and consolidated in May,⁶ first at the regional and then at the global level.

110. In practice, more than 99 per cent of UNHCR resources derive from voluntary contributions. In 2023, only \$44.6 million stemming from the United Nations regular budget funded 220 posts at headquarters.

(ii) *The programme budget has several limits, resulting notably in the fact that it currently represents around twice the actual funding of UNHCR*

111. The programme budget has several limits. In particular, the actual funding of UNHCR currently amounts to only about half the aspirational level set in the programme budget, which raises the question of the relevance of the needs assessment and of the approval granted.

112. However, the amount of the programme budget is much larger each year than the actual budgetary expenses. As shown in table II.5, the actual budgetary funding and staffing during the period from 2018 to 2023 represented only about half of the budget ceiling approved by the Executive Committee.

Table II.5
Approved and actual expenditure, 2018–2023

(Billions of United States dollars)

		2018	2019	2020	2021	2022	2023
Expenditure	Executive Committee-approved programme budget (a)	8.2	8.6	9.1	9.2	10.7	10.9
	Actual expenses (b)	4.2	4.4	4.8	4.9	5.6	5.1
	(b)/(a)	51%	51%	53%	53%	52%	47%

Source: UNHCR.

113. During the past decade, the number of forcibly displaced and stateless persons increased substantially faster than the programme budget, as shown in table II.6.

Table II.6
Number of forcibly displaced and stateless persons versus programme budget, 2013–2024

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Forcibly displaced and stateless people (millions)	42.9	54.9	63.9	67.4	71.4	74.8	86.5	91.9	94.7	112.6	126.3	130.8
Needs-driven programme budget (billions of United States dollars)	5.3	6.6	7.2	7.5	8.0	8.2	8.6	9.1	9.2	10.7	10.8	10.6
Dollars/person	124	120	114	111	111	110	100	99	98	95	85	81

Source: UNHCR.

⁶ The figures provided to the Executive Committee on the implementation of the current budget are dated 1 May.

114. United Nations financial regulation 5.1 differs slightly from UNHCR financial rule 501.1, as it provides that the appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur commitments and make payments for the purposes for which the appropriations were voted and up to the amounts so voted. According to that rule, once voted by the General Assembly, the appropriations become assessed contributions to be paid by the Member States.

115. In the absence of assessed contributions voted by the Member States, the definition of an appropriation in accordance with UNHCR financial rule 104.6 (b) is “the total amount approved by the Executive Committee in the current UNHCR programme budget against which commitments may be entered into and expenses incurred for those purposes up to the amounts so approved”. Financial rule 501.1, although not referring explicitly to appropriations, uses similar wording: “The UNHCR programme budget approved by the Executive Committee shall constitute an authorization to the High Commissioner to incur commitments and make payments, for the intended purposes and up to the amounts so approved, subject to rule 501.3 below”.

116. The UNHCR financial rules therefore differ from United Nations financial regulation 5.1 in that they do not provide for a vote on both the appropriation itself (i.e. the existence of a commitment to fund the budget) and the corresponding authorization to spend, which is the budget itself. In UNHCR rule 104.6 (b), the authorization to spend and the appropriation providing the funding are synonymous, and the “approved” appropriations are clearly not based on a commitment to fund the budget.⁷

117. In addition, while in paragraph 8 of IPSAS 24, it is stated that an approved budget reflects “anticipated revenues” and “expenses” and in United Nations financial regulation 2.2, it is stated that a proposed programme budget shall cover “income and expenditure”, it is stated in UNHCR financial rule 202.1 that the proposed programme budget shall cover only “commitments and expenses”, without mentioning any income or revenue.

Strategic alignment

118. In accordance with UNHCR financial rule 203.1, the programme budget is presented along several dimensions: budget components, cost categories and the UNHCR global results framework. The latter is embedded in the COMPASS tool, an ambitious results-based planning, budgeting, monitoring and reporting system that has substantially modified the UNHCR planning cycle, framework, budget structure and budget processes. Changes introduced through COMPASS are part of the broader UNHCR transformation agenda, including the regionalization and decentralization policy, the business transformation programme, the risk management strategy for the period 2022–2025, the human resources strategy and the data management strategy. COMPASS has been rolled out progressively in the field, starting with the planning for the 2022 programme cycle. At the time of the Board’s audit, UNHCR operations were mainly implementing the 2023 budget and preparing the 2024 budget in COMPASS.

⁷ The absence of “genuine” appropriations (i.e., whose amount is based on the commitment of those who approve the budget to provide the corresponding funding) is due to the fact that contributions to UNHCR are voluntary. This creates difficulties in reporting on budget implementation in accordance with IPSAS 24, which was designed for “regular” budgets funded by assessed contributions. One notes that in paragraph 8 of IPSAS 24, it is stated that an approved budget is not a forward estimate, or a projection based on assumptions about future events. For budget implementation, voluntary contributions not yet pledged can only be estimated.

119. The cycle has been structured in three results-based phases: plan for results, get results and show results. The plan phase (strategic planning and budgeting) is anchored in three-to-five-year strategies on the basis of UNHCR strategic directions and the Global Compact on Refugees. Multi-year planning has been tested in pilot operations and has been fully applied from 2023, covering primarily the period 2023-2025. During the budget planning phase, country operations ensure that their strategy is aligned with the relevant planning frameworks, such as refugee response plans, humanitarian response plans, national development plans and the United Nations Sustainable Development Cooperation Framework. Operations submit their multi-year strategy, including the financial requirements for each year, to their regional bureaux. Once consolidated, the operations plans are approved by the High Commissioner to form the proposed programme budget.

Needs assessment

120. Although the financial rules do not specify the basis on which the financial requirements shall be established, the programme budget submitted by the High Commissioner to the Executive Committee is based on a needs assessment and is defined as “needs-driven”. The global needs assessment approach was introduced and presented to the Standing Committee in 2009 (see EC/60/SC/CRP.14) as part of the first results-based management policy of UNHCR.⁸ The procedure for the global needs assessment was deemed to map overall needs more comprehensively and to present the plans, activities and resources required to meet those needs. The needs-based budget was introduced when UNHCR was the main, and often the only, provider of support to forcibly displaced and stateless persons. The needs-based approach allowed Member States to have a full picture of the actions necessary to address the needs of forcibly displaced and stateless persons (formerly “persons of concern”).

121. The global needs assessment supports the programme budget submitted to the Executive Committee for review and approval.

122. The needs-based/global needs assessment procedure of 2009 has been affected by two important changes:

(a) In 2016, UNHCR signed the Grand Bargain, an agreement among humanitarian stakeholders promoted by the World Humanitarian Summit to improve the effectiveness and efficiency of humanitarian aid;

(b) In 2018, the General Assembly endorsed the Global Compact on Refugees, which calls for a collective and mutual responsibility and provides a framework for more predictable and equitable sharing of burdens and responsibilities.

123. The above changes implied that UNHCR had a consolidated view on the priority needs of forcibly displaced and stateless persons, including those covered by other stakeholders, which led to the present needs-driven approach.

124. Since 2009, UNHCR has developed internal guidance on the needs assessment.⁹ Priority needs are reflected in the UNHCR programme budget. The guidance defines

⁸ The initial results-based management approach includes a global results framework, the results-based management tool Focus, the global strategic priorities and the comprehensive needs assessment, as well as a budget structure based on population groups, formerly known as “pillars” (i.e., global refugee programme, global stateless persons programme, global reintegration projects and internally displaced persons projects).

⁹ The guidance is summarized in the needs-assessment handbook (2017) and the programme handbook (2023).

three types of needs: total needs, priority needs and the UNHCR needs-driven requirements:¹⁰

(a) Total needs include all needs of forcibly displaced persons in terms of rights and well-being, which are not expressed in budgetary terms;

(b) Priority needs may be covered by collaborative arrangements, generally designated as “responses”, between local governments, United Nations agencies, development partners and non-governmental organizations (NGOs). In principle, priority needs are the only ones that UNHCR has the capacity and mandate to address;

(c) For UNHCR needs-driven requirements, operations are instructed to consider several criteria at the planning stage, including their capacity to implement activities within the budget period, the presence and degree of involvement of other actors and the most cost-effective way of implementing activities. Operations plans take into account UNHCR engagement and responsibilities within the inter-agency and national response, when applicable.

125. As a result, the programme budget is prioritized insofar as it takes into account both the capacity of UNHCR to implement programmes and the needs already being addressed by other stakeholders. As of 2023, there were seven regional refugee response plans for situations in Burundi, the Democratic Republic of the Congo, Nigeria, South Sudan, the Syrian Arab Republic, Ukraine and the Bolivarian Republic of Venezuela and six refugee response plans established at the country level (Chad, the Democratic Republic of the Congo, Ethiopia, Rwanda, the United Republic of Tanzania and Uganda), in addition to the joint response plan for Bangladesh.

126. UNHCR guidance requires that budgetary requirements be defined using a bottom-up approach, and the UNHCR operations undertake comprehensive and participatory assessments of humanitarian and protection needs. Most of the tools used for needs assessment are complex and resource-consuming and cannot be used every year. Assessments are conducted on the basis of information needs and depend on operational context, information and the availability of resources. The tools used are adjusted to the context; however, there is room to improve them in order to better assess the needs. UNHCR recognizes the importance of data to support decision-making and has recorded it as a major strategic risk.

Supplementary budgets

127. In financial rule 208.1, it is stated that the High Commissioner may, in the case of new needs that cannot be met fully from the approved UNHCR programme budget, approve supplementary budgets for which funds are sought from special appeals to donors. For example, while the Executive Committee approved an annual programme budget for 2022 amounting to \$8.993 billion (see [A/AC.96/1213/Rev.1](#)), supplementary budgets amounting to \$1.721 billion were approved to address additional needs in unforeseen humanitarian and protection situations, notably in Ukraine and Afghanistan), which raised the total budget to \$10.714 billion, an increase of 19 per cent compared with the initial approved budget.

128. In compliance with the UNHCR financial rules, although supplementary budgets have the same legal force as approved programme budgets, they are not formally submitted for approval but only reported to each subsequent meeting of the Standing Committee, together with the relevant information on the nature of interventions, in order for the Member States to “take note of them” (financial rule 208.1).

¹⁰ A fourth concept, the UNHCR prioritized requirements, based on funds/total available resources is examined in subsection 4 (a) (ii).

(iii) Way forward

129. UNHCR could improve the current situation by strengthening its needs-driven budget methodology, in line with the Global Compact on Refugees, to better reflect its own role and the contribution of other organizations and stakeholders. The practical shortcomings of the current system could be addressed by revising the programme of work, taking into account the changing operational environment with the Global Compact on Refugees.

130. Needs assessment, revisited to better distinguish what needs can realistically be covered by UNHCR given the financial perspectives, would be a more reliable key element to inform the budgetary process.

131. The Board recommends that UNHCR: (a) define a strategy to bring its budgeting methodology in line with the Global Compact on Refugees, with a programme of work that better describes the organization's role and comparative advantage in relation to what is being done by other stakeholders, and in line with sustainable programming; and (b) consult and agree with Member States on the most suitable ways to expand and improve information on allocations, priorities, trade-offs and urgent gaps based on funds available against the approved programme of work, so that they have greater visibility regarding and understanding of UNHCR activities on the ground, including, but not limited to, the provision of improved information in the budget and funding updates provided three times a year.

132. The Board also recommends that UNHCR improve its needs assessment methodology in order to better inform the budget process.

133. UNHCR accepted both recommendations.

(b) Resource mobilization

134. UNHCR funding appears to be globally insufficient, increasingly inflexible and lacking in multi-year visibility (see subsect. 4 (b) (i)). Funding needs to be diversified to mitigate the current concentration risk (see subsect. 4 (b) (ii)).

(i) UNHCR funding appears to be globally insufficient, increasingly inflexible and lacking in multi-year visibility

135. The funds raised by UNHCR are far from the assessed needs. This “funding gap” against the needs varies from region to region. In addition, only one third of voluntary contributions are flexible and multi-year funding has not reached sufficient levels.

Structure of funding

136. In addition to the allocation from the regular budget of the United Nations, UNHCR receives voluntary contributions from three categories of donors: the public sector, which includes governments and intergovernmental institutions; private sector entities (companies, individual philanthropists, foundations) and national partners;¹¹ and the United Nations cash pooled funds.¹² From 2020 to 2023, the share of public-sector contributions decreased by 4 per cent and the share of private sector

¹¹ UNHCR national partners are non-governmental entities that carry out advocacy and fundraising at the national level. UNHCR presently has national partners in Argentina, Australia, Germany, Japan, Portugal, Spain, Sweden, Switzerland, the United States of America and the United Kingdom of Great Britain and Northern Ireland.

¹² In 2023, UNHCR received funding from 22 United Nations pooled funding mechanisms, including 12 multi-donor funding mechanisms managed on behalf of the Secretary-General, representing 4 per cent of the funding for 2023.

contributions increased by 35 per cent, reaching 15 per cent in 2023, owing in particular to an increase in national partners' contributions.¹³ The share of United Nations cash pooled funds also increased by 48 per cent (see table II.7).

Table II.7
Funds available by source, 2020–2023

(Millions of United States dollars)

<i>Donor type</i>	2020	2021	2022	2023	2023/2020 (percentage)
Government	3 526	3 574	4 120	3 636	3
Intergovernmental entity	532	337	260	265	-50
National partner	277	365	825	426	54
Private sector	261	261	421	299	14
United Nations pooled funds	141	100	183	209	48
United Nations regular budget	40	43	42	45	11
Total	4 776	4 680	5 851	4 880	2

Source: UNHCR.

Funds received against needs assessed

137. The difference between the financial requirements reflected in the needs-driven programme budget and the funds available is significant, with a funding gap of over 40 per cent. That gap even increased, reaching 53 per cent in 2023 (see table II.8 and figure II.II).¹⁴

Table II.8
Funding gap, 2018–2024

(Millions of United States dollars)

	2018	2019	2020	2021	2022	2023	2024
Needs-driven programme budget (a)	8 220	8 636	9 131	9 247	10 714	10 800*	10 622**
Funds available (b)	4 710	4 826	5 403	5 153	6 180	5 716	To be determined
Actual expenditure	4 226	4 415	4 837	4 917	5 607	5 166	To be determined
Funding gap (1-b/a) (percentage)	43	44	41	44	42	53	To be determined

Source: Document [A/AC.96/74/5](#).

* At 31 May 2023.

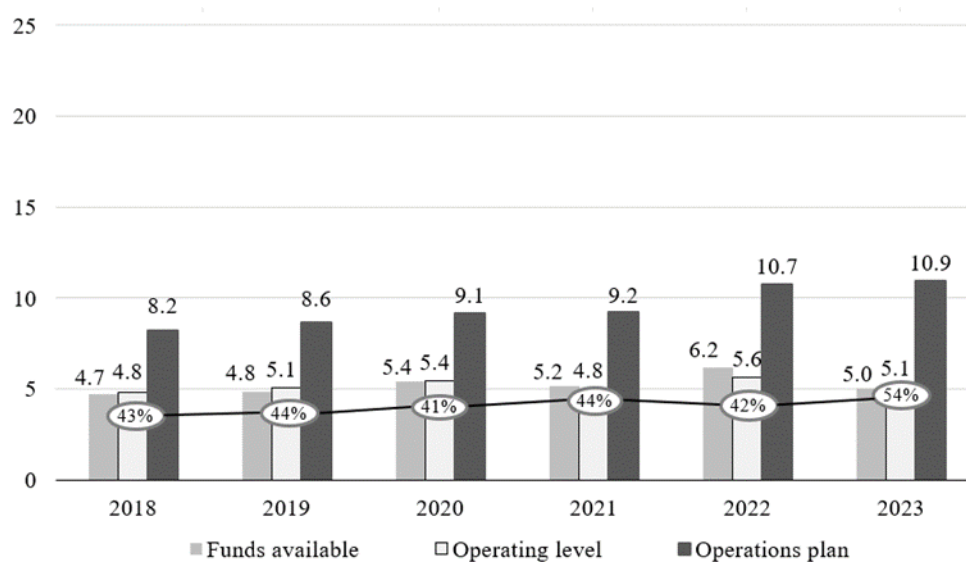
** Initial budget.

¹³ The three most important contributors (multi-donor mechanisms), accounting for 75 per cent of the total, were the Central Emergency Response Fund, country-based pooled funds and Education Cannot Wait.

¹⁴ The increase in the operations plan during 2022 is due mainly to additional budgets totalling \$1,710 million, including \$250 million for Ukraine, \$233 million for Afghanistan and \$59 million for Cameroon.

Figure II.II
Funding gap, 2018–2023

(Millions of United States dollars)



Source: UNHCR.

138. The availability of funding also varies from one region to the other. The funding gap in 2023 is more than 60 percent for certain African regions and less than 40 per cent for Europe (see table below).

Table II.9
Funding gap by region in 2023

(Thousands of United States dollars)

Region	Needs-driven programme budget: final	Operating level at year-end	Funding gap (percentage)
Southern Africa	471 707	181 093	62
East and Horn of Africa and the Great Lakes	2 160 691	811 134	62
Middle East and North Africa	2 441 639	994 836	59
The Americas	827 432	353 810	57
West and Central Africa	1 064 955	454 699	57
Asia and the Pacific	1 014 985	571 983	44
Europe	1 693 533	1 045 116	38
Total	9 674 942	4 412 670	62

Source: UNHCR.

139. In a context of limited funding compared with the needs of forcibly displaced persons, the prioritization of actions is crucial. Some operations are more underfunded than others, depending on funding availability. The criteria used for prioritization are well defined in the guidance and can be adapted to country specificities. Beyond the global report on underfunded operations, better documentation of the consequences of prioritization at the local level is needed.

140. UNHCR recognizes the strategic risk of “insufficient quality funding to meet the critical minimum needs of people forced to flee”. It has also defined a category of operational risks called “external engagement and resource mobilization”, which includes a risk called “donor relations and resource mobilization”.¹⁵ Efforts are in place to address risks related to funding and donor relations, in a context of declining humanitarian funding, which is becoming more critical.

141. UNHCR has defined key indicators to monitor the criticality of risks related to funding. The risk of insufficient flexibility is measured through the percentage of total funding received that is tightly earmarked. This indicator increased from 19 per cent in 2022 to 22 per cent in 2023, against a maximum target of 20 per cent. The risk of insufficient volume of funding was measured in 2022 through the indicator level of funding in 2022 compared with 2021 (excluding the Ukraine situation), which was 95 per cent, against a target of 100 per cent. In addition, the percentage of increase of the annual income from the previous year was well above target in 2022 owing to the Ukraine crisis (+26 per cent), but the trend was dramatically reversed in 2023 (-19 per cent).

Funding flexibility

142. UNHCR is concerned about both the quantity and the flexibility of funding. Indeed, according to its financial rules, the High Commissioner may accept either restricted contributions, i.e. “those subject to externally imposed stipulations which specify the purpose for which the contribution is to be used” (financial rule 312.2) or unrestricted contributions, i.e. “where the purpose is not restricted or otherwise designated by the donor” (financial rule 312.3).

143. UNHCR has observed a trend in respect of three points:

- (a) The global needs and the number of persons of concern are increasing;
- (b) The rate of increase in funding (except in 2022, which was a specific year owing to the Ukraine crisis) is much lower than the rate of increase in population;
- (c) The proportion of earmarked contributions is increasing.

144. UNHCR considers that flexible funding includes both unearmarked and softly earmarked contributions, namely, contributions that can be used across a region, subregion or situation. As described in greater detail below, flexible funding¹⁶ is temporarily allocated and reallocated several times during the year (before final reporting to donors) and is considered of critical importance by UNHCR. In 2022, UNHCR allocated a quarter of its flexible funding, i.e. \$462 million, to 12 underfunded operations, which covered a quarter of their annual expenditure. In Chad and South Sudan, the use of flexible funding was even higher, accounting for more than 30 per cent of the expenditure.¹⁷

145. Non-flexible funding includes earmarked contributions, which are dedicated to a specific country, without further restrictions, and tightly earmarked contributions,¹⁸ which are restricted to a specific project or sector within a country. Non-flexible funding limits the ability of UNHCR to align resource allocation with needs and priorities.

¹⁵ This refers to risks and opportunities in interactions between UNHCR and its donors at different levels. It includes activities such as fundraising, donor reporting and demonstrating the impact of the work of UNHCR, communications and working relationships with donors, and terms of donations such as earmarked contributions.

¹⁶ See <https://reporting.unhcr.org/dashboards/flexible-funding>.

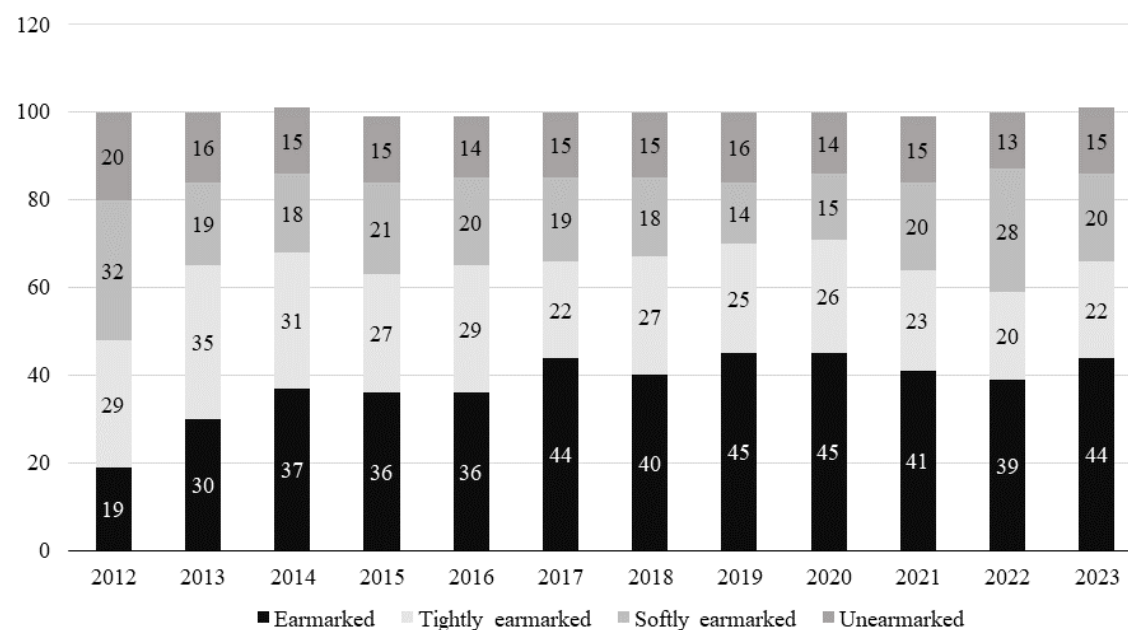
¹⁷ See UNHCR, “A threat to lives, dignity and hope: The implications of underfunding UNHCR’s activities in 2023”, June 2023.

¹⁸ Tight earmarking also includes contributions in kind and Junior Professional Officers.

146. In 2023, flexible funding was at an historically low level, with its share falling to 35 per cent compared with 52 per cent in 2012 (see figure II.III).

Figure II.III
Evolution of funding flexibility, 2012–2023

(Percentage)



Source: UNHCR.

147. Earmarked and tightly earmarked contributions have a higher share in some regions. While the Middle East and North Africa and East and the Horn of Africa and the Great Lakes received a high proportion of earmarked contributions in 2022 and 2023, Europe, Southern Africa and the Americas benefited from more flexible funding (see table II.10).

Table II.10
Funding flexibility by region, 2022–2023

(Millions of United States dollars)

Region	2022			2023		
	Operating level (a)	Earmarked funding (b)	b/a (percentage)	Operating level (a)	Earmarked funding (b)	b/a (percentage)
Middle East and North Africa	1 147	1 043	91	995	829	83
East and Horn of Africa and the Great Lakes	953	720	76	811	660	81
Europe	1 145	657	57	1 045	660	63
Asia and the Pacific	722	499	69	572	459	80
West and Central Africa	444	291	66	455	333	73
Americas	373	294	79	354	381	108
Southern Africa	216	134	62	181	144	80

Source: UNHCR.

148. Unearmarked contributions to UNHCR amounted to \$764 million in 2022 and \$718 million in 2023, 70 per cent of which was provided by 10 major “flexible donors” (see table II.11). A substantial part of the advocacy efforts of UNHCR at all levels is aimed at convincing donors to provide more flexible funding. UNHCR agrees in principle that tight earmarking entails an additional administrative burden and hence management costs owing to the complexity of follow-up and reporting. However, the specific additional cost of earmarking has not yet been measured, which could help to promote unearmarked and softly (i.e. regional) earmarked voluntary contributions.

Table II.11
Highest unearmarked contributions, 2022–2023

(Millions of United States dollars)

2022			2023		
Donor	Funding	As percentage of unearmarked funding	Donor	Funding	As percentage of unearmarked funding
1. Sweden	99.3	13	Sweden	85.2	12
2. España con ACNUR	77.4	10	España con ACNUR	79.0	11
3. Norway	72.5	9	Norway	63.1	9
4. Private donors – Japan	62.1	8	Japan for UNHCR	57.3	8
5. USA for UNHCR	40.5	5	France	42.6	6
6. United Kingdom of Great Britain and Northern Ireland	40.1	5	United Kingdom of Great Britain and Northern Ireland	41.0	6
7. Private donor – Republic of Korea	37.5	5	Private donor – Republic of Korea	36.7	5
8. Kingdom of the Netherlands	37.2	5	Kingdom of the Netherlands	36.3	5
9. Denmark	35.6	5	Denmark	35.6	5
10. Germany	23.9	3	Germany	23.3	3

Source: UNHCR.

Multi-year visibility

149. UNHCR also values and advocates for multi-year funding, which is understood to be pledged for more than 24 months. The total annual amount of multi-year funding increased from \$584 million in 2021 to \$618.4 million and \$746.2 million in 2022 and 2023, respectively. Although the 2022 tranche of multi-year funding was mostly earmarked or tightly earmarked (51 per cent), UNHCR values multi-year funding for its predictability and immediate availability at the beginning of the budget year.¹⁹ For example, at the beginning of 2023, UNHCR was able to immediately rely on funding of \$518 million on the basis of existing multi-year funding agreements, which represented 11 per cent of the total income for the year. The five major contributors of multi-year funding (Sweden, Denmark, Germany, the European Union and the Netherlands) accounted for 66 per cent of the total amount.

150. Despite the benefits of multi-year funding, multi-year financing agreements are not sufficiently promoted during the pledging conference.

¹⁹ However, multi-year funding is not necessarily flexible.

(ii) Funding needs to be diversified to mitigate the current concentration risk

151. The funding concentration risk is critical, as UNHCR remains dependent on a very limited number of public donors. Funding from private sources shows a positive trend but needs to be further developed. The progressive introduction of new financing models could also be explored.

Donor concentration risk

152. UNHCR is highly dependent on a limited number of major donors. Three donors (United States of America, Germany and the European Union) account for 50 per cent of the total contributions. To address the risks of concentration and low flexibility, UNHCR should better analyse and understand in depth the behaviour of donors. Contributions from the United States are mostly earmarked at the country level; Germany is increasingly moving towards softly earmarked contributions; and the European Union has provided 100 per cent tightly earmarked funding. UNHCR has repeatedly advocated for flexible funding. The risk of a decrease in the amount and flexibility of contributions from major donors is critical.

153. UNHCR has defined key actions to broaden the donor base through a diversification plan, with a special focus on development donors and the private sector. The funds raised from private sector partnerships have increased significantly.

Private funding

154. Private sector funding has increased significantly over the past decade, rising by 500 per cent between 2012 and 2023, and provides mostly unrestricted contributions.

155. “Contributions from the private sector” is the funding category with the highest growth rate in the medium term. The amount recorded in 2022 must be considered as an outlier year owing to the Ukraine crisis.

Table II.12

Evolution of private funding

(Millions of United States dollars)

<i>Budget year</i>	<i>2007</i>	<i>2012</i>	<i>2017</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Private funding	34	130	400	625	1 247	729

Source: UNHCR.

156. However, depending on the emergencies and crises, the engagement of major private donors may change over the years (see table II.13).

Table II.13
Major private sector contributions

(Millions of United States dollars)

<i>Donor</i>	<i>2022</i>		<i>Donor</i>	<i>2023</i>	
	<i>Funding</i>	<i>Percentage</i>		<i>Funding</i>	<i>Percentage</i>
Private donors – Japan	165.3	13	España con ACNUR	117.5	16
España con ACNUR	107.9	9	USA for UNHCR	82.9	11
USA For UNHCR	107.3	9	Japan for UNHCR	73.8	10
Private donors – United States	96.8	8	UNO-Flüchtlingshilfe	52.0	7
UNO-Flüchtlingshilfe	84.0	7	Private donors – Republic of Korea	47.7	7
Sweden for UNHCR	75.4	6	Sweden for UNHCR	43.9	6
Private donors – Italy	61.1	5	Private donors – Italy	36.0	5
Private donors – Kingdom of the Netherlands	54.7	4	Private donors – Kingdom of the Netherlands	26.6	4
Private donors – Bahamas	52.2	4	Private donors – United Arab Emirates	24.8	3
Private donors – Republic of Korea	49.0	4	UK For UNHCR	22.4	3
Private donors – France	36.3	3	Private donors – Canada	22.1	3
10 major private donors	890.0	71	10 major private donors	549.8	75
Total private contributions	1 247.7	100	Total private contributions	729.8	100

Source: UNHCR.

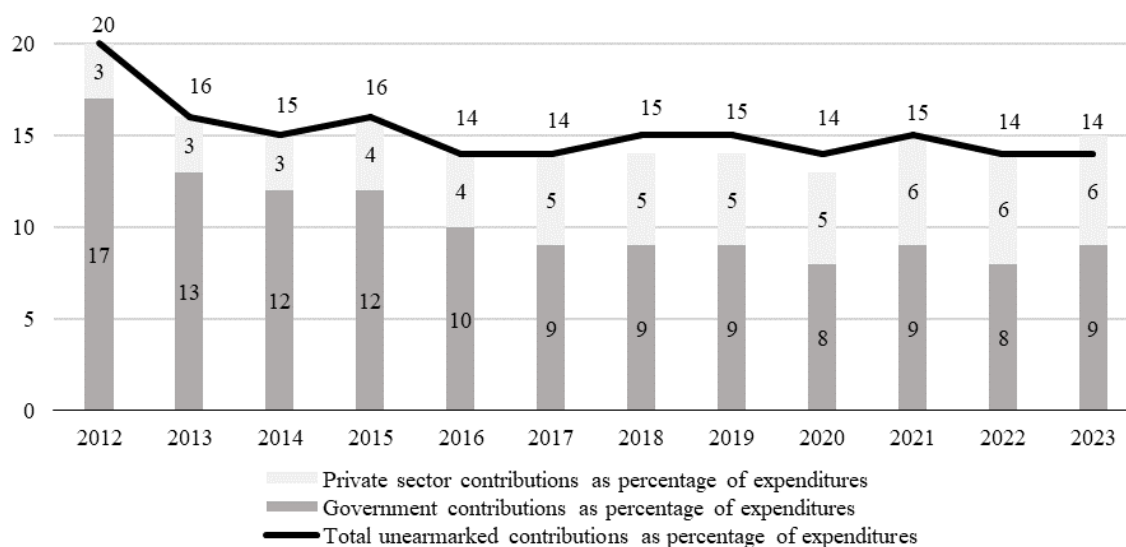
157. The private sector includes corporations and foundations, individual donors and philanthropists, as well as national partners,²⁰ who play an important role in raising resources for UNHCR. As independent organizations, the national partners can reach numerous donors through more than 1,000 staff members, who implement such outreach activities as face-to-face engagement, digital engagement and leadership giving. A dedicated unit of the Division of External Relations works at headquarters and through dedicated units in regional bureaux to mobilize resources from individuals, companies and foundations. In 2023, the share of private funding from national partners increased by 50 per cent.

158. On average, private sector contributions are mostly flexible, with a large, albeit variable, proportion of unearmarked (30 per cent to 40 per cent) or softly earmarked (30 per cent to 60 per cent) contributions. The proportion of unearmarked funding fell from 20 per cent to 15 per cent of total funding between 2022 and 2023; the share of public donors in unearmarked funding fell by almost 50 per cent, while the share of private donors doubled (see figure II.IV). However, the objectives pursued by UNHCR regarding this promising category of donors were not fully achieved, as the strategic indicator “Unearmarked funding raised through the private sector” did not reach the expected target in 2023 (\$278 million against \$300 million).

²⁰ There are presently 10 UNHCR national partners, in Argentina, Australia, Germany, Japan, Portugal, Spain, Sweden, Switzerland, the United States and the United Kingdom. They carry out advocacy and fundraising at the national level.

Figure II.IV
Unearmarked contributions

(Percentage)



Source: UNHCR.

159. Softly earmarked contributions are used within a region or a situation, while earmarked contributions are for a designated country or activity. Unearmarked individual donations (\$283 million in 2022)²¹ account for 20 to 30 per cent of total private contributions.

160. In 2018, the Division of External Relations developed the UNHCR strategic framework for the private sector and for partnerships with the private sector, 2018-2025. The framework sets out targets for resource mobilization and guidelines for partnerships with the private sector (modalities, due diligence, contracts, etc.). The strategy defines performance indicators on resource mobilization to be achieved by 2025. One objective is to mobilize \$1 billion in private funding. The target was reached in 2022, in the specific context of the Ukraine crisis, but private sector funding declined in 2023, in line with the broader global context of humanitarian funding.

161. The UNHCR strategy has been updated and translated into an action plan in order to diversify methods of partnership with the private sector, in particular by (a) developing easy-to-use digital tools for individual donations; (b) expanding longer-term partnerships and multi-year funding, so as to overcome the existing instability of private donor engagement; and (c) developing the participation of the private sector beyond traditional financial support.

Exploring options for new financing models

162. Recognizing the challenges regarding persistent funding gaps, donor concentration and limited flexibility of funding, UNHCR should explore other financing models and carefully assess their feasibility and pros and cons. This could include introducing a greater degree of projectized funding, moving to a more resource-based budgeting and fundraising structure and moving to a multi-year

²¹ In 2022, UNHCR raised \$283 million from Islamic funding, which is not reported as such to the Executive Committee.

resource mobilization process. It would also be necessary to consult with Member States on the possibilities and feasibility of such options.

163. Raising funding from assessed contributions could also be an option and would provide a high degree of predictability and flexibility. Currently, assessed contributions from the United Nations regular budget amount to less than \$50 million (\$44.6 million in 2023 and \$47.1 million in 2024), representing less than 1 per cent of the UNHCR budget. From a theoretical point of view, progressively resorting to assessed contributions could be justified by the fact that responding to the needs of forcibly displaced populations is in the general interest and contributes to a global public good and should therefore be a matter for international solidarity. However, under the current Financial Regulations and Rules of the United Nations, UNHCR, unlike other United Nations agencies, cannot do direct assessments from Member States. Hence, any increase in assessed contributions would need to be channelled through the United Nations regular budget, which is already under very tight constraints, and would be based on parameters beyond the organization's direct influence.

Building on the achievements of the resource mobilization strategy

164. Between 2020 and 2022, the budget of the Division of External Relations increased from \$200.7 million to \$240.5 million but then decreased to \$231 million in 2023. The Division has rationalized its costs by reducing the proportion of affiliated staff. In 2024, the staff budget of the Division has been reduced by around 7 per cent, from \$75.78 million to \$70.85 million). To improve efficiency, and given its current limited capacity, the Division should consider which of the various operations should be prioritized for resource mobilization. There are no indicators to measure the achievement of the objectives of the resource mobilization strategy at the local, regional or national levels.

165. The introduction of business transformation programme tools (in particular COMPASS, Synergy, Project and Portfolio Management and the Funding Allocation Engine in Cloud ERP) should, when fully operational, help to streamline the dialogue between UNHCR and donors, with information being available and shared as appropriate. In addition, the tools are expected to facilitate and automate internal and external reporting, in particular through (a) the results data portal, which generates a report for each strategy entered in COMPASS and can be used to produce annual results reports for the operations that contribute to the global report published annually by UNHCR; and (b) Synergy, which is expected to record the donors' reporting requirements as soon as a contribution is created in the tool, making it possible to monitor and anticipate reporting in real time.

166. UNHCR should better build on the impact of its resource mobilization strategy and related workplans on the basis of: (a) an assessment of its performance under the most recent resource mobilization strategy at the national, regional and local levels; (b) a prioritization of opportunities to be seized; and (c) indicators to measure the results of the resource mobilization activities (for example, effectiveness in mobilizing resources, not the number of initiatives taken).

(iii) Way forward

167. UNHCR needs to address the above-mentioned challenges in terms of volume, flexibility, predictability and concentration of funds.

168. The pledging conference could be a key moment to report on the impact of UNHCR operations, beyond the global report presented to the Executive Committee, and on the importance of increasing flexible and multi-year funding. The impact of the event should be reinforced.

169. Diversification of donors should also be promoted. Two complementary directions could be explored: (a) progressively developing private sector funding, which has increased in recent years, in a more dynamic and structured way while managing the reputational risks associated with such partnerships; and (b) assessing the feasibility and pros and cons of new financing models.

170. UNHCR should also better build on the achievements of its resource mobilization strategy. In particular, it could develop a narrative regarding its leveraging factor, demonstrating how a dollar invested at UNHCR can generate several dollars in revenue for the beneficiaries and/or, in terms of global impact, can avoid several dollars in expenses that would otherwise have been spent anyway by the donor. The “demonstrate the impact” framework could notably be developed in that direction.

171. The Board recommends that UNHCR leverage its resource mobilization strategy, including the new private sector engagement strategy, to: (a) increase both the volume and quality of its voluntary contributions, in terms of flexibility, multi-year visibility and diversification, including by demonstrating to donors the impact of its operations; and (b) assess the pros and cons and feasibility of progressively introducing new financing models.

172. UNHCR accepted the recommendation.

(c) Budget implementation

173. The UNHCR budget implementation system relies on the initial definition and constant updating of an annual target called the “operating level”, together with the monitoring of budgetary commitments to check compliance with the UNHCR financial rules (see subsect. 4 (c) (i) below). UNHCR has put in place a clear segregation of duties and an internal budgetary control system placed under the authority of the High Commissioner, which provides information that could be shared more widely with the Executive Committee (see subsect. 4 (c) (ii) below). UNHCR has recently launched an exercise to curb the increase in staff costs (see subsect. 4 (c) (iii) below).

(i) Following an initial definition by the High Commissioner, the annual budget target is constantly updated and its implementation closely monitored

174. To implement the budget, an annual target (operating level) is set at the beginning of the year and constantly updated by the High Commissioner. It represents, at any given time, the maximum amount of commitments and payments that can be incurred until the end of the fiscal year. An automated internal budget control is designed to ensure that, at the level of each operation and within each budget category, no commitments can be incurred in excess of the available operating level amounts. However, that system does not integrate the resource limits set under UNHCR financial rule 501.3, which must be monitored separately on a regular basis to ensure compliance.

175. To implement the budget, the High Commissioner sets the operating level, which represents the maximum amount against which commitments and payments can be incurred by the operations and the headquarters entities (spending authority). The operating level is constantly reviewed and adjusted against past incurred commitments, expenditures and remaining available resources, so that it is a “moving target” that depends on the progressive confirmation of expected funding by the donors all throughout the year.

176. Independently from the operating level, financial rule 501.3 implies a strictly “resource-driven” budgetary implementation: it subjects every budgetary expense to

the prior existence of available unused funding. In the rule, it is precisely stated that the High Commissioner may incur commitments for the implementation of programmes to the extent that moneys²² and governmental pledges are available in the appropriate fund or account.²³ The High Commissioner may also, pending the receipt of the contributions, enter into commitments up to one half of the total amount of firm pledges from organizations of established repute.²⁴ Furthermore, the High Commissioner may enter into commitments, including the reserve, up to the amount funded from the Working Capital Fund for Voluntary Contributions. Lastly, it is stated that at any given time, the total amount of moneys available in all UNHCR funds and accounts shall be sufficient to meet the payment due at that time. However, this last provision refers to cash payments due, not to new commitments, and it means only that UNHCR must continuously monitor the payments due to ensure the availability of the operational cash balance.

177. To comply with rule 501.3, most of the needed information relates to voluntary contributions and is provided only progressively during the fiscal year by the donors. Such information should become more easily accessible through Synergy when that new tool is fully operational. The other resources (carry-over from the previous year, United Nations regular budget allocation, secondary resources) can be internally estimated relatively reliably, but are more marginal.

178. The information on available resources defined under financial rule 501.3 is not integrated in COMPASS or in the Cloud ERP internal budget control module. The amount of the operating level, which is an annual limit, does not have the same purpose as rule 501.3. The rule indicates the commitments that the High Commissioner may incur, while the operating level represents the spending authority, which is set on the basis of available and anticipated contributions. Hence, the operating level can be higher than the level of resources defined under rule 501.3. Compliance with rule 501.3 therefore cannot be checked ex ante by the internal budget control. However, the information is technically available and can be generated at any moment in time. Currently, and owing to the transition in Cloud ERP, the information is contained in an Excel sheet, but UNHCR is in the process of generating a business intelligence report.

179. The gap decreases during the year, as contributions are confirmed and commitments are incurred, but is especially high as at 1 January. Table II.14 shows that at the beginning of each year, the operating level represents between 2.6 and 3.4 times the maximum amount that can be incurred in accordance with rule 501.3.

²² “Moneys” is defined in UNHCR financial rule 104.6 (m) as follows: “Moneys” shall mean funds that are in the form of cash or can easily be converted to cash.

²³ This sentence is elliptic: it means that the High Commissioner may incur commitments up to the moneys received from all donors (including Governments), as well as to the full amount of pledges from Governments.

²⁴ The UNHCR financial rules do not specifically define the “established repute” concept. UNHCR considers this concept to be applicable to private organizations or foundations that pass the UNHCR due diligence process.

Table II.14
Operating level and financial rule 501.3 resources as at 1 January, 2018–2024

(Millions of United States dollars)

		2018	2019	2020	2021	2022	2023	2024
A. Operating level		2 887	3 368	3 494	3 377	3 779	3 961	4 006
B. Resources available under financial rule 501.3	Recorded contributions	970	1 171	933	1 101	1 193	1 429	1 318
	Available Working Capital Fund for Voluntary Contributions	100	100	100	100	100	100	100
	Total B	1 070	1 271	1 033	1 201	1 293	1 529	1 418
C. Anticipated resources (A-B)		1 817	2 097	2 461	2 176	2 486	2 432	2 588
Ratio A/B		2.7	2.6	3.4	2.8	2.9	2.6	2.8

Source: UNHCR.

180. In addition to the above:

(a) The concept of operating level spending authority and its delegation to field and headquarters managers implies an anticipation of the possible impact of eligibility restrictions (earmarking) required by the donors to allocate the funding to specific commitments/expenses (see paras. 142–148 above on funding flexibility). This is a staff-intensive exercise, which is expected to be improved when an automated “Funding Allocation Engine”, integrated in the Cloud ERP system and designed to optimize the final allocation of unearmarked/softly earmarked contributions, becomes operational;

(b) For 2023, table II.14 shows that the High Commissioner has allocated, compared with previous years, a higher initial spending authority, with the objective of narrowing the gap between the initial and the final operating level, so that operations can more easily plan for implementation, retain the necessary staff and enter into 12-month partnership agreements. The decision to set a higher spending authority from the outset has resulted in fewer operating level increases outside of emergencies compared with previous years, both in amount and in number, but increases the risk of meeting matching problems (i.e. insufficient unearmarked contributions) for the final allocation of contributions.

181. The main adjustments of the operating level are carried out under the responsibility of the Resource Planning and Management Board, chaired by the Deputy High Commissioner, which approved 72 per cent of the amount of the increase in the operating level in 2022. The objective of that process is to strive to progressively allocate funds and adjust spending authorization as needed (see table II.15).

Table II.15
Adjustments of the operating level, 2018–2023

(Millions of United States dollars)

Year	Operating level 1 January	Operating level second quarter	Operating level third quarter	Operating level 31 December	First quarter/second quarter (percentage)	Second quarter/third quarter (percentage)	Third quarter/fourth quarter (percentage)	First quarter/fourth quarter (percentage)	Number of changes
2018	2 887	4 209	4 404	4 793	46	5	9	66	433
2019	3 368	4 455	4 720	5 060	32	6	7	50	329
2020	3 494	4 720	5 087	5 414	35	8	6	55	451
2021	3 377	4 127	4 562	4 831	22	11	6	43	466
2022	3 779	5 133	5 506	5 612	36	7	2	49	446
2023	3 961	4 967	5 137	5 082	25	3	-1	28	110

Source: UNHCR.

182. Given that compliance checks with financial rule 501.3 are not integrated into the internal budget control system, they have to be carried out separately and are undertaken centrally each month, on the basis of Power BI dashboards that aggregate the data available across the system. Most voluntary contributions, especially unarmarked contributions, are allocated to expenditure after it incurs, during the year-end close, but the same compliance check applies as indicated above. Hence, the current operating model of UNHCR makes it technically impossible to guarantee ex ante permanent compliance of the commitments with financial rule 501.3.

183. Nevertheless, retrospectively, the right column of table II.16 shows that in 2023, on the basis of the situation at the end of each month and at the global level, the available resources always covered the commitments incurred, and there is no indication that there have been any breaches in compliance with rule 501.3.

Table II.16
Global compliance with financial rule 501.3, 2023

(Millions of United States dollars)

Date	Operating level at date	Commitments			Recorded available resources to date since 1 January 2023				Resources – commitments
		Committed, not paid ^a	Paid ^b	Committed + paid	2023 contributions ^c	Pledges ^d	Carry-over	Total	
31 January	4 154	192	431	623	1 472	290	573	2 335	1 712
28 February	4 356	347	703	1 050	1 548	390	573	2 511	1 461
31 March	4 507	422	970	1 392	1 813	390	573	2 776	1 384
30 April	4 612	410	1 215	1 625	2 046	309	573	2 928	1 303
31 May	4 860	440	1 601	2 041	2 883	328	573	3 784	1 743
30 June	4 967	457	1 939	2 396	3 132	372	573	4 077	1 681
31 July	5 041	485	2 525	3 010	3 433	265	573	4 271	1 261
31 August	5 090	635	2 889	3 524	3 594	234	573	4 401	877
30 September	5 137	1 562	2 773	4 335	4 256	189	573	5 018	683

Date	Operating level at date	Commitments			Recorded available resources to date since 1 January 2023				Resources – commitments
		Committed, not paid ^a	Paid ^b	Committed + paid	2023 contributions ^c	Pledges ^d	Carry-over	Total	
31 October	5 109	1 512	2 813	4 325	4 344	107	573	5 024	699
30 November	5 156	1 350	3 452	4 802	4 581	107	573	5 261	459
31 December	5 159	1 235	3 932	5 167	4 817	0	573	5 390	223

Source: UNHCR.

^a Committed, not paid: direct implementation purchase order + implementing partners' expenditure for the last month of the year + implementing partners' expenditure for three months to date.

^b Paid: deduct (-) the partner pre-payment + reported amount of project financial report.

^c 2023 contributions: approved contribution representing recognized revenue in MSRP and Cloud ERP.

^d Pledges: does not include private sector partnership pledges, as they are not recorded in the system until signed.

The funding gap is partly reflected in the difference between the approved and actual headcount

184. A significant difference can also be noted between the number of posts approved in the programme budget and the number of positions on which the operating level for the staff budget category is allocated (see below for more detailed information on budget categories).

Table II.17
Headcount in operations plan and operating level, 2018–2023

Approval level		2018	2019	2020	2021	2022	2023
Headcount (approved positions)	Executive Committee (approved programme budget – operations plan)	12 638	13 968	15 122	16 078	16 408	16 729 ^b
	High Commissioner (operating level) ^a	11 374	12 239	13 528	12 943	13 248	13 255
	Operating level/operations plan headcount in percentage	90	88	89	80	81	80

Source: UNHCR.

^a The Executive Committee approved programme budget reflects positions based on person/year: the operating level (second line) has been updated based on person/year, so that both lines will be comparable.

^b For 2023, the Executive Committee budget figure as reflected in the programme budget for 2024 was still provisional at the date of the audit.

(ii) *Budgetary control, under the authority of the High Commissioner, benefits from a clear segregation of duties, but the related information could be more widely shared*

185. The management and internal control of the budget implementation rely on a process that is in the hands of the High Commissioner. The process is based on a clear segregation of duties between those who approve the spending authority and those who carry out the expenditure and is built to ensure that commitments and expenses are consistent and in line with the operating level spending authority, while allowing for the necessary flexibility in the field. The information provided to the Executive Committee on budget implementation, although compliant with governance requirements, could be strengthened.

186. Since January 2021, COMPASS has been the information technology tool in which spending authority is planned and approved. Each year, the budget prepared in COMPASS is transferred to the Cloud ERP system around December to enable requisitions and other financial transactions at the beginning of the following fiscal year.

187. During the fiscal year:

(a) The concept of spending authority and its delegation to operations require managers to constantly update the amount and earmarking of the donors' contributions;

(b) At the operations (country) level, priority needs are also constantly updated and adjusted;

(c) At the headquarters level, regular monitoring of the spending authority against funds is conducted by the Division of Strategic Planning and Results. Corrective actions are taken as necessary, and the operating level is continuously adjusted. For that reason, the operating level was subject to frequent and significant adjustments over the 2018–2023 period (see tables II.10 and II.11).

188. The budget is adjusted not only through changes that are caused by increases and decreases, but also through reallocations of the actual spending authority in the central records. The modifications of the records are undertaken centrally by the secretariat of the Resource Planning and Management Board.²⁵

189. Changes to central records are carried out by the Annual Review and Budget Analysis Service in the Cloud ERP system. The secretariat of the Resource Planning and Management Board is not allowed to make changes in COMPASS. Once the central records have been adjusted:

(a) The adjusted spending authority (called “operating level”) is automatically transferred and displayed in COMPASS within three hours;

(b) Country operations are informed by the Annual Review and Budget Analysis Service that their budget details are to be adjusted in COMPASS under the results framework to reflect the new spending authority distribution: on the basis of their priority needs, they create “detailed budget submissions” down to the level of each elementary output. These detailed submissions are sent to the Cloud ERP system and aggregated to check that their total amount does not exceed the adjusted spending authority approved by the Resource Planning and Management Board (“ceiling check”).²⁶

190. The High Commissioner must ensure that commitments and expenses are consistent and in accordance with the directives of the Executive Committee and within the limits for commitments and payments set out in financial rule 501.3 (see above).

191. In order to fulfil that requirement, the management and internal control of the implementation of the programme budget rely on a process that can be summarized as follows:

(a) The operating level spending authority is split between three non-fungible budget categories: staff (identified as “STAFF”), operations (identified as “OPS”) and support and administrative expenses (identified as “Administrative Budget and Obligations Document” (ABOD));

(b) The operating level is distributed between nearly 150 budget control areas;

²⁵ The secretariat of the Resource Planning and Management Board is provided by the Annual Review and Budget Analysis Service, which reports to the Division of Strategic Planning and Results.

²⁶ COMPASS also provides an automatic “floor check” to verify that the spending authority distribution is at least equal to the amounts already committed, in particular when approaching year-end, but that function was deactivated at the beginning of 2024.

(c) The budgetary control allows significant flexibility for STAFF expenses and locally, beneath the level of the “budget control areas”, for OPS and ABOD expenses;

(d) Budget control is set at an “absolute” level for the OPS and ABOD budget categories within every budget control area. Owing to the methodology for calculating staff/budget, there is no absolute control in respect of the STAFF budget category (see paras. 199–200 below on budget control flexibility);

(e) At all times, the budgetary management and the internal budgetary control are independent from fundraising activities and funding allocation processes.

Breakdown of the spending authority by budget category shows an increasing share of staff expenses

192. The breakdown of appropriations among STAFF, ABOD and OPS is applied to both the approved programme budget and the operating level, but the budgetary control applies only to the operating level expenses.

193. The percentage of staff costs in the total operating level expenses grew steadily during the period 2018–2023, from 20 to 28 per cent, while the ABOD expenses remained stable, at around 10 per cent (except for a peak in 2020), and the share of OPS expenditure decreased, from 70 per cent to 62 per cent (see table II.18).

Table II.18

Trends in operating level budget categories, 2018–2023

(Millions of United States dollars)

<i>Year</i>	<i>STAFF</i>		<i>ABOD</i>		<i>OPS</i>		<i>Total</i>
2018	935	20%	485	10%	3 373	70%	4 793
2019	1 027	20%	534	9%	3 499	69%	5 060
2020	1 112	21%	487	11%	3 815	70%	5 414
2021	1 189	25%	529	9%	3 114	64%	4 831
2022	1 331	24%	583	10%	3 698	66%	5 612
2023	1 433	28%	512	10%	3 137	62%	5 082

Source: UNHCR.

194. The initial operating level for each budget category is determined by the approved plan for the year and, as part of a multi-year strategy approach, there is no zero-based budgeting approach. This reflects the fact that, in the short term, the activities and current trends at the end of year “n-1” and at the beginning of year “n” usually have been set in their multi-year strategy in terms of OPS, ABOD and STAFF. While OPS, ABOD and STAFF are adjusted on the basis of the approved plan for year “n”, a comparison of the proportion of each budget category at the end of the budget year and in the initial spending authority of the following year also shows that the proportion for the STAFF category has increased over time, as shown in table II. 19.

Table II.19
Share of budget categories at the end of year “n-1” and at the beginning of year “n”

<i>Date</i>	<i>STAFF (percentage)</i>	<i>ABOD (percentage)</i>	<i>OPS (percentage)</i>	<i>Date</i>	<i>STAFF (percentage)</i>	<i>ABOD (percentage)</i>	<i>OPS (percentage)</i>
Operating level 31 December 2018	20	10	70	Operating level 31 December 2021	25	11	64
Operating level 1 January 2019	23	10	66	Operating level 1 January 2022	33	13	55
Operating level 31 December 2019	20	11	69	Operating level 31 December 2022	24	10	66
Operating level 1 January 2020	26	10	64	Operating level 1 January 2023	34	12	54
Operating level 31 December 2020	21	9	70				
Operating level 1 January 2021	32	12	56				

Source: UNHCR.

195. In financial rule 203.1, it is stated that the proposed UNHCR programme budget shall be presented along several dimensions, namely, budget components, cost categories and the UNHCR global results framework and that the proposed UNHCR programme budget shall be accompanied by such information, annexes and explanatory statements as may be requested by or on behalf of the Executive Committee and such further annexes or statements as the High Commissioner may deem necessary and useful. In compliance with that rule, the programme budget is presented along “cost categories”, defined as one of the budget’s components that comprise programme costs, programme support costs and management and administration costs. The budget categories STAFF, ABOD and OPS are used only for internal management purposes; no detailed information based on those categories is shared with the Executive Committee.

196. Although in line with governance requirements and considered useful by UNHCR, the presentation along these cost categories provides a different perspective on data based on budget categories. Indeed, the increasing weight of staff costs from 20 per cent in 2018 to 28 per cent in 2023 did not have any significant impact on the programme costs, which remain above 80 per cent (see table II.20).

Table II.20
Budget categories and cost categories in 2022

(Millions of United States dollars)

<i>Cost category</i>	<i>Budget category</i>			<i>Total</i>	<i>Percentage</i>
	<i>OPS</i>	<i>ABOD</i>	<i>STAFF</i>		
Programme	3 698	236	630	4 565	81
Programme support	–	266	590	856	15
Management administration	–	81	110	191	3
Total	3 698	583	1 331	5 612	100
Percentage	66	10	24	100	–

Source: UNHCR.

Note: The last complete budget data available at the time of the audit were for the year 2022.

197. While the Executive Committee approves the programme budget and the results-based reporting, given the nature of voluntary funding, the sustainability of financing remains subject to donor priorities.

198. As envisaged by financial rule 203.1, UNHCR could provide additional useful information on budget sustainability to the Executive Committee and Standing Committee upon request.

Budget control flexibility

199. Regarding control on OPS and ABOD expenses, no commitment can be incurred (e.g., by submitting a purchase requisition for approval) if sufficient spending authority is not available within the related budget category (“absolute control”). However, changes or reallocations of spending authority within the operating level limit of a budget control area are authorized and managed locally and are governed by the resource allocation framework.

200. STAFF expenses are not submitted to the same type of control. The STAFF budgeted programme budget amounts are calculated by applying standard United Nations staff costs to the approved headcount. The United Nations standard costs are based on standard position profiles (country, marital status, children, grade, step, age, gender, etc.) and on the United Nations salary scale per country and hence do not necessarily correspond to the actual average UNHCR corresponding staff profiles. Moreover, employee benefits also depend on many external factors that are beyond the control of UNHCR (such as United Nations general salary increase decisions or non-foreseeable exchange rate variations in the country operations). An “absolute control” of STAFF operating level spending authority would appear unrealistic. However, the STAFF expenses are centrally monitored and controlled by headquarters, on the basis of the operating level authorized headcount.

Independence of budget control, fundraising and funding allocation

201. The spending authority is recorded and constantly updated in COMPASS and then transferred to the budgetary control module in the Cloud ERP system to align with the approved operating level. The target recorded in Cloud ERP and the corresponding budget in COMPASS are linked to the results chain defined in the approved programme budget. The chart fields used to identify each expenditure have been streamlined and simplified with the replacement of MSRP by Cloud ERP.

202. The budgetary control of the operating level applies to expenditure, independently from the flow of funding, related to fundraising activity and earmarking of contributions. Unlike many other organizations financed by voluntary contributions, which record upfront subscriptions to clearly identified programmes and projects, the UNHCR donors, when earmarking their contributions, do not arbitrate on the basis of a pre-defined list of projects, but rather on the basis of possible locations, impact or outcome areas and, sometimes, budget categories. The new information technology solutions facilitate the allocation of tightly earmarked contributions to activities, an exercise that was previously done manually and was staff-intensive.

(iii) UNHCR has recently launched an exercise to curb the rise in staff costs

203. Staff costs doubled between 2018 and 2023. In line with the Global Compact on Refugees, a realignment exercise has been launched, which may produce its first impacts in 2024 in terms of curbing headcount and expenditure, as well as responding to the needs regarding staff profiles.

Tendential increase in staff costs

204. Expenditure trends along budget categories in the recent period suggest a tendential increase in staff costs.

205. As highlighted earlier, the forecasted distribution of resources by budget category over the recent period shows a significant increase in the proportion of STAFF and a less significant, albeit real, increase in the proportion of ABOD.

206. According to UNHCR, one reason for the increase in the proportion of staff is related to the operationalization of the Global Compact on Refugees. As a result, the proportion of STAFF and ABOD categories in expenditure, i.e. in the budget implementation, is significantly higher than forecast, while the proportion of OPS is significantly lower. That phenomenon suggests that there is room for improvement in budgeting and cost management throughout the year (see table II.21).

Table II.21
Breakdown of resource allocation by budget category, 2018–2023

(Percentage)

Budget category	2018		2019		2020		2021		2022		2023	
	Operations plan budget	Expenditure	Operations plan budget	Expenditure	Operations plan budget	Expenditure	Operations plan budget	Expenditure	Operations plan budget	Expenditure	Operations plan budget	Expenditure
OPS	78	67	77	66	77	68	75	65	76	66	76	62
ABOD	8	11	8	11	8	10	9	11	9	10	9	11
STAFF	14	22	14	23	15	23	16	24	15	24	16	27
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: UNHCR.

207. The distribution of resources by cost category, as publicly reported to the Executive Committee in compliance with governance requirements, provides a different, but complementing set of information. Another notable difference is that staff costs are split among programme costs, programme support costs and management and administration costs, so that they are naturally less visible in the presentation by cost category (see table II.22).

Table II.22
Evolution of expenses by cost category, 2021–2023

(Percentage)

	2021	2022	2023
Programmes	80	81	79
Programme support	15	15	17
Management and administration	4	3	4
Total	100	100	100

Source: UNHCR.

Launch of a new efficiency plan

208. The Executive Committee requested the High Commissioner to respond flexibly and efficiently, within available resources, to the needs outlined under the programme

budget for 2023 and encouraged UNHCR to be as efficient and effective as possible, with the resources provided, in the implementation of its mandate (A/77/12/Add.1 and A/78/12/Add.1). That requirement is reflected in the High Commissioner's definition of the initial operating level parameters.²⁷ However, at the field level, although there does appear to be awareness of the need for better efficiency, tools could be improved to implement resources and to measure its results. Such tools could include cost indicators, set at country, regional and headquarters levels.

209. The staff cap introduced in 2023 is an unprecedented effort to reduce staff costs and calls for close monitoring, a function that is carried out primarily by the regional bureaux, which strive to optimize the distribution of the staff cap between the local budget control areas.

210. Regional bureaux already play a role in promoting cost-effectiveness and efficiency, as defined by the guidelines on roles, accountability and authorities adopted in November 2022. In accordance with those guidelines, the regional bureaux identify and exploit opportunities for cost efficiencies, monitor the implementation by countries in the region of cost efficiency measures and rigorously document and share best practices, including cost-efficiency good practices.²⁸ However, the responsibility for the development of structured approaches to operations efficiency by regional bureaux should be further clarified.

211. The results-based management approach implemented by UNHCR through COMPASS is based on operational results and effectiveness in delivering for the mandate. Therefore, it does not cover cost-effectiveness and efficiency. COMPASS could be complemented by an approach based on efficiency. Country operations could be equipped with dashboards and cost indicators to monitor efficiency and implement sustainable cost reduction measures, including with respect to partner activities. Specific training actions could also be introduced to raise staff awareness regarding efficiency and measurement of costs.

212. In the context of current funding challenges, which could result in reduced spending authority, and in order to cope with the increasing proportion of resources allocated to administrative costs (ABOD and STAFF budget categories), back-office support functions would need to be rationalized, including by considering the pros and cons of transferring them from a local to a regional level. While expertise, as well as the design of assistance delivery and service delivery, need to remain country-specific, functions such as the processing of transactions²⁹ could be re-engineered and clustered at a global or regional level, with the aim of achieving cost-efficiency gains. Benefits in terms of efficiency gains should also be drawn from the digital transformation resulting from the business transformation programme, in particular from the implementation of the Cloud ERP system.

Staff expenses and headcount

213. The Board examined the structure of expenditure, i.e. the evolution of the proportion of resources allocated to support and staff, compared with the resources allocated to core activities. The Board paid specific attention to staff, which is a crucial expenditure in an entity such as UNHCR and is subject to funding constraints. In the past five years, staff expenditure increased by 118 per cent (see table II.23).

²⁷ Last communication to regional bureaux entitled "Initial operating level and related parameters", 27 July 2023.

²⁸ UNHCR, "Roles, accountability and authorities of regional bureaux", November 2022.

²⁹ In cash-based intervention programmes, financial processing and interaction with service providers do not require proximity, contrary to targeting beneficiaries.

Table II.23
Staff expenditure, 2018–2023

(Billions of United States dollars)

	2018	2019	2020	2021	2022	2023
Staff expenditure	0.692	0.759	0.855	0.936	1.337	1.393

Source: UNHCR.

214. The total number of UNHCR workforce members also grew by 4.1 per cent between 2022 and 2024. In 2023, increases affected all job categories, with the exception of directors and Under-Secretary-General/Assistant Secretary-General. The forecast for 2024 stabilizes the number of managers and professionals, while the number of General Service and Field Service staff decreases and the number of national officers continues to increase. The total headcount continues to grow, with a shift in favour of national officers. If the forecasts are met in 2024, the efficiency plan will nevertheless represent a shift, if not in the total number of staff, then at least, unlike in 2023, towards a shift in favour of national officers, who are in principle less costly, with a stabilization in the number of international officers (see table II.24).

Table II.24
Staff positions authorized in the programme budget, by category of staff, 2022–2024

	<i>Under-Secretary-General/ Assistant Secretary-General</i>	<i>Director</i>	<i>Professional</i>	<i>National officers (Other level)</i>	<i>General Service/Field Service</i>	<i>Total</i>
2022	4	192	4 427	1 693	10 092	16 408
2023	4	184	4 546	1 820	10 175	16 729
2024	4	185	4 544	1 912	10 433	17 078
2022–2024 (percentage)	0	-3.60	2.60	12.90	3.40	4.10

Source: Programme budget for 2024 (A/AC.96/74/5).

215. UNHCR distributes staff expenditure along cost categories, as defined above³⁰ (see table II.25).

Table II.25
Staff positions by cost category, 2022–2023

	2022		2023		2023/2022	
	<i>Positions</i>	<i>Percentage of total</i>	<i>Positions</i>	<i>Percentage of total</i>		
Programmes	7 977	48	8 328	49	351	4%
Programme support	7 686	47	7 670	47	-16	0%
Management and administration	745	5	731	4	-14	-2%
Total	16 408		16 729		321	2%

Source: Programme budget for 2024 (A/AC.96/74/5).

³⁰ The distribution of staff costs by cost category is based on the staff category, in accordance with the table established in 2016.

(iv) Way forward

216. The management of the implementation of the budget ensures that commitments and expenses are consistent and in line with the operating level spending authority, while allowing for useful flexibility in the field. While complying with the current governance requirements, the information provided to the Executive Committee on budget implementation could be of higher quality and more detailed, including on allocations, trade-offs and so forth.

217. Staff costs doubled between 2018 and 2023. A realignment exercise has been launched, which is expected to produce its first impact in 2024 in terms of headcount and staff profile, although there are no adequate tools to implement it at the field level and to measure its results.

218. The Board recommends that UNHCR define and implement a comprehensive strategy to increase its efficiency, identifying desirable business process re-engineering, opportunities to consolidate back-office functions at a global or regional level, taking advantage of the digital transformation resulting from the business transformation programme, and ensuring that the organization develops measures to monitor and report on that strategy.

219. UNHCR accepted the recommendation.

(d) Accountability on budget management and reporting on performance

220. Although it is carried out after the actual spending, the reporting to donors reflects their requirements (subsect. 4 (d) (i)). Budgetary reporting to the Executive Committee is aligned with governance requirements but could be improved (subsect. 4 (d) (ii)). The quality and use of performance monitoring need to be enhanced (subsect. 4 (d) (iii)).

(i) Although it is carried out after the actual spending, the reporting to donors reflects their requirements

221. The funding allocation to expenditure is currently undertaken manually by UNHCR. Covering support and administrative costs, as well as expenses for less attractive regions, can be challenging given the earmarking requirements. Until the new ICT tools are in place, the voluminous results-based data will continue to be processed manually, which is time-consuming and resource-intensive.

222. Given that donor reporting is driven by donors' earmarking, reporting requirements are unequal. Main earmarking donors, such as the United States and the European Union, request very specific reports, while donors providing flexible funding (Denmark, Sweden and Norway) are satisfied with the global reporting provided by UNHCR and the country-level reporting, both of which are published on Global Focus.

223. Reporting on earmarked contributions is prepared within the Chief of Accounts Section, where lists of receivables are manually extracted from the management information basis³¹ general ledger and filtered according to the donors' earmarking. The lists are sent to the relevant field managers, who identify and validate the transactions that match with the donors' earmarking. Once the transactions have been validated, the report for the donor is generated.

224. Reporting to donors is based on expenses recorded in the central enterprise resource planning system by each local operation, using a specific coding,³² and also

³¹ The management information basis is a general ledger in which all budgetary expenses are recorded on a cash basis.

³² In Cloud ERP, this coding is known as "PTEO" (Project, Task, Expenditure type, Expenditure organization).

on a manual centralized process. This central process requires each “award project owner” to allocate the donors’ contributions to the expenses of UNHCR, on the basis of information on earmarking and on the execution of the project, with priority being given to the most tightly earmarked contributions. The allocation of unearmarked resources follows the criteria associated with the tightly earmarked and softly earmarked contributions.

225. Although unearmarked funding is allocated at the end of the year, in the course of the year, it is key to allowing UNHCR to commit funds to emergencies until funding is received. Most of the unearmarked voluntary contributions are used in field operations and global programmes. No unearmarked voluntary contributions are used to cover support and administrative costs at headquarters that are not funded by the United Nations regular budget allocation.

226. The new information technology solution is expected to facilitate donor reporting. Until it is fully operational, the current manual reconciliation process presents a risk of errors in the donors’ reports. When a situation changes, notably in respect of activities related to earmarked contributions or when there is a problem meeting the earmarked requirements and conditionalities of a donor, UNHCR informs the donor in order to seek a solution and resolve it. Furthermore, many donors, especially the largest, tend to follow up locally through direct contacts with field managers. They also receive elements of information from UNHCR, notably, the Division of External Relations.

227. The current process for reporting to donors could be further improved to address (a) the overall funding allocation, which currently is performed subsequent to the actual spending; and (b) the manual processing of tens of thousands of results-based data, most of which are narrative, which does not ensure an efficient and reliable approach. The new information technology system, however, is expected to facilitate this.

228. The implementation of the new ICT tools (including Synergy for donor relations contributions, PROMS for partnership relations, Project and Portfolio Management for matching resources with expenditures and the Funding Allocation Engine extension) should enable more automated processes and improve the accuracy of funding allocation and donor reporting.

(ii) *Budgetary reporting to the Executive Committee is aligned with governance requirements but could be improved*

229. Budgetary reporting to the Executive Committee is aligned with governance requirements but could be strengthened. In particular, more substantial information should be provided on the prioritization process carried out through the operating level and on the implementation of prioritized allocation.

230. In accordance with resolution 672 (XXV) of the Economic and Social Council, in which it established the Executive Committee of the Programme of UNHCR, the latter shall review at least annually the use of funds made available to the High Commissioner and the programmes and projects being proposed or carried out by the Office; and have authority to make changes in, and give final approval to, the use of funds and the programmes and projects. In accordance with UNHCR financial rule 203.1, the proposed UNHCR programme budget shall be accompanied by such information, annexes and explanatory statements as may be requested by or on behalf of the Executive Committee and such further annexes or statements as the High Commissioner may deem necessary and useful.

231. Once the programme budget is approved by the Executive Committee, usually in October, the High Commissioner provides the Standing Committee of the

Executive Committee with updated information on the budget and funding. For instance, information on the implementation of the programme budget for 2023, as approved by the Executive Committee at its seventy-third session (A/77/12/Add.1, para. 13), was provided to the Standing Committee in March, June and September 2023.³³

232. Nevertheless, information provided in the update on the budget and funding report, although useful, should be strengthened. As mentioned above, more substantial information should notably be provided to the Standing Committee on the prioritization process carried out through the operating level and on its implementation, broken down by more significant aggregates, in addition to cost categories.

(iii) *The quality and use of performance monitoring need to be enhanced*

233. Systems to monitor and verify results and subsequently report on them are in place or will soon be deployed, but their effective implementation remains uneven. The quality and relevance of results indicators also need to be improved, and there is a margin to increase ownership among staff and use the performance framework as managerial leverage.

234. The accuracy and significance of the results data generated by COMPASS are crucial. The monitoring and evaluation component of the operations strategy is well defined in COMPASS. In 2023, UNHCR established a complex methodology³⁴ to provide assurance on the quality of information on results at each level of the results framework: output, outcome and impact.

235. There is still a gap, however, between monitoring systems and reporting, given that the implementation of the monitoring and evaluation strategy and its specific results are not well reflected in the results reports.

236. Performance indicators, now called “results indicators”, are in place, but their quality and relevance could be improved. UNHCR has drawn lessons from the first year of the implementation of COMPASS and has noted in particular that the wide variety of outcome and output indicators selected and used by the operations could jeopardize the consolidation of results into a credible document. For that reason, new mandatory core indicators were introduced. Initial core impact indicators were complemented by eight core outcome indicators for 2023 and 24 core output indicators for 2024. Updated guidance was consolidated in a comprehensive programme handbook at the end of 2023.

237. Moreover, there is a genuine risk that the results indicators may be used for reporting purposes only, and both headquarters and the field acknowledge that there is a huge margin to increase ownership among staff. Although some progress has been reported by UNHCR, there is still a margin to use results indicators and COMPASS information on performance in a more consistent way for management purposes.

(iv) *Way forward*

238. The reporting to donors should become more efficient.

239. The budgetary reporting to the Executive Committee is aligned with the governance but needs to be reinforced, as underlined at the end of subsection 4 (c) above on budget implementation.

³³ 86th (EC/74/SC/CRP.8), 87th (EC/74/SC/CRP.16) and 88th (EC/74/SC/CRP.21) meetings of the Standing Committee.

³⁴ Presented in the programme handbook (November 2023).

240. The quality of performance monitoring also needs to be improved and better linked to staff management.

241. The Board recommends that UNHCR strengthen the quality of its reporting on budget and results to both the Executive Committee and donors, and better use the performance framework as a managerial tool for the organization.

242. To that end, UNHCR would need to address the weaknesses highlighted above, notably in paragraphs 216, 232 and 235 to 237.

243. UNHCR accepted the recommendation.

5. Management of large camps

244. The Board focused its audit on the following areas: strategy and knowledge of large camps (subsect. 5 (a)); alternatives and exit solutions to large camps (subsect. 5 (b)); registration processes (subsect. 5 (c)); needs assessment and expenditure (subsect. 5 (d)); organization and service delivery (subsect. 5 (e)); and performance and accountability (subsect. 5 (f)).

(a) Strategy and knowledge of large camps

245. According to UNHCR sources, it is estimated that between 5.9 and 7.1 million refugees currently live in camps. There are presently around 30 large camps. UNHCR considers such camps to be undesirable solutions. Although country strategies exist, there are no tailored strategies for camps. Most of them are the result of long-standing situations and often have been in existence for several decades. There is also great diversity among the large camps, reflecting the multiple situations faced by displaced persons and the various conditions offered to them by the host countries, in particular in terms of freedom of movement and access to work. In that context, ensuring up-to-date knowledge of the situation in the large camps remains challenging.

246. By the end of June 2023, 30.5 million refugees fell under the mandate of UNHCR. Sixty-six per cent of them have been in displacement for decades, in what are called “protracted situations”.³⁵ These are defined by UNHCR as “situations in which at least 25,000 refugees from the same country of origin are in exile in a given low- or middle-income host country for at least five consecutive years”.³⁶ UNHCR estimated that, by June 2023, 23.8 million refugees and other people were in need of international protection in a protracted situation.³⁷ UNHCR considered that around 70 per cent of them lived in urban areas, with most of the others logically living in settlements or camps of various sizes, but also in rural areas or unidentified locations. In fact, UNHCR does not provide the exact number of persons living in camps or settlements in its official documentation.

247. UNHCR does not define a threshold for large camps and, for the purpose of the present audit, the Board defined large camps as those that included more than 50,000 refugees. Beyond that threshold, UNHCR tends to face more complex and demanding challenges.

248. The strong diversity of the camps was noted by the Board during its visits. Both internally displaced persons and refugees live in settlements or camps. Camps can be

³⁵ UNHCR, “Mid-Year Trends 2023”.

³⁶ UNHCR adds that the definition should be seen as a reflection of the situation as a whole and does not refer to circumstances of individual refugees.

³⁷ The United Nations counted 59 protracted situations in 37 different host countries in 2023. Compared with the end of 2022, two situations were newly classified as protracted: the Congolese refugees in Kenya and the Somali refugees in Uganda. See UNHCR, “Mid-Year Trends 2023”.

temporary (for one month or so, as in the case of Armenians fleeing the Nagorno-Karabakh region in September 2023) or protracted, in place for years or decades. Temporary camps tend to be smaller than protracted ones. A large camp can also consist of a conglomerate of smaller camps, as is the case with Cox's Bazar in Bangladesh, or may be divided to ensure easier management, as in the case of Mahama camp in Rwanda, which is divided into two zones, or Mbera camp in Mauritania, which is divided into four zones and 43 blocks. A smaller camp can be created nearby to ease the larger camp, such as Azraq camp, created in 2014 to relieve the pressure on Za'atari camp in Jordan, which itself has been divided into 12 districts. A large camp can also serve to receive refugees from overcrowded smaller camps, as in Rwanda and Uganda. A camp can be closed and part of its population relocated to another camp, as in the United Republic of Tanzania in 2021 when Mtendeli camp was closed and its 20,000 forcibly displaced and stateless persons were relocated to Nduta camp.

249. UNHCR defines a settlement as “a community in which people live” and “specifically conceived to host people affected by crises and disasters”. “Settlement” is therefore a very broad term to define a gathering of forcibly displaced persons.

250. UNHCR defines a camp as “temporary facilities built to provide immediate protection and assistance to people forced to flee” but adds that emergency situations can become protracted, i.e. beyond five years of existence, resulting in people living in camps for years or even decades.³⁸ UNHCR considers a camp to be a type of formal settlement that is usually imagined as a temporary solution to address the most immediate needs of the forcibly displaced, with little opportunity for integration, as freedom of movement may be limited and opportunities for self-reliance and solutions are out of sight. For UNHCR, a camp has to be formulated in a way that it can move towards a human settlement, taking into consideration the long-term livelihood opportunities of the integrated community, as well as the gradual independence of the displaced population from external aid support.³⁹

251. However, the reality on the ground tends to blur this distinction between formal settlements and camps, as camps do not necessarily have fences or gates (Kiziba camp in Rwanda) and are also integrated with their surrounding host communities (Mahama camp in Rwanda), while in some settlements or camps, movement of refugees is limited through various measures, including fences and gates as required by government policy. Overall, a camp is, as a settlement, a site that has been structured and accepted by the host Government and has been dragged into long-term situations where there is no political solution or any peace process in sight, such as the Syrian refugee camps in Jordan and the Rohingya refugee camps in Bangladesh. In the end, they are both conceived as an answer to protect and accommodate forcibly displaced persons. Camps are in protracted situations, but they all have previously been emergencies with recurrent displacement. UNHCR acknowledges that in some situations, there is simply no alternative to the establishment of a camp (or camp-like settlement).⁴⁰

252. In a communication on camps of July 2023, UNHCR stated that there were refugee camps all over the world; many of the camps had been built quickly to serve the immediate needs of those forced to flee but grew to host hundreds of thousands of displaced people. As indicated in the communication, some of the world's largest refugee camps are Kutupalong-Balukhali expansion site (Bangladesh), Bidi Bidi refugee camp (Uganda), Dadaab and Kakuma refugee camps (Kenya), Azraq and

³⁸ See <https://www.unrefugees.org/refugee-facts/camps/>.

³⁹ See <https://emergency.unhcr.org/emergency-assistance/shelter-camp-and-settlement/formal-settlements/settlement-typologies-emergencies>.

⁴⁰ UNHCR, *The Master Plan Approach to Settlement Planning: Guiding Principles*, 2019.

Za'atari refugee camps (Jordan), Nyarugusu, Nduta, and Mtendeli refugee camps (United Republic of Tanzania) and Kebribeyah, Aw Barre and Sheder refugee camps (Ethiopia).⁴¹ According to UNHCR, an estimated 5.9 million refugees and 8.6 million internally displaced persons were living in camps at the end of 2022,⁴² representing about 20 to 30 per cent of refugees worldwide, with 70 to 78 per cent of them living in urban areas. That figure, which was provided orally to the Board cannot be found in any UNHCR documentation.

253. The Board field visits (see table II.26) included the largest camp in the world: the camps of Cox's Bazar (33 camps in total) divided into two mega camps, the Kutapalong mega camp (Ukheia subdistrict) and the Nayapara mega camp (Teknaf subdistrict). As at 30 September 2023, 965,467 Rohingyas were registered in camps in Bangladesh, comprising 200,580 families. Overall, the Board audited one third of some 30 large camps managed by UNHCR.

Table II.26

Large refugee camps visited by the Board from September 2023 to February 2024

<i>Refugee camp</i>	<i>Country office</i>	<i>Date of creation</i>	<i>Origin and number of forcibly displaced and stateless persons as of July 2023</i>
Cox's Bazar	Bangladesh	1991 ^a	923,359 Rohingyas
Nyarugusu and Nduta	United Republic of Tanzania	1996 ^b	118,670 and 75,454 Burundians and Congolese
Mahama	Rwanda	2015	55,387 Burundians and Congolese
Rhino, Imvepi, Kiryandongo and Nakivale	Uganda	2003–2017	133,335, 64,521, 65,858 and 167,170 South Sudanese, Congolese and others
Za'atari and Azraq	Jordan	2013	82,735 and 40,900 Syrians
Mbera	Mauritania	2012	91,263 Malians

Source: Board of Auditors.

^a More than 95 per cent of the refugees in Cox's Bazar arrived after August 2017, not in 1991.

^b While Nyarugusu camp was established in 1996, Nduta camp was reopened much more recently.

254. Camps are characterized by the shelter solution provided during the emergency phase (tents, shelter kits, plastic sheeting, local construction materials, refugee housing units and core relief items), as well as by the Government's permission to install more durable shelter. For example, in Jordan, the Za'atari camp was established in 2012 in the Governorate of Mafraq in the north of the country close to the Syrian border, following a decision of the Government in response to the sharp increase in refugee arrivals and the difficulty of the host society in welcoming all the refugees. The Government gave its approval to the site of Za'atari and provided the NGO Jordanian Hashemite Charity Organization, the right of use. UNHCR and the NGO set up tents, initially in two units of 5,000 each. The tents were gradually replaced by caravans for the coming winter.

⁴¹ See <https://www.unrefugees.org/refugee-facts/camps/> and <https://www.unrefugees.org/news/inside-the-worlds-five-largest-refugee-camps/> (July 2023).

⁴² In its 2019 *Master Plan Approach to Settlement Planning: Guiding Principles*, UNHCR stated that while the UNHCR policy on alternatives to camps promoted the pursuit of alternatives to camps whenever possible, the reality was that globally, over 10 million displaced people were reported to be living in humanitarian settlements.

255. Over time, camps take various shapes as they become de facto permanent sites. For example, Mahama camp in Rwanda, which initially hosted Burundians when it was established in 2015, was set up with family tents and emergency health-care, latrine and water facilities within a week. After that emergency phase, UNHCR moved the refugees from their emergency family tents into semi-permanent shelters, and after a year, refugees moved into more permanent structures in the form of individual small mud houses with a tiny private garden.

256. The diversity among the various camps is also determined by the policy of the host country regarding refugees. Indeed, the context and environment of the camp are largely dependent on government policy. The establishment of any camp or formal settlement must receive the approval of the host country. In most countries, camps are built in closed designated areas identified by the State (as in Bangladesh, Jordan, Mauritania, Rwanda and the United Republic of Tanzania) close to a border. Uganda is an uncommon case in which the land is allocated by the State in the south of the country, but the Government negotiates with landowners the allocation of plots of land to refugees in the north. In all of the camps, the host country appoints a camp manager, with one or two deputies depending on the size of the camp, who functions as the UNHCR interlocutor regarding the overall situation in the camp.

257. The freedom of movement of refugees also depends on the policy of the host country. Some host countries have an open-door policy (Jordan, Rwanda and Uganda), while others impose strict restrictions on refugees (Bangladesh and the United Republic of Tanzania). While some camps have just a checkpoint at the entrance of the camp but otherwise allow full freedom of movement (Rwanda), others are heavily fenced and refugees are forbidden to leave the camp (one village in Azraq camp is strictly closed with a double fence and there is a fence around the camps in Cox's Bazar). The freedom of movement granted to refugees also affects the opportunities given to them.

258. As a result, the accessibility of refugees to the labour market is diverse: in Bangladesh and the United Republic of Tanzania, refugees may not formally work outside the camp; in Jordan, they may work only in agriculture, industry, unqualified services or for their own businesses; in other situations, they may freely access the local market, which facilitates their integration with the host communities. This situation determines the length and type of assistance provided by UNHCR and its partners. It also affects the ability of UNHCR to advocate and promote a phasing-out of camps.

259. In its emergency handbook, UNHCR acknowledges that displacement tends to last longer than expected, as “camps and formal and informal settlements are rarely occupied for the short term. Planners should always expect that once put in place, settlements are likely to exist over a long period of time. Service provision over that period of time is likely to remain the responsibility of humanitarian actors, and integration with local existing services will be challenging.”⁴³

260. Nevertheless, such protracted situations are not reflected in UNHCR statistics and its communications to its stakeholders. The Board could not find any precise figures on the number of refugees or internally displaced persons living in settlements or camps.

261. Furthermore, in several operations hosting large camps, the average length of stay of refugees, whether overall or by population category, is not calculated. The length of stay in camps should be known and integrated into indicators and reporting, as it could potentially be used in the field to enhance camp management, especially for better targeting of services to the population. Similarly, the information could

⁴³ UNHCR, “Settlement Typologies in Emergencies”, February 2024.

enhance the assessments of programmes and budgets at the regional and headquarters levels.

262. The Board recommends that UNHCR strengthen its strategy and knowledge of the large camps, in particular by: (a) defining priority actions; (b) regularly collecting and updating quantitative and qualitative operational data on the populations concerned, including by means of statistical estimates; and (c) providing structured communication on the situation in the camps and the results of their management.

263. UNHCR accepted the recommendation.

(b) Alternatives to large camps and exit solutions

264. Long-lasting camps and protracted situations raise the issue of exit solutions. In that regard, the costs generated for both UNHCR and the host Governments by the existence of large camps, although insufficiently reported, are an incentive to move towards alternatives. UNHCR has made significant efforts to promote solutions, such as more integration within host communities or transformation of camps into ordinary towns, which have led to some success, but a more proactive, collaborative and operational approach is still needed.

265. UNHCR is committed to making refugee camps the exception rather than the rule. Its doctrine is to avoid, as far as possible, creating situations conducive to the establishment of large, permanent camps. However, UNHCR could adopt a more dynamic and sustainable approach and conduct more integrated actions.

266. UNHCR has developed a set of tools for setting up camps in crisis situations. In line with its 2014 policy on alternatives to camps,⁴⁴ UNHCR first advocates for alternative solutions to hosting refugees. However, when the host country decides to set up a camp in response to an emergency resulting from an influx of refugees, the UNHCR country offices can try to advocate for best practices in numerous areas. Among other documents, UNHCR has issued guiding principles on the spatial design of humanitarian settlements and the management of camps. Some documents were produced by UNHCR on its own, such as the emergency handbook and the *Master Plan Approach to Settlement Planning: Guiding Principles*. Other documents were produced together with humanitarian stakeholders and United Nations agencies, such as the “Settlement Profiling Tool: A Spatial Analysis Framework for Settlements Accommodating Displaced Populations” with the United Nations Human Settlements Programme (UN-Habitat) and the *Camp Management Toolkit* with the International Organization for Migration (IOM) and the Norwegian Refugee Council. All the guidelines help to frame the creation of camps by capitalizing on the knowledge and experience of UNHCR and its partners. Over the past several years, UNHCR has also developed guidelines and tools to design and run responses in out-of-camp and urban settings, also in collaboration with other expert agencies such as UN-Habitat.

267. When a crisis arises, UNHCR endeavours to prepare, beyond the focus on camps, for the transition from humanitarian to development assistance as soon as possible. In doing so, it seeks to avoid frozen situations and the long-term reliance of refugees on humanitarian assistance. For that reason, a UNHCR defined a contingency plan at the end of 2023 to respond to the new influx of Malians in Mauritania, which was supposed to last three months. The initial plan had been for six months, but the duration was shortened to start the resilience phase more rapidly, namely, the implementation of sustainable development programmes.

⁴⁴ A complementary policy on protection, inclusion and solutions in urban areas is supposed to be realized in 2024.

268. Nevertheless, many large camps are currently protracted. Protracted camps are the result of situations in which refugees may be threatened with physical violence or are part of a frozen political situation. Durable solutions are not currently an option on a large scale. Return to their country, resettlement or complementary pathways are made possible for a minority of refugees living in such camps. For instance, between January and June 2023, only 93 refugees from Azraq camp in Jordan departed through resettlement or various complementary pathways. In addition, between January and November 2023, 148 refugees in the camp voluntarily returned to the Syrian Arab Republic. Considering the size of the population living in large camps, a quick transfer of such refugees to urban areas cannot be considered an option.

269. However, even in the countries hosting large camps, UNHCR is facing budget cuts, and sustainable alternatives must be proposed. A number of options could be considered in building an exit strategy (partial or complete), such as delivering services differently,⁴⁵ promoting greater integration into national systems and making refugees more self-reliant. However, changing the way a service is delivered requires time (identification of the solution, definition of the new programme, contracting with new implementing partners if necessary or transferring to another partner pilot, comprehensive roll-out, etc.). Transitions and phase-out plans should therefore be considered a priority and should be undertaken at an early stage, when the most acute phase of the emergency period is over.

270. UNHCR is aware of the necessity of going further with its measures to facilitate the transition to a development approach, especially as development-oriented action for camps means that humanitarian aid and needs for protection assistance will be reduced. The overall objective is to return the land and its population to the host country by integrating the camp into its surroundings and “normalizing” it or by dismantling it. In any case, sustainable solutions for refugees need to be proposed. To address those challenges, UNHCR must develop solutions that can be applied to the administration, the services and the infrastructure.

271. To that end, UNHCR is building an approach, which is still at a strategic rather than an operational level. As mentioned above, UNHCR tries to promote the implementation of development programmes in protracted camps through such platforms as the Global Refugee Forum. UNHCR has also started to develop tools to support the transition of camps, such as the 2023 strategy on engaging with development actors, the *Camp Management Toolkit*, which includes a section on the administrative closure of a camp, and the Geneva Technical Hub. The latter was established in 2021, in partnership with the Swiss Agency for Development and Cooperation. Upon request and depending on the availability of resources, it provides complementary technical skills to country offices to address a specific issue. Despite the small scale of the initiative, the Geneva Technical Hub contributes to the sustainability of living conditions in the camps through the production of study reports. For instance, it has produced studies on clean cooking in Mahama and Kigeme refugee camps in Rwanda and settlement planning in Mbera camp in Mauritania.

272. Several of the current initiatives by UNHCR and its partners on the transition of camps deserve to be highlighted. In some long-lasting camps, UNHCR is working on the transition of a number of successful programmes. For example, in Mahama camp, individual small mud houses have been built since 2017–2018, each with a small vegetable garden. The refugees have recently planted trees in the streets of the camp, which provide shade in a dry, sunny environment and help to lower the temperature inside the houses, the roofs of which are covered with steel plates. In

⁴⁵ This implies reviewing the needs assessment to propose new solutions.

other camps, a real sustainable transition is being planned, and the overall objective has been shared with the host Governments.

273. There is ongoing work in Kenya (Kakuma and Dadaab camps), Mauritania (Mbera camp) and Ethiopia (Melkadida Refugee Compact, 2024–2027: Bokolmanyo, Melkadida, Kobe, Hilaweyn, Buramino and Dollo Ado camps). In those situations, UNHCR and/or the host Government defined a comprehensive and sustainable transition for the camps. In Kenya, the Government and UNHCR built a plan aimed at integrating the camps into their administrative surroundings to promote socioeconomic development and to build new sustainable human settlements. Numerous stakeholders, such as UN-Habitat and the United Nations Development Programme, have taken part in the project. In Mauritania, the country office produced an ambitious sustainable human settlements vision for Mbera camp that addresses several areas of concern, including spatial planification, governance, housing, inclusion in Mauritanian public programmes (social services, health care, water and waste management, energy, social registry and education) and economic self-sufficiency. Going forward, this vision needs to be shared with and endorsed by the partners (government authorities, United Nations humanitarian and development agencies, development agencies, development banks, etc.) and to be operationalized with a realistic timeline.

274. Such efforts notwithstanding, Bhasan Char refugee camp in Bangladesh demonstrates the limits of UNHCR actions to ensure the sustainability of refugee settlements. Bhasan Char was planned by the Government of Bangladesh to decongest the camps in Cox's Bazar and was to accommodate up to 100,000 Rohingya refugees. On 9 October 2021, a memorandum of understanding was signed between the Government of Bangladesh and UNHCR, on behalf of United Nations agencies working on the Rohingya humanitarian response in Bangladesh. Following the signing of the memorandum, UNHCR established a field office for Bhasan Char. As of January 2024, the camp, which is located on a non-urbanized island in the Bay of Bengal, hosts 32,574 refugees. The camp was designed by the Government of Bangladesh and is not compliant with the UNHCR guiding principles for settlements. Refugees are isolated, the settlement layout is not sustainable, the island is prone to cyclones and flooding and the livelihood opportunities are very limited. UNHCR and, more widely, the United Nations did not succeed in advocating for better alternatives to this form of settlement.

275. In any case, plans to phase out camps or to start a transition process need to be clearly defined, scheduled and shared with all the relevant stakeholders. Only a handful of operations have such plans for camps. Where possible, the exercise should be systematized, so that UNHCR can advocate externally for sustainable transitions for camps on the basis of mature proposals. The plans should also be realistic and take into account the limits and the political obstacles. In order to give them every chance of being effectively implemented, the plans should include a definition of a phasing plan, road maps for each sector and scenarios in the event of changes in the context, delays or reductions in the inclusion opportunities.

276. In the UNHCR *Master Plan Approach to Settlement Planning: Guiding Principles*, it is stressed that the design of camps must be driven by environmental considerations. Although environmental risks are taken into account, they are not sufficiently considered when the camps are set up or cannot be avoided owing to restrictions imposed by Governments. Massive collecting of firewood can contribute to deforestation in areas surrounding the camps. Although the risk of recurring lightning is high in Nduta camp (United Republic of Tanzania), adaption measures such as the implementation of lightning conductors have not been taken. There are also numerous large camps in the Sahel and the Great Lakes regions, which are experiencing climate change 1.5 to 2.5 times faster than the rest of the world. Sudden

onsets (storms, droughts, heat waves, floods, etc.) and slow onsets (desertification, increasing temperatures, changes in rainfall patterns, etc.) are affecting the camps. For instance, in recent years, people living in Dadaab camp (Kenya) have suffered from repeated cycles of drought and flooding. Refugee camps around Lake Chad are affected by massive flooding. The definition of transition and exit plans could provide an opportunity to reassess the adaptation of the camps to the risks of natural disasters. UNHCR should therefore systematically include a natural disaster risk assessment when defining or co-defining a sustainable human settlement plan for the large camps that it manages.

277. Development is not part of the mandate of UNHCR, even if a humanitarian action may have development results. However, development activities require specific skills and funding. UNHCR therefore needs to collaborate with all relevant partners (both United Nations and non-United Nations) in an integrated manner to define plans, build projects and advocate for the sustainable transition of camps. Although UNHCR has recently committed to making improvements in that area of concern,⁴⁶ when it deals with the transition of camps, the burden-sharing between UNHCR and the partners in this field is not clear. Public authorities at all levels, humanitarian stakeholders (NGOs and United Nations agencies) and development actors (United Nations agencies such as UN-Habitat and the United Nations Development Programme, development agencies, international financial institutions), as well as the United Nations resident coordinators must be involved. They should be consulted at the earliest stages on the adequacy of the orientations in relation to their strategy or the adaptation of their strategy to the plans. When it comes to their implementation, the ownership of a clear plan must be defined.

278. The Board recommends that UNHCR expand the initiatives to promote, where possible, a variety of alternatives and exit solutions for large camps.

279. To that end, UNHCR should deepen its discussions on the retrofit of camps by (a) communicating better on successful examples to find sustainable alternatives to large camps; (b) producing an operational toolkit on the transition of camps in protracted situations; (c) promoting clear visions on the sustainable urban transformation of camps and the socioeconomic inclusion of refugees living in camps; and (d) working in close cooperation with all relevant stakeholders from the beginning of the preparation of the action plans. UNHCR should also ensure an ambitious implementation of its strategy on engaging with development actors, especially the commitment to deeper partnerships with United Nations agencies, by defining a clear results-oriented plan for camps.

280. UNHCR accepted the recommendation.

(c) Registration processes

281. The registration processes in the large camps suffer from a number of weaknesses. The registration procedures remain fragile and vulnerable to fraud risks, resulting in unequal effectiveness. This makes it difficult to know the number of forcibly displaced persons living in the camps and to assess their needs. In that regard, improving interoperability in operations where data are exchanged between UNHCR and other entities such as the World Food Programme (WFP) appears to be key.

282. As UNHCR reiterated in its inter-agency country refugee response plan for Uganda (2022–2025), registration is the foundation of protection and assistance. However, the Board noted significant discrepancies between country offices in the procedures used for refugee registration and in their implementation. Shortcomings

⁴⁶ Namely, through its 2023 strategy on engaging with development actors.

and lack of attention regarding the proper conditions for registration may compromise the accuracy of figures and may prevent the detection of fraud.

283. First, the guidelines on the frequency of registration processes (Guidance on Registration and Identity Management issued in 2018) are not clear. In accordance with the guidelines, all country offices should ensure some level of continuous updating of registration records, whether in refugee camp settings, emergency contexts or urban environments, as well as situations in which mobile registration is required. The requirement of “some level of continuous updating of registration records” cannot be seen as a precise instruction regarding the frequency of the operations and paves the way for an inappropriate cycle of renewed registration characterized by periods of several years without registration.

284. Moreover, the UNHCR standard operating procedures in regard to registration differ significantly from one country office to another. The differences may be justified in the case of the role and tasks determined by Governments, which can be diverse, but may be unnecessary in the case of the parts of the registration procedures for which UNHCR is fully responsible and produces its own data. Some standard operating procedures have not always been updated, such as in Rwanda, where the most recent version was issued in August 2012.

285. The country offices in Jordan and Rwanda have a standardized continuous registration process, on the basis of a one-year cycle in the case of Jordan, for all refugees. In Mauritania and the United Republic of Tanzania, the continuous registration, in the absence of new events in the refugee family, is supposed to be carried out every five years. The Board noted that those timelines have been met but has doubts regarding the accuracy of the registration figures.⁴⁷ In Uganda, where heavy problems have been identified (see below), there is no information on the interval between two registrations.

286. In the guidelines “Continuous registration in UNHCR operations”, it is mentioned that even in operations where registration data are updated through verification, continuous registration procedures should be in place for the regular recording of births, marriages and other events requiring adjustments to identity or entitlement documents, as well as inactivation or closure of individual records and the cancelling of lost or damaged documents and their reissuance. It is also stated that the regular verification, updating and completing of information on persons of concern is necessary to maintain accurate registration data and identity documentation, and is an important anti-fraud measure.

287. However, the Board found that in several countries, the registration operations did not meet the objectives set out in the guidelines. The identification of refugees has become easier and more secure, thanks to several tools such as iris recognition (Biometric Identity Management System), which prevents the registration of multiple identities. However, monitoring the evolution of family composition remains a challenge.

288. Children under the age of five are not affected by Biometric Identity Management System recognition. In countries such as Jordan or Rwanda, where newborns are properly and quickly registered by the host authorities who issue birth certificates, the risk of fraud is low. In camps where women give birth outside of clinics and where births are not registered by a civil authority, the risk of fraud is higher, as the same newborn may be presented by several families in order to fraudulently increase the size of the family and thus the level of assistance. In that

⁴⁷ The risk register of the country operation in the United Republic of Tanzania mentions the “credibility of refugee data” as one of the risks encountered by UNHCR in the country.

regard, the Board noted the lack of risk mitigation in several countries visited and even a denial of the potential risk by some of the staff members in charge.

289. Risks are much higher with death declarations, as the incentives for risk mitigation regarding death declarations are less strong than for child or marriage declarations. The Board noted a discrepancy between countries in which the host authorities verify the burial procedures and those in which there are no procedures or rules in place.

290. Another reason for the inaccuracy of data is the “no show” situation, namely, refugees who have had no contact with UNHCR for more than one year (four months in Uganda). Some refugees have left camps for several months, and some for several years, without informing UNHCR and without being inactivated by the organization. The country office in Jordan recognizes delays in the inactivation process. It inactivated 89,575 cases between 2021 and 2023 but considers that the inactivation process has not yet been fully completed. The country office forecasts that 40,000 refugees will be inactivated in 2024 and 60,000 refugees in 2025.

291. The necessity of mitigating risks related to registration should have been a priority for UNHCR, given that problems were encountered twice in Uganda. In March 2015, the Government of Uganda took over the registration responsibility from UNHCR, using its own Refugee Information Management System database rather than the UNHCR’s proGres system. In 2017, United Nations agencies and key donors started to report allegations of corruption, fraud and other irregularities in the registration process. The allegations in respect of the Ugandan officials included fraud regarding the distribution of food assistance (which was often sold on markets), the number of refugees (with some 300,000 so-called “ghost refugees”), refugees being required to pay bribes in order to be registered and allegations that scholarships for refugees were instead going to Ugandan nationals.⁴⁸ The allegations of corruption and irregularities resulted in some donors suspending funds for the refugee programme in Uganda. In March 2018, the country office created the position of Senior Registration Officer to coordinate registration matters with the Government and to handle risk management related to registration activities.

292. However, in 2022–2023, new registration irregularities and allegations of misconduct were reported in the Rhino settlement and in the Bidi Bidi and Kiryandongo settlements, which are home primarily to South Sudanese refugees. As in 2017, this was initially discovered by WFP staff during regular food and cash distribution monitoring exercises in Rhino camp. Anomalies were also detected by UNHCR staff, who performed data audits using the Biometric Identity Management System and ProGresV4 technology, as part of regular fraud prevention measures.⁴⁹ The irregularities related to increases in some family sizes and irregular changes to the registration records of some refugees. Overall, this concerned 6,219 individuals, mostly related to new births.

293. UNHCR has further taken new measures to try to mitigate risks, including recruitment of operational data management experts, electronic controls and filters, close cooperation with WFP and submission of inconsistencies to the Office of the Prime Minister every three months.

⁴⁸ There were also allegations of persons trafficking minor girls and women to marry men who were not of their choice after paying a bribe to officials at the border crossing points and claims that officials interfered in the election of leaders in refugee communities to prevent individuals deemed too vocal from being elected. See “Refugee scam: PS takes leave before suspending Kazungu”, *Monitor*, 7 February 2018 (updated 13 January 2021).

⁴⁹ Joint World Food Programme-UNHCR notification letter, 27 January 2023.

294. The frauds in Uganda have resulted in very serious consequences for UNHCR, implying financial losses (some donors have interrupted their funding, and the numerous inspections and audits since 2017 have engendered costs) and damage to the reputation of the organization.

295. Verification exercises or censuses, which are easier in camps than in urban areas, should be included in the tools used. UNHCR has often underlined that such procedures, even continuous registration, are cumbersome and too costly. It is obvious that a registration process is costly. Nevertheless, it is part of the core mandate of UNHCR, and the cost of failures, as the problems in Uganda have showed, is very high in terms of fundraising and reputation.

296. Verification exercises, which are indeed cumbersome procedures, proved to be effective not only in the case of Uganda but also in Jordan, where a one-year renewed registration is being carried out. At the request of the Government of Jordan, the country office conducted a census (see table II.27).

Table II.27

Number of refugees in camps in Jordan, 2022–2023)

	<i>Za'atari</i>	<i>Azraq</i>	<i>Total</i>
March 2022	80 897	44 108	125 005
March 2023	76 373	39 071	116 444

Source: Board of Auditors.

297. The verification exercise shows a significant gap (-7 per cent) between the figures for 2022 and 2023. A total of 6,420 out of 76,373 refugees registered in Za'atari indicated to UNHCR that they were no longer living in the camp.

298. The quality of the registration should also be improved through stronger interoperability using WFP electronic tools. As the example of Uganda shows, WFP is the most relevant organization when it comes to the data for “no shows”, namely, refugees who no longer benefit from food assistance. When UNHCR communicates its list of refugees to WFP, there is no systematic procedure by which WFP should electronically transmit “no show” cases to UNHCR, which would allow for the inactivation of the relevant refugee case in both organizations.

299. Furthermore, UNHCR should consider how and to whom it is appropriate to delegate tasks in the registration process. The importance of the role of Governments in the registration process is unquestionable, even though there may be many difficulties with government procedures or practices. In that regard, the promotion of good practices and the training of government officers are critical, as are quick identification and warning by the country office regarding problems encountered.

300. With regard to human resources under the responsibility of UNHCR (UNHCR staff or implementing partners involved in the registration process), the Board noted unequal levels of skills and commitments. In Mauritania, where the registration process is conducted through multiple, long bureaucratic steps, the first reception of refugees was assumed by an implementing partner who seemed not to have been properly trained. It must be added that even the UNHCR staff in charge did not appear to be fully aware of potential risks of fraud by refugees. UNHCR must employ local staff and implementing partners for this activity, which requires numerous staff, but owing to the sensitivity and the risks involved, oversight should be strongly reinforced and the training of partners should be considered a priority.

301. **The Board recommends that UNHCR improve registration processes in large camps, including by: (a) reviewing the Guidance on Registration and Identity Management in order to foster a continuous registration approach in a one-year cycle and to set verification schedules in case that approach is not feasible; (b) reinforcing capacity-building and support on anti-fraud procedures and ensuring a full application of the new policy and procedures on addressing fraud committed by forcibly displaced and stateless persons, including the nomination of fraud focal points where required; and (c) implementing an interoperability gateway in all operations in which data are exchanged between UNHCR and WFP.**

302. UNHCR accepted the recommendation.

303. While acknowledging difficulties in the registration process, UNHCR stresses that refugee statistics provided to donors do not rely exclusively on registration, but also on additional sets of data, including annual statistics. The data are updated every six months according to a framework and the Guidance on Registration and Identity Management. Demographic data are collected only as part of the annual update, which is available in the spring of the following year.

304. UNHCR has also established data, identity management and analysis units in the regional bureaux and country offices in order to elevate data governance and data management capacity, provide data standards and scale up statistical capacity.

305. Beyond the quality of the data collected and the collection method, data treatment and aggregation do not appear to be mentioned in the documentation. While the efforts of UNHCR towards greater transparency are to be commended, the official metrics published with a four-to-five month lag between collection and publication are based on “retreated” data, namely, adjustments to the raw material collected, according to UNHCR staff.

306. The establishment of data, identity management and analysis units within regional bureaux was a significant step towards improving data quality and, according to UNHCR, plays an important role in monitoring data for operational response.

307. While the diversity of contexts and agreements with host Governments prevents a full standardization of data, the Board could not find a clear description of the methodology used by UNHCR to retreat the information it collects. In order to ensure the necessary transparency, UNHCR should detail the methodologies and models used to retreat annual statistics on refugees when publishing the latter.

(d) Needs assessment and expenditure

308. The specific needs of large camps are not specifically isolated in the budget development process, nor is their expenditure in the implementation phase, even though some of the goods and services identified have obviously been requested for camps. This makes a comparison of the costs per refugee in camps and outside camps challenging, although the gap can be high in countries where the majority of the refugees live in urban areas.

309. The preparation of the needs-based budgets does not specifically identify needs related to forcibly displaced and stateless persons living in camps among the needs of all refugees living in the country, although some of the goods and services identified (electricity, shelters, etc) have obviously been requested for camps.

310. In that regard, the fact that the budgets for camps are not isolated in the presentation of the needs-based budgets does not mean that UNHCR has no knowledge of the estimated needs of the camps. The assessment is carried out with

all the stakeholders operating in the camps. However, that information is not shared with donors.

311. Furthermore, the Board encountered difficulties in identifying the cost of the camps for UNHCR. On the one hand, UNHCR does not identify needs specifically related to camps when building its needs-based budget, which allows it to avoid earmarking for camps. On the other hand, the cost of camp management for UNHCR, compared with the amounts dedicated to urban refugees, is useful information that deserves to be shared with donors and host Governments.

312. In most of the countries, the documentation provided by UNHCR does not allow the cost distribution to be identified. For instance, in Rwanda, until 2022, the reporting by the UNHCR country office did not make it possible to locate activities and identify the costs associated with each location (i.e. camps, settlements, etc.). As a result, it is only from 2022 onwards that the budget can be broken down by camp in Rwanda. UNHCR reports primarily by outcome and by type of activity rather than by the different camps in which it operates.

313. More generally, the table of the amounts for operational expenditures for each country operation in 2022 and of the figures for operational expenditures in support of camps show that camps are more costly than the assistance provided to urban refugees.

314. The discrepancy between costs per refugee in camps or out of camps cannot be significant, by assumption, for country offices in countries where the vast majority of refugees are hosted in camps (e.g., in Bangladesh, Mauritania and the United Republic of Tanzania). However, the discrepancy is clear in countries where the majority of the refugees are urban refugees. In 2022, the two camps in Jordan consumed 29 per cent of the country operation's operational expenditure, while they hosted 17 per cent of the refugees present in the country. In Uganda, operational expenditures related to camps represented 30 per cent of the total operational expenditure in the country for 23 per cent of the refugees present in the country.

315. In addition to the specific needs related to camp management and the services provided, the over-costs are also related to the protracted situations. Over time, the needs of refugees and the nature of the population evolve. Some refugees were born and raised in the camps. A wider range of needs must be addressed, including in the fields of education and health. Those services must be supported by UNHCR, but also by the various stakeholders delivering in the camps, the host Government and the refugees themselves.

316. The Board recommends that UNHCR better inform the budget process with the needs and expenditure associated with the management of large camps.

317. UNHCR accepted the recommendation.

(e) Governance of large camps, coordination and service delivery

318. UNHCR country offices play a double role:

(a) Co-management of large camps with host Governments, which is handled largely by UNHCR⁵⁰ (subsect. 5 (e) (i));

(b) Coordination and participation in sectoral activities, such as protection, education, health, nutrition, livelihoods, etc.; in line with the Refugee Coordination Model, host Governments, other United Nations agencies such as the United Nations

⁵⁰ Only the International Organization for Migration and a few non-governmental organizations, such as the Danish Refugee Council, may have similar responsibilities, and, among the countries visited by the Board, only in Bangladesh.

Children's Fund (UNICEF), IOM, WFP and others, and international or local NGOs can also participate in sectoral programmes (subsect. 5 (e) (ii)).

319. UNHCR pays particular attention to its role in respect of coordination of activities in the camps. The organization's mandated accountabilities include leadership responsibilities in a refugee emergency response, which encompasses the coordination of inter-agency refugee responses, in cooperation with host Governments. The number of sectors is determined by the context, refugee needs and operational priorities. Under the Refugee Coordination Model, UNHCR co-coordinates with Governments in the following sectors: protection, with subsectors in child protection and gender-based violence, where appropriate; public health and nutrition; education; settlement and shelter/housing; and livelihoods and economic inclusion. Other sectors that can be established based on need and capacity, include water, sanitation and hygiene; food security; basic needs; and supply and telecommunications.

320. The co-coordination of the sectors is based on partner presence and expertise in the field, as well as on global agreements. In refugee responses, UNHCR is the provider of last resort. In the case of critical gaps, UNHCR may need to cover the life-saving activities.

321. However, the Board has noted that in certain instances, UNHCR has directly implemented part of the core mandate of other United Nations agencies or played the leading role in the coordination of technical issues, without substantiating the necessity of intervening in situations of critical and urgent gaps.

322. Moreover, some tasks that fall fully or mainly under its responsibility deserve more attention. Among activities related to the protection mandate, protection against gender-based violence in all its components is dealt with unequally and sometimes very insufficiently.

(i) *Co-management of large camps with host Governments*

323. UNHCR is involved in the co-management of large camps with the host Governments. In that respect, the relationships with the numerous stakeholders involved in the camps are generally properly monitored, albeit time-consuming. UNHCR, while retaining its responsibility for refugee response, should focus primarily on overall coordination and strategic issues and find ways to streamline coordination processes to save time and staff.

Relations with host Governments and local authorities

324. The role of the host Government in the management of large camps is central. The camps are located on its territory and fall under its overall responsibility. The host State is responsible for setting the rules for the refugees (freedom or not of movement, work, education, construction, etc.), for camp security and for all aspects of camp life that the host authorities wish to deal with. In that regard, the role of UNHCR in the operational management of camps is narrowly dependent on which activities host countries agree to share with the organization.

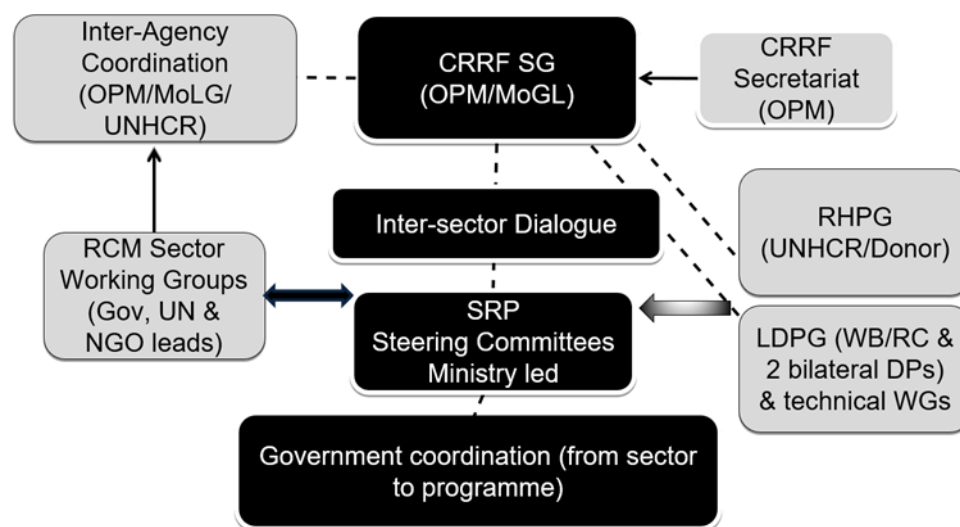
325. As a result, the quality of the dialogue with governmental authorities, both at the central and local levels, is crucial. UNHCR country offices cannot undertake their camp management activities without the consent of the host Government and without good coordination with government institutions.

326. In most of the countries, the basic agreements (or memorandums of agreement as in Jordan or Bangladesh) are signed with the host country.

327. In all of the countries visited by the Board, the relationships with host Governments are good or acceptable as far as camp management is concerned.⁵¹ The country office representatives and their staff pay close attention to the quality of the dialogue and spend considerable time dealing with the national and local authorities. Their dialogue is both informal and formal. On the formal side, there is an approved coordination system that defines, in particular, the various interlocutors, the committees or meetings to be constituted or held and the frequency of the meetings and reports. The coordination system in Uganda at the national and local levels is shown in figure II.V.

Figure II.V

General framework for coordination, Uganda



Source: Uganda UNHCR country office.

Abbreviations: CRRF SG, Comprehensive Refugee Response Framework Steering Group; DP, development partner; LDPG, Local Development Partner Group; MoLG, Ministry of Local Government; NGO, non-governmental organization; OPM, Office of the Prime Minister; RCM, Refugee Coordination Model; RHPG, Refugee Humanitarian Partners Group; SRP, sector response plan; WB/RC, World Bank resident coordinator; and WG, working group.

Governance of the camps

328. As co-manager of the camps and in compliance with the Refugee Coordination Model, UNHCR coordinates the activities implemented in the camp. The Board noted that that role was, in general, properly performed, owing to well-designed coordination structures and regular meetings with all the stakeholders, namely, the host country authorities, United Nations agencies and NGOs present in the camps. UNHCR leads the coordination of activities implemented in the camps and benefits from the recognized role of the other stakeholders as intermediaries with the host authorities.

329. The camp coordination meetings, chaired by UNHCR or co-chaired with the host authorities and attended by the other stakeholders, should tackle questions of common interest rather than specific and technical issues linked to only one sector.

⁵¹ The question of urban refugees and their protection by UNHCR may be more controversial in some countries.

To that end, sectoral meetings are held, with each sector having its own lead partner and team. UNHCR is part of most of the sectors in the camps.

330. In several camps, United Nations agencies or NGOs complained that they lacked autonomy and were reluctant to organize sectoral meetings, owing to the fact that all issues were monitored at the general coordination level.

331. UNHCR, while preserving its accountabilities in the refugee response, should be focused mainly on general coordination and strategic issues and find ways and means to alleviate the coordination processes in order to spare time and staff.

(ii) *Coordination and participation in sectoral activities*

Relation with delivery partners

332. Within the camps, there are constant interactions with NGOs and other United Nations agencies in order to deliver the programmes. However, when it comes to global camp governance, the interaction is less frequent and less formalized, given that the other United Nations agencies and NGOs are not formally involved. As mentioned above, the responsibility of governance is shared between UNHCR and the host Governments. The other partners focus mainly with UNHCR on the preparation of the national responses and the definition of the fundraising targets.

333. In some cases, the question of camp management does not appear to be sufficiently integrated in the United Nations strategy in the country. For example, in Uganda, the African country with the highest number of refugees, the United Nations Sustainable Development Cooperation Framework, 2021–2025 mentions the question of refugees and settlements and briefly describes a few concrete actions in settlements, but gives the impression that refugee treatment is mainly distinct from other development policies and dealt with mostly within the specific framework of the comprehensive refugee response framework.

334. Given that camp management is about humanitarian priorities, especially for large protracted camps, UNHCR country offices could strengthen relations with United Nations resident coordinators in order to better integrate refugees and camp issues into the United Nations country strategy, at least in countries in which the Government is open to a holistic approach.

335. The Board recommends that UNHCR strengthen its relations with the United Nations resident coordinator to better integrate refugee issues into the system-wide United Nations strategy in the host country, in order to develop synergies and avoid duplications.

336. UNHCR accepted the recommendation.

Participation of forcibly displaced and stateless persons in the life of the camp

337. The level of refugee participation varies and is expressed through different means and channels. In some cases, such as Rwanda and Uganda, refugees elect representatives to committees, which are consulted by UNHCR and the national authorities before important decisions are taken. In Jordan and in Mauritania, refugee representatives, who are designated in accordance with tradition rather than through an electoral process, are also consulted; their legitimacy among the refugee communities may be real, but there are certain distortions (overrepresentation of heads of traditional communities, underrepresentation of women, etc.).

338. Given that most of the large camps are the result of protracted situations, refugees are likely to remain in the camps for many years. Camp management would be more efficient if refugees could express their opinions and wishes. This would also probably reduce the risks of frustration and violence.

339. Without developing a complete system of representation in the camps (the camps usually remain part of the national territory and cannot have their own rules if they differ from those set by the national authorities), it would be useful if refugees were given the right to freely elect their representatives where such a system does not already exist (for example, in Cox's Bazar, Bangladesh, elections have been held in only 4 of the 33 camps) and if the representatives were consulted by the host Government and the UNHCR country office on the management of the camp. That is not possible in all countries, as some Governments, such as that of Bangladesh, are reluctant to authorize elections in the refugee communities. However, even in those cases, UNHCR country offices should pursue and intensify their advocacy.

340. With or without elections, refugees are often involved in the life of the camps through committees or groups that they can join on a voluntary basis and through voluntary activities in their communities. For example, in Mbera camp in Mauritania, 31 associations have been set up. The UNHCR country office is very active in promoting associative life, encouraging participation in such groups, financing some of the voluntary activities and spending considerable time in group meetings and monitoring.

341. A final way to involve more refugees in the life and management of the camps is to recruit some of them as local staff of UNHCR, other United Nations agencies or implementing partners, if allowed under national rules. UNHCR is committed to such practices, provided that the refugees concerned receive adequate training.

Host communities

342. Some UNHCR programmes support host communities to contribute to the integration of refugees and to alleviate the pressure of influxes. In Rwanda, in 2022, UNHCR activities affected 152,402 people, including 119,664 refugees, 739 asylum-seekers, 2,500 Rwandan refugee returnees, 9,500 stateless persons, 15,000 persons in host communities and some 5,000 other forcibly displaced and stateless persons. In Bangladesh, there were 965,467 refugees as at 30 September 2023. In addition, the joint response plan includes more than 500,000 host community members affected by the presence of refugees, i.e. more than one third of the total number of people in need are from host communities.

343. This is explained by two main factors: host communities and refugee populations are often geographically mixed and, even when they live in close but distinct areas such as in Bangladesh, it is crucial not to focus only on refugees to the exclusion of the host communities in order to maintain social cohesion and mitigate potential tensions. Host communities are generally represented through local authorities or not represented at all. It is sometimes difficult for UNHCR country offices to clearly identify interlocutors, which can make the prevention of tensions difficult. UNHCR country offices are nevertheless paying attention to the issue and making efforts to develop good relationships with local authorities and consider the needs, wishes and constraints of the host community.

Protection

344. The protection of refugees is the core mandate of UNHCR. This is a broad concept encompassing all aspects of refugees' lives. The following observations on UNHCR involvement in many sectors underline the difficulties in drawing limits within the protection mandate.

345. Some aspects of the protection of refugees, however, fall fully or mainly under the responsibility of UNHCR. Physical safety and security in camps, for instance, must be ensured by the host country, but UNHCR, as camp co-manager, is necessarily involved in maintaining order between communities and in the mitigation of

criminality and tensions. In that regard, most of the camps visited by the Board are described by UNHCR as not affected by open conflict and violence. According to the Jordanian authorities, the criminality rate in the two camps is likely lower than in the rest of the country. However, Cox's Bazar in Bangladesh is a concerning exception.

346. Improving refugees' livelihood conditions is also an important part of protection activities, given that it reduces the socioeconomic vulnerability of the population. The Board notes that UNHCR is proactive on that issue. It advocates in favour of access to work for refugees, even in countries where host Governments are reluctant to grant that right. Access to education and livelihood opportunities also mitigates protection risks, in particular for refugee girls and youth, by reducing reliance on negative coping mechanisms.

347. Issues related to community-based protection or to individual protection, such as protection against gender-based violence in all of its components, are addressed unequally and sometimes very inadequately. On the one hand, UNHCR may tend to minimize its role in that it considers its protection mandate to be one of protection of communities (persons forced to flee) rather than individuals. On the other hand, UNHCR may rely on the role of the community in mitigating risks, even though for several reasons, some issues cannot be resolved by the community, assuming that it is not at the root of the violence.

348. In all countries, UNHCR emphasizes its role in preventing child marriage, and some measures have been taken to mitigate that risk. In Jordan, marriage with a female child prevents the couple from obtaining a new shelter. However, while it is important to combat early marriage, that is not the only issue involved in gender-based violence.

349. A total of 220 gender-based violence cases were recorded in Mbera camp (Mauritania), 1,920 in the United Republic of Tanzania, 2,733 in Cox's Bazaar (Bangladesh), 4,189 in Mahama camp (Rwanda) and 12,428 in the two camps in Jordan.

350. In many countries, the prevalence of gender-based violence does not appear to be realistic. Considering that some camps are of a similar size (for example, the two camps in Jordan and Mbera camp in Mauritania) and that some others are much larger (in Bangladesh), the very large discrepancies in the numbers of cases recorded show the unequal importance given to such issues by UNHCR country offices.

351. The Board does not underestimate the difficulties faced by camp management. However, the above discrepancies cannot be explained by different cultural contexts alone. In that regard, UNHCR should review its approach to individual protection and its methods for tracking and recording gender-based violence cases.

352. The Board recommends that UNHCR better identify and mitigate the risks related to the protection of forcibly displaced and stateless persons in large camps, including those concerning gender-based violence, and reinforce capacity-building in that field.

353. To that end, UNHCR should notably seek to better identify and assess the most critical risks, review and improve mitigation tools and set clear priority actions and goals, including for the training of staff and implementing partners.

354. UNHCR accepted the recommendation.

Basic needs programmes

355. Owing to its mandated coordination accountabilities in refugee responses, UNHCR has a role in sectoral co-ordination. In the case of basic needs, the sector co-ordination is based on partner presence and expertise in the field, as well as global arrangements.

356. In all refugee camps, UNHCR delivers, on a continuous basis, programmes in sectors of assistance that are part of the core mandate of other United Nations agencies, in addition to protection.⁵²

357. While it cannot be denied that UNHCR is the provider of last resort, as far as refugee assistance is concerned, the extent and the frequency of the organization's direct involvement in sectors of assistance should be clearly justified by situations of critical and urgent gaps.

358. Within the camps, UNHCR takes the lead in providing humanitarian assistance and stands in for all activities whose needs are not fully covered by another organization. Either it substitutes for other actors, including United Nations agencies, that are not positioned to provide assistance to the camps themselves or the assistance it provides is related to infrastructures that were built with a development perspective and that it has to maintain as long as it continues to manage the camps. In most refugee camps, UNHCR conducts, beyond protection, activities in health, education, water, sanitation and hygiene, nutrition and livelihoods, among others.

359. Because UNHCR has framework agreements with United Nations agencies, the field reality leads to UNHCR being directly involved in a wide range of programmes. It is stated in the memorandum of understanding between UNHCR and WFP that in refugee camp settings, UNHCR and its implementing and operational partners are responsible for assessing, implementing, monitoring and evaluating nutrition programmes and the status of beneficiaries, including any selective feeding programmes that are necessary.⁵³ It is also stated that, on the basis of the Strategic Collaboration Framework between UNHCR and UNICEF,⁵⁴ that collaboration recognizes and does not seek to change the respective roles of the two organizations under the UNHCR Refugee Coordination Model.⁵⁵ For example, in the Ugandan refugee camps, UNHCR activities in education are very broad. UNHCR pays the salaries of the teachers, which is a recurrent cost that should, under normal circumstances, fall under the responsibility of the Government or non-State actors as part of a transitional inclusion pathway, as also detailed in the Global Compact on Refugees. It should also be noted that the commitment of UNICEF regarding refugee education in Uganda is very limited. In 2020, in the United Republic of Tanzania, the refugee examinations conducted by the National Examinations Council of Tanzania were paid by UNICEF and UNHCR (\$150,000 each).

360. UNHCR continues to support the cost of infrastructures built in camps, with an overarching development perspective. As long as the camps are open and the refugees need comprehensive humanitarian assistance, the necessary systems are difficult to hand over to other stakeholders. Indeed, any such operators would have to charge consumers for the use of their services. In Jordan, camps have had electricity since 2017 and are powered using solar panels. UNHCR has been responsible for maintaining the system since that time and will continue to do so until the refugees become self-sufficient or can benefit from durable solutions. This means that UNHCR has to support the cost of the maintenance and repair of the aging network and pay the monthly entitlements for the electricians who are refugee United Nations Volunteers.

⁵² Practically speaking, these accountabilities translate operationally into the following broad areas: delivery of protection, assistance and facilitation of solutions.

⁵³ Memorandum of understanding between UNHCR and the World Food Programme, January 2011, article 3.22.

⁵⁴ In particular, article 2.1., which provides that the two organizations will place specific focus on joint and complementary policy, programming, advocacy and resource leveraging and mobilization efforts in support of the objectives of this Framework.

⁵⁵ Article 2.10.

361. UNHCR plays a leadership role in most, if not all, sectors of camp management. UNHCR staff are frequently involved in the monitoring of technical issues, for example, which runs counter to the UNHCR updated refugee coordination guidance note of 2019, in which it is stated that UNHCR encourages sector leadership by partners with necessary capacity, expertise and experience. This has the unfortunate consequence of lowering the skills of partners in the long run and discouraging newcomers from investing in camp management.

362. The co-management of a refugee camp and programming activities require dedicated UNHCR staff, with specific skills and knowledge. The recruitment of relevant international staff is more complicated owing to the location of the refugee camps. Most of them are in hardship locations and non-family duty stations. UNHCR has therefore advocated, to the International Civil Service Commission, for criteria for camp locations that contribute to attractive salary packages and for reasonable rotations. However, some country offices continue to face difficulties in recruiting specific profiles. For instance, the UNHCR sub-office in Bassiknou, Mauritania, is experiencing difficulties in recruiting international staff, especially women.

363. Against that background, the UNHCR policy is to increase its reliance on national individuals and organizations for capacity-building and with the long-term perspective of phasing out. The Board welcomes that initiative. To efficiently implement that strategic orientation, UNHCR must ensure that the implementing partners have the skills and knowledge to deliver the programmes efficiently. It should also ensure that the partners share the same values as UNHCR and, more broadly, the United Nations. During its visits to refugee camps, the Board noted several difficulties in this area. For instance, the country office in Mauritania did not renew four implementing partners (one international and three local) for the year 2024 because they did not correspond to the expected results, in particular in terms of efficiency.

364. The Board recommends that UNHCR study ways of improving coordination in the management of the large camps, by clearly defining, through an update of the Refugee Coordination Model, the priority tasks entrusted to UNHCR and those for which the other partners are responsible.

365. UNHCR accepted the recommendation.

(f) Performance and accountability

366. Not enough is known about the costs and performance of large camp management. Donors, host countries and beneficiaries are not aware of the costs of camps compared with other solutions, in particular because UNHCR presents its budget and reporting without distinguishing between refugees in camps and refugees in urban areas. In a context of financial constraints, UNHCR would benefit from a reflection on how to improve accountability, efficiency and effectiveness.

Coordination and management costs in large camps

367. While camp management is a specific UNHCR activity, its costs are not specifically measured. The costs of camp management are included in the operational costs. In the countries visited by the Board, only one country office, in Bangladesh, provides detailed information on coordination costs. Coordination costs specifically appear among the assessed costs presented to the potential donors. In the 2023 joint response plan for the Rohingya humanitarian crisis, those costs amounted to \$11.3 million (1.4 per cent of the \$811 million in total assessed needs).

Table II.28
Overview of the 2023 joint response plan for the Rohingya humanitarian crisis in Bangladesh

(United States dollars)

<i>Sector</i>	<i>Lead agency</i>	<i>UNHCR needs</i>	<i>Lead agency needs</i>	<i>Total needs</i>	<i>UNHCR share (percentage)</i>	<i>Lead agency share (percentage)</i>
Food security	WFP and Food and Agriculture Organization of the United Nations	2 500 000	209 000 000	234 840 933	1	89
Protection/child protection/gender-based violence	UNHCR (UNICEF-United Nations Population Fund)	28 225 009	–	76 618 044	37	–
Site management and site development and shelter – non-food items	IOM and UNHCR	67 000 000	–	160 698 130	42	–
Livelihoods skills development	UNHCR	14 500 000	–	40 044 297	36	–
Health	World Health Organization	22 000 000	11 506 000	97 325 626	23	12
Nutrition	UNICEF	3 300 000	10 350 120	40 044 297	8	26
Water, sanitation and hygiene	UNICEF	28 000 000	21 044 478	78 756 385	36	27
Education	UNICEF and Save the Children	14 206 445	33 190 000	71 186 346	20	47
Emergency telecommunications sector	WFP	–	1 150 000	–	–	–
Coordination	–	411 875	–	11 335 639	4	–

Source: 2023 joint response plan for the Rohingya humanitarian crisis.

368. Separate identification of the coordination costs is explained by the scale of the response and, more specifically, by the fact that, partly as a result of that scale, a specific structure for coordination and camp management has been created, namely, the Inter-sector Coordination Group. The Group is led by the Government of Bangladesh and funded by international donors. The Group's staff may originate from UNHCR, IOM or other United Nations agencies but should be "neutral" towards those agencies. The Group plays a central role in the management of the refugee response, in addition to sector coordination. In Bangladesh, there are 34 camps, 33 in Cox's Bazar (known as "the Cox's Bazar camp") and 1 on the island of Bhasan Char. Unlike in other countries, UNHCR co-leads the management of the 33 refugee camps in Cox's Bazar with IOM. The latter does not, however, play that role in Bhasan Char.

369. The example of Bangladesh, the only one where coordination costs among various United Nations and NGO agencies were identified, shows that the coordination is costly:⁵⁶ even if the assessed needs are only 1.4 per cent of the total assessed needs for the response, \$11 million is a significant amount of money. For example, with a similar ratio of cost per refugee, more than \$16 million would be needed for the coordination of the refugee response in Uganda, which does not appear in the data provided to donors. That \$16 million would represent, for example, 55 per cent of the assessed needs for the environment and energy sector (\$29.1 million in 2023), which shows that it is a significant UNHCR expense in the country.

370. Such lack of measurement of coordination and management costs is linked to the difficulty in measuring the time spent by country office staff on those issues. The responsibility is shared among the UNHCR representative, their deputies and the teams in charge of programmes and operations, as well as the staff in charge of

⁵⁶ With the budgetary constraints, it was decided in 2022–2023 to undertake a significant reduction in the costs of the Inter-sector Coordination Group and the coordination in the response plan.

support activities. However, in many countries that host camps, a dedicated sub-office or field office is in charge of camp activities. This means that those staff are allocated mainly to camp management.

371. It would be useful to measure the costs for the country offices (and the time spent) of two different activities: the specific overall camp management performed in liaison with the host Government and the coordination and management of the sectors performed in liaison with national and local authorities, other United Nations agencies and NGOs. Such measurement would make it easier to assess performance (see below) and try to reduce costs if they appear too high compared with previous years or other countries.

Performance of UNHCR in the management of large camps

372. The UNHCR country offices have impact, outcome and output indicators in COMPASS (the organization's results-based management approach) that give an idea of their performance in many fields (for example, whether the targets are reached in protection, education when they are in charge, livelihoods, etc.). Information on such indicators was not provided to the auditors for the two activities examined.

373. The above information may not have been provided owing to the difficulty of specifically measuring an output that is directly linked to the quality of coordination and management.

374. The Board acknowledges that the numerous UNHCR partners that it met during the field visits (national and local authorities, other United Nations agencies, NGOs and other implementing partners, and refugee representatives) recognize the expertise of UNHCR in camp management and that its global performance in that area is considered to be good.

375. The situation in Bangladesh is without equivalent in other countries. UNHCR is not in charge of the overall management of the camp; it is only in charge of the management of 16 camps, while IOM is in charge of the other 17 camps. Each of the 33 camps has an average of 30,000 refugees; except for Bhasan Char, they are located in the same area without, in most cases, a clear delimitation between them. This provides a unique opportunity to compare the performances of UNHCR and IOM, which have been placed in the same situation and have the same management responsibilities in very similar camps.

376. The Board noted differences in sector management. For example, devices and organizations were different for energy and for shelter, with differences in efficiency. However, the Board did not note any significant differences between IOM and UNHCR with respect to camp management, relations with the Government of Bangladesh or performance.

377. Nevertheless, given that camp management and sector coordination are both costly and crucial to the quality of the assistance that all actors provide to refugees in large camps, it would be useful to address the issues of cost and performance more directly in order to better assess them and better promote improvements in performance.

378. The Board recommends that UNHCR improve reporting on the management of large camps, including costs and results achieved, and develop scenarios for generating savings and increasing efficiency and effectiveness.

379. UNHCR accepted the recommendation.

C. Transmissions of information by management

1. Write-off of cash, receivables and property

380. UNHCR reported that it had formally written off assets of \$3.9 million (2022: \$8.9 million). The write-offs refer primarily to unrecoverable value added tax. Write-offs of cash and receivables represented \$3.7 million, and write-off related to loss of property, theft or wear and tear amounted to \$244,617.

2. Ex gratia payments

381. UNHCR reported that, for 2023, it had decided to make ex gratia payments in five country offices for a total amount of \$43,782, which related to different difficult situations and included compensation of staff or affiliates affected by the earthquake in Türkiye and the Syrian Arab Republic or by Cyclone Mocha in Myanmar. For 2022, UNHCR had approved one ex gratia payment in the amount of \$13,500. That information corresponds with the review of the Board of the financial and management records of UNHCR.

3. Cases of fraud and presumptive fraud

382. 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 assurance of identifying material misstatements, including those resulting from fraud. Its financial audit should not, however, be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

383. UNHCR reported 24 cases of substantiated fraud during 2023 and four cases of alleged fraud by implementing partners resulting in financial losses of \$0.4 million (2022: \$1.2 million). Of the 24 cases, 21 were committed by staff members and 3 by a vendor. The staff cases involved entitlement/benefit fraud, procurement fraud, medical insurance fraud and other fraud.⁵⁷ As at 31 December 2023, 47 fraud cases⁵⁸ were still under investigation by the Inspector General's Office.

D. Acknowledgement

384. 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 staff.

(Signed) **Hou Kai**
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(Signed) **Pierre Moscovici**
First President of the French Cour des comptes
(Lead Auditor)

(Signed) **Dorothy Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile

24 July 2024

⁵⁷ Of the 21 cases, 3 were classified as theft.

⁵⁸ Four of the cases are recorded as theft and two as threats/theft/assault.

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2022

No.	year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1.	2022	A/78/5/Add.6, chap. II, para. 56	The Board recommends that UNHCR apply specific inventory identifiers, instead of generic ones, for items that are not similar in nature.	UNHCR has been implementing the new Cloud ERP system, in which items are recorded under the same item identifier if they are by nature substantively the same or substitutable. Unique identifiers have been implemented for the core inventory items, except for spare parts for global fleet management and medical items. UNHCR is in the process of finding an optimal solution for those complex items, which previously have not been treated as inventories. (see sect. 3.1 of the Cloud ERP Supply Manual, which describes how new item identifiers are implemented in Cloud ERP).	Generic items are no longer identified in the new enterprise resource planning system. Inventories are now estimated using the average costs method for all the items. The Board has been provided with the calculation file to assess the change in method and concludes that there is no material impact on the accounts. The Board considers the recommendation as overtaken by events.				X
2.	2022	A/78/5/Add.6, chap. II, para. 63	The Board recommends that UNHCR take the opportunity of the new Cloud ERP system to improve the quality of the freight costs calculation.	UNHCR will implement the concept of trade operations, a standard functionality of Oracle by which every time goods are received, a freight cost uplift is identified and assigned and the value is added to the purchase value of the goods. The new functionality will be applied from 2024, following the required testing and preparation work. The new trade operations system will apply operation-specific standard cost uplifts to match each operation's (inventory cost organization's) own transport costs to its own purchases. The uplifts will be modified at regular intervals to update the standard applicable based on recent actual experience.	The same observation made in the Board's report for 2022 applies to the freight costs. UNHCR should take the opportunity of the new Cloud ERP system to improve the quality of the cost calculation in 2024. The Board considers the recommendation as under implementation.			X	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented by events
				Global stockpile management warehouses will also represent a separate inventory cost organization for the purposes of ancillary cost capitalization for inventory.				
				For donations in kind, separate trade operations templates at standard rates for overland (15 per cent of fair value) and air shipments (25 per cent of fair value) will be applied.				
				For certain classes of goods and light vehicles in particular, the actual transport cost invoices will be matched to the goods invoice instead of applying the standard rates. This applies to both first-leg and second-leg transport for vehicles.				
				The work to develop the relevant trade operations templates has started and is intended to be implemented from the fourth quarter of 2024.				
				For 2023, the standard uplift approach applied in prior years will continue to be applied, but with the change that the calculation will reflect the adjustment for donations in kind (as identified by the Board in 2022) to avoid duplication of capitalization.				
				The replenishment margin is charged on global stockpile transfers to operations, and the part of the replenishment margin that covers non-capitalizable costs will not be added to inventory value for IPSAS, as that mark-up does not represent inventoriable costs for IPSAS.				

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
3.	2022	A/78/5/Add.6 , chap. II, para. 74	The Board recommends that UNHCR record all consumables stored in controlled (warehouse) locations in the new Cloud ERP system and apply identical procedures as for other stock items (purchases, distributions, physical verifications, etc.).	In the Cloud ERP system, UNHCR has begun to account for consumables stored in official UNHCR warehouses as inventory rather than expensing them immediately. With the exception of spare parts for global fleet management and medical items – complex items for which UNHCR is in the process of finding an optimal solution – all items in warehouse locations are now considered and treated as inventory and part of the physical counts, irrespective of their previous accounting specification. Consumables were migrated to the Cloud ERP system by capitalizing them individually. The lump sum capitalization, which was estimated at the end of 2022, was released in 2023. The change from estimate to detailed accounting is not a change in the accounting policy in 2023. The process of capitalization as inventory has not yet been rolled out in controlled storage at non-warehouse locations (e.g. laptops in a locked office location). The value of inventory at such locations is not expected to be material.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
4.	2022	A/78/5/Add.6 , chap. II, para. 83	The Board recommends that UNHCR issue a policy on employee benefits liabilities valuation describing the controls attributable respectively to UNHCR and its actuary.	UNHCR has issued a standard operating procedure that sets out the key controls that must be applied in the calculation of employee benefits liabilities, both by UNHCR and by its actuary. The instructions will be finalized and shared with the actuary and will be implemented for the 2023 annual financial reporting cycle.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
5.	2022	A/78/5/Add.6 , chap. II, para. 101	The Board recommends that UNHCR conduct and document a detailed review of expenses where cut-off error risk is high, in particular of the most material procurement transactions, such as transportation or fuel.	<p>As part of the 2023 year-end closing procedures, UNHCR conducted and documented a targeted review of material charges with a high risk of cut-off error in the first quarter of 2024 for the next financial year. The review was documented in a memorandum, and documents were provided for audit purposes.</p> <p>UNHCR continues to consider that a lump sum accrual will realistically cover significant cut-off errors and that such accrual will address the recommendation. UNHCR would like to discuss this further with the Board in view of the new purchase order functionality, which could provide better visibility of items that could partly present cut-off errors.</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
6.	2022	A/78/5/Add.6 , chap. II, para. 116	The Board recommends that UNHCR review and document asset disposal requests against the property, plant and equipment register at year-end closure to ensure that its new guidance concerning transfer of ownership of assets is effectively implemented.	<p>In its new Cloud ERP system, UNHCR will implement a new process that makes it possible to record the transfer of assets to partners without the need to manually change the asset status to “in service”, as was done in the previous system.</p> <p>A new class of assets, pending transfer and if active, will be used to capture such assets held for disposal. Assets purchased for distribution should be held in inventory (see para. 350 of the UNHCR administrative instruction on the accounting policy framework for the application of IPSAS in UNHCR). In the new Cloud ERP system, all purchases are recorded as inventory and are either transferred or capitalized only upon final determination.</p>	The Board concurs with the statement of the Administration that with the new Cloud ERP, the recording of the transfer of assets has changed and considers the recommendation as overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
7.	2022	A/78/5/Add.6 , chap. II, para. 117	The Board recommends that UNHCR record all necessary impairments through an annual review of all assets older than one year, especially of vehicles held in three warehouses (Chon Buri, Thailand, Dubai, United Arab Emirates, and Rotterdam, Kingdom of the Netherlands).	<p>UNHCR has issued an updated administrative instruction on the accounting policy framework (UNHCR/AI/2023/06 of 1 September 2023). In footnote 53 to paragraph 392 of the instruction, it is stated that an annual review is required to ensure that no significant overstatement of inventory values arises and/or reclassification to property, plant and equipment, and commencement of depreciation is required to ensure that UNHCR physical assets are materially correctly presented in the annual financial statements as a result of such delayed distribution from inventory. The review required under the policy will be conducted as part of the year-end 2023 closure activities.</p> <p>The Division of Financial and Administrative Management has issued instructions to the regional bureaux to review and provide information on asset impairments.</p> <p>In addition, a review of the status of vehicles in storage has been carried out to determine the amount of impairment for those that have been stored for more than 12 months.</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
8.	2022	A/78/5/Add.6 , chap. II, para. 126	The Board recommends that UNHCR enhance the role of the regional bureaux in the internal control process.	<p>UNHCR regional bureaux are consulted initially when the questionnaire is reviewed to capture particularities of the cycle and have the opportunity to flag new risks/controls that could be included in the questionnaire.</p> <p>Starting with the 2023 cycle, regional bureaux have taken an active role in conducting a quality review of the self-assessed rates initially submitted by country operations. The bureaux submit</p>	The Board has reviewed all documentation provided by management and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
9.	2022	A/78/5/Add.6 , chap. II, para. 152	The Board recommends that UNHCR secure all access rights in its new enterprise resource planning system, taking into account the segregation of duties and changes in employee positions.	<p>the results of the quality review to headquarters, and the findings are further factored into the overall considerations leading to the formulation of the statement of internal control.</p> <p>Upon launching the new Cloud ERP system, UNHCR issued specific guidance on access and roles management in the form of implementation note 4. The guidance provides an overview of the roles and data security access rights that should be assigned to a user in order to exercise specific functions in Cloud ERP. The new framework implemented in Cloud ERP is referred to as “delegation of authority and role provisioning in Cloud ERP”. The guidance also introduces standard templates based on which the roles and accesses are recorded in the system and which include criteria for segregation of duties, an explanation of roles and mapping roles for typical functions. A network of focal points for Cloud ERP roles has been established; these dedicated focal points now have direct access to delegation of authority and role provisioning reports in the system to facilitate regular and timely updates. Each office is responsible for maintaining its delegation of authority and role provisioning by submitting a duly approved and reviewed request that the delegation of authority and role provisioning be updated, through a central headquarters team and global desk system, each time there is a change in the office’s team.</p>	The Board considers the recommendation as overtaken by events (see new recommendation in para. 66 of the present report).			X

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
10.	2022	A/78/5/Add.6 , chap. II, para. 201	The Board recommends that UNHCR ensure more consistency in the way risks are reviewed and can be escalated at the level of regional bureaux, and reassess the level of monitoring needed on the less critical ones.	<p>With regard to part (1) of the recommendation, the Enterprise Risk Management Service, in coordination with regional risk advisers in each regional bureau, has undertaken the following steps to ensure more consistency in the ways risks are escalated:</p> <p>(a) Clarified guidance in the risk review instructions;</p> <p>(b) Reflected the review of the handling of escalated risks in the standard operating procedures for quality assurance of the 2024 risk review;</p> <p>(c) Provided specific feedback to operations in which risks were not escalated correctly (mostly verbally, but also in some cases, through written feedback);</p> <p>(d) Included more reflection on escalated risks and the role of the bureau in the annual regional reports;</p> <p>(e) Published further guidance on the intranet in the form of an article.</p> <p>With regard to part (2) of the recommendation, the Enterprise Risk Management Service, in coordination with regional risk advisers in each bureau, has undertaken the following steps to reassess the level of monitoring needed for low risks:</p> <p>(a) Clarified guidance in the risk review instructions;</p> <p>(b) Reflected the review of the handling of low risks in the standard operating procedures for quality assurance of the 2024 risk review;</p> <p>(c) Provided specific feedback to operations in which low risks were reflected.</p>	The Board has reviewed all documentation provided by management and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
11.	2022	A/78/5/Add.6, chap. II, para. 212	The Board recommends that UNHCR adopt, as a complement to the issuance of its corporate risk appetite statement, a consistent methodology for defining internally its tolerance for operational risks at the field level.	A draft global risk appetite statement has been developed. The document has gone through an extensive round of consultations (at headquarters and in the field), and the revised version will shortly be shared again with divisions before being submitted to the Field Reference Group and, ultimately, the Senior Executive Team. The aim is still to have the document endorsed internally by the end of the third quarter. In addition, four pilot country operations (Ethiopia, Kenya, the Sudan and Ukraine) have identified key risk indicators and begun collecting data on them. Discussions to set tolerance thresholds for the indicators are ongoing. On the basis of the pilot experiences, a standard operating procedure and reporting template are under development and will be road-tested in the second and third quarters in the next round of operations to roll out a risk appetite.	Work is still ongoing. The Board considers this recommendation as under implementation.		X		
12.	2022	A/78/5/Add.6, chap. II, para. 267	The Board recommends that the Administration revise the 2021 procurement framework by (a) lowering the threshold for formal solicitation to ensure effective monitoring and oversight of procurement actions; and (b) addressing key loopholes, particularly in terms of planning, training and staff qualifications.	The revised High Commissioner Policy on Procurement will be issued at the beginning of 2024, and the adjustment of the administrative instruction on procurement to address the recommendations is in progress. Planning will be addressed by the administrative instruction and staff qualifications are addressed by the freshly issued document "Supply function description and benchmark", which is part of the High Commissioner Policy. A considerable amount of training has been provided in the past year to introduce the Cloud ERP system and the new High Commissioner Policy and administrative instruction.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

No.	Year	Audit report Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented Overtaken by events
13.	2022	A/78/5/Add.6, chap. II, para. 297	The Board recommends that UNHCR enhance strategic leadership on procurement at the highest level and allocate as efficiently and effectively as possible the procurement activities to be carried out at the country operation, regional bureau and headquarters levels.	The new supply operating model implemented by UNHCR foresees a stronger role for the regional bureau supply teams in coordinating the annual procurement planning and consolidation at the regional level. The Supply Management Service, at the headquarters level, will review which part of the aggregate consolidated procurement plan should be sourced internationally (i.e. through the Supply Management Service) and which part should be procured locally through local or regional supply teams. As part of the updating of the regulatory framework, UNHCR will improve the consolidated procurement planning and develop procedures to plan and track the ordering of goods and services.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
14.	2022	A/78/5/Add.6, chap. II, para. 315	The Board recommends that UNHCR define and implement a prioritized demand and supply plan for each entity, and define tools and additional mechanisms to monitor procurement throughout the year.	The new supply operating model implemented by UNHCR foresees a stronger role for the regional bureau supply teams in coordinating the annual procurement planning and consolidation at the regional level. The Supply Management Service, at the headquarters level, will review which part of the aggregate consolidated procurement plan should be sourced internationally (i.e. through the Supply Management Service) and which part should be procured locally through local or regional supply teams. As part of the updating of the regulatory framework, UNHCR will improve the consolidated procurement planning and develop procedures to plan and track the ordering of goods and services.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
15.	2022	A/78/5/Add.6 , chap. II, para. 352	The Board recommends that UNHCR develop a more systemic approach in the way that procurement and inventory management are linked.	<p>UNHCR has configured the new Cloud ERP system to enable the evaluation of alternative sourcing options by a category manager or a buyer, including sourcing from existing inventory. The buyer command centre has been introduced as part of the roll-out of the new Cloud ERP. It allows centralized steering and coordination of defined procurement categories, including inventories.</p> <p>In addition, the demand and supply planning solutions have been parameterized and the related processes are under development. Additional checks and alerts are also included as measures to optimize the inventory on hand.</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
16.	2022	A/78/5/Add.6 , chap. II, para. 369	The Board recommends that UNHCR strengthen the role of the second "line of defence" in key internal controls on procurement processes, including at the regional level.	<p>UNHCR has introduced a new supply operating model. This new framework is aimed at strengthening the procurement teams in the regional bureaux, giving them responsibility for complex local purchases, which in the past were carried out by country teams. International purchasing will also be handled by a strengthened global service. The framework is supported by the new Cloud ERP system launched in September 2023. UNHCR is also considering reviewing the criteria for selecting the most appropriate purchasing method.</p> <p>The new supply operating model outlined in the new supply chain management strategy provides a description of the role of regional bureaux as a "second line of defence" in relation to procurement and other supply chain management areas. This is strengthened by a supply structure at the regional bureaux, guided by standard</p>	The Board acknowledges the efforts made by the Administration to clarify the supply function at the local, regional and central levels. However, that does not address the issue referred to in paragraph 370 of chapter II of the Board's report for 2022. The Board considers the recommendation as under implementation.		X		

No.	Year	Audit report	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
							Implemented	Under implementation	Not implemented
					benchmarks, enabling the bureaux to engage in more review and monitoring activities.				
					The standard structure of regional bureaux is set out in the document "Supply function description and benchmark", which defines the roles and minimum requirements of the supply function at the local, regional and field levels. This document has also been included in the handbook for designing field presences issued by the Strategic Workforce and Structural Planning Section of the Division of Human Resources Management, ensuring its application (see p. 71).				
17.	2022		A/78/5/Add.6 , chap. II, para. 410	The Board recommends that UNHCR regularly undertake a review of the most frequent cases of non-compliance in procurement identified by the relevant procurement review authority, and put in place appropriate measures to tackle the root causes of those weaknesses, in order to improve the oversight of procurement processes at all levels.	UNHCR has already begun to review and analyse cases of non-compliance related to procurement activities detected either through a secondary review by the internal procurement review authorities or through the review by external review authorities in several ways. UNHCR will review how the analysis of the root causes might be further enhanced, for example, by conducting additional checks on samples of procurement activities. The new revised administrative instruction on procurement will further elaborate on how the recommendation will be implemented in practice.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
18.	2021		A/77/5/Add.6 , chap. II, para. 27	The Board recommends that UNHCR follow up on the impact and costs of the decentralization and regionalization reform through completing a comprehensive evaluation to establish if the intended results foreseen in the 2019 framework decisions	A comprehensive evaluation of the decentralization and regionalization reform is included in the work programme for 2023–2024 of the UNHCR Evaluation Office.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
19.	2021	A/77/5/Add.6 , chap. II, para. 28	<p>on decentralization and regionalization have been achieved.</p> <p>The Board recommends that UNHCR closely monitor the implementation of the strategic workforce planning methodology and its impact on the strengthening of country presences in view of the intended goals of the decentralization and regionalization reform.</p>	<p>UNHCR is closely monitoring the implementation of the strategic workforce planning approach. For example, in the 2022 internal control questionnaire, operations were requested to report on whether they had prepared human resources action plans. A total of seven such action plans for the Evaluation Office, Burundi, Ghana, Iraq, Liberia, the Syrian Arab Republic and the Bolivarian Republic of Venezuela have been developed and are under implementation. The plans are a key result of the workforce planning exercises that operations are encouraged to undertake.</p> <p>UNHCR is also building the capacity of operations in general, and human resources teams in particular, to implement the strategic workforce planning approach through a newly developed handbook on workforce planning, which was released in July 2023 for use by the human resources community and planners. It is accompanied by a human resources action plan toolkit with menus of talent interventions, a sample plan and key performance indicators. The main objective of the handbook is to operationalize the workforce planning approach adopted by UNHCR in 2021, which complemented its multi-year planning and programming strategy. The programme handbook, which is fully aligned with the workforce planning approach, has been embedded in the “plan for, get and show results” phases of the programme cycle and was released in the fourth quarter of 2023.</p>	<p>The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.</p>	X		

No.	Year	Audit report	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
							Implemented	Under implementation	Not implemented
20.	2021		A/77/5/Add.6 , chap. II, para. 37	The Board recommends that UNHCR summarize existing documents into one formal accountability framework that defines roles, authorities and accountabilities in the organization in a compulsory manner and includes reporting lines and authorities.	<p>UNHCR has revised the roles, accountabilities and authorities for country offices, regional bureaux and headquarters divisions. Over the past three years, many lessons have been learned, which are reflected in the most recent revisions issued by the High Commissioner in December 2022.</p> <p>The updated roles, accountabilities and authorities include new content in key areas of work, including emergency preparedness, climate action, responses regarding internally displaced persons, protection from sexual exploitation and abuse and sexual harassment, security management, communications, resource mobilization, data management, evaluation, controls, risk management and oversight. The roles, accountabilities and authorities, together with policies and administrative instructions, constitute a foundation block of the UNHCR accountability framework and are a guide to empower teams and support decision-making at every level of the organization. UNHCR intends to bring those components together in a formal accountability framework in 2024 following the finalization of the business transformation programme.</p> <p>In the finalization of its overall accountability framework, UNHCR will also be informed by the outcomes of the Joint Inspection Unit report on the review of accountability frameworks in the United Nations system organizations issued in July 2023.</p>	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

No.	Year	Audit report Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
21.	2021	A/77/5/Add.6 , chap. II, para. 74	The Board recommends that UNHCR reshape its results-based management guidance to ensure the intended reorientation of strategic planning and set a focus on the required mind-shift towards the intended added value of the new approach, the multi-year planning and the practical implementation of COMPASS.	UNHCR has revised and consolidated all its results-based management and programming guidance and policies over the past two years to fully reflect its multi-year strategic planning approach and the transformation brought about through COMPASS. The new programme handbook and the Division of Strategic Planning and Results policies and procedures on programme and resource management were issued in the third and early fourth quarters of 2023. The programme handbook provides guidance and tools on strategic planning, including the development of the vision, theories of change and the results framework. In response to the demand for training to improve the quality of strategic planning, the Division deployed a number of missions to operations (Mauritania and Mozambique) and regional bureaux (East Africa, Horn of Africa and Great Lakes, Europe and West Africa) in 2023 to pilot and roll out training-of-trainer courses in the context of ongoing strategic planning exercises, which will feed into the capacity development strategy. Furthermore, dedicated capacity-building officers have been deployed to all regional bureaux since early 2021 to accompany that process.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
22.	2021	A/77/5/Add.6 , chap. II, para. 85	The Board recommends that UNHCR complement the COMPASS tool with enhanced reporting functionalities based on identified user needs.	UNHCR has developed reporting functionalities (results-based management/business intelligence) that include a business intelligence tool (results data portal) and allow both global and detailed COMPASS data analysis, as well as the creation of customized reports for specific needs.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				<p>The majority of the COMPASS content is now on the results data portal, which is accessible to all UNHCR staff.</p> <p>By the end of the third quarter of 2023, a number of automated business intelligence reports had been developed, entitled "Monitoring and Evaluation Priorities", "Indicator AGD Disaggregation" and "Annual Results Report Validation", with improvement on strategy reports along with COMPASS realignment.</p>				
23.	2021	A/77/5/Add.6 , chap. II, para. 87	The Board recommends that UNHCR further enhance the user-friendliness, functionalities and operational capabilities of the COMPASS tool.	UNHCR has been improving and enhancing the COMPASS tool, taking into account, in particular, the lessons learned in 2021, which allowed the organization to capture end-user feedback and identify areas for improvement, which are focused mainly on performance, stability, user experience and reporting capabilities. In 2022, in the key areas of budgeting and results management, improvements in user friendliness were implemented, with positive feedback from the end-user community. Functional and reporting improvements to the position management functionality were also implemented. The results data portal has also been improved to provide reports and analytical views to support decision-making and results-based management. In 2023, additional enhancements were included in the scope of work of the COMPASS realignment project as part of the larger business transformation.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
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24.	2021	A/77/5/Add.6 , chap. II, para. 101	The Board recommends that UNHCR streamline the measurement of programme results by interconnecting sectoral information available in other systems, such as CashAssist and PROMS, to feed into COMPASS, the new results-based management tool.	<p>A 2021 inventory of UNHCR operational headquarters data systems by the Global Data Service found a lack of interoperability in many of the systems, hindering evidence-informed decision-making. Updated guidance on managing the core indicators is included in the recently issued programme handbook, providing a clearer link to other operational data systems to ensure that they are taken into account comprehensively in monitoring, adjustment and reporting. While an automated flow of data from the sectoral systems to COMPASS is not envisaged, the results indicator information will be automatically shared from PROMS to COMPASS.</p> <p>In addition, since 2022, UNHCR has implemented Orion, establishing a robust foundation for combining operational data, beginning with population and location data, spread across disconnected enterprise systems, into a centralized data platform and enabling integrated analysis to aid data-driven decisions. This creates valuable insights from reliable data that support stronger advocacy and more effective targeting of interventions. The Global Data Service is working on expanding the inventory to include all data collected by operations and regional bureaux and on ingesting more data from different data domains into the Orion Analytics Centre.</p>	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
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25.	2021	A/77/5/Add.6 , chap. II, para. 111	The Board recommends that UNHCR prioritize the use of core impact and outcome indicators and encourage appropriate use of good practice and user-defined indicators to ensure coherent and aggregable reporting.	<p>UNHCR has reviewed and improved the guidance on core impact and outcome indicators to improve their use, which was published in the fourth quarter of 2023.</p> <p>UNHCR also developed guidance on prioritized good practice indicators to further encourage and improve use and has been monitoring the use of good practice and user-defined indicators to understand how this flexibility has been utilized, taking into account that this was a key requirement from field operations at the time when the new results-based management system was developed. The lessons learned have been fed into the review of the guidance on indicators and further organizational efforts to enhance the management of indicators, including through the recently issued programme handbook.</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
26.	2021	A/77/5/Add.6 , chap. II, para. 112	The Board recommends that UNHCR continue to review and monitor the selection and use of output indicators, with a view to considering developing a subset of relevant output indicators for global aggregation and reporting.	<p>In the fourth quarter of 2023, UNHCR introduced a set of core output indicators, which operations will start using in COMPASS for strategies for 2024. Detailed guidance has also been developed for the indicators to ensure harmonized use (see sect. 5.5 of the new programme handbook). The set of indicators will be used for global reporting, with results data available for the first time in 2025, and will help to streamline the aggregation of output.</p> <p>UNHCR configured core output indicators at the end of 2023 and will report on them in the third quarter of 2024 (mid-year 2024) and in early 2025.</p>	Insofar as reports on output indicators have not yet been published, UNHCR plans to use them for global reporting in 2025. The Board considers the recommendation as under implementation.		X		

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27.	2021	A/77/5/Add.6 , chap. II, para. 117	The Board recommends that UNHCR carefully review the comparability of indicators that are intended for global presentation and ensure the availability of baseline data.	The review of core indicator data was systematically undertaken as part of the 2022 annual results reporting. Core indicator data were published in mid-2023 as part of the global report and in annual results reports of 50 operations. Given that this was the first time that data for the new indicators were shared, UNHCR has used this internal review and external reporting to learn lessons and has refined its detailed guidance in the programme handbook (see pp. 66–68).	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
28.	2021	A/77/5/Add.6 , chap. II, para. 208	The Board recommends that UNHCR improve its mechanisms for the tracking of large orders of information technology-related serially tracked items in the new enterprise resource planning system and strengthen the compliance of field operations with the policy on serially tracked items.	In the new Cloud ERP system, the serially tracked items, which have been renamed as low-value tracked items) will be tracked through the same functionality as the one used for other fixed assets. While the low-value tracked items will continue to be fully depreciated immediately, they are nevertheless recorded in the enterprise resource planning system for tracking and good asset management purposes, even if they are fully depreciated assets for IPSAS purposes. Low-value tracked items are maintained as records in the enterprise resource planning system for a predefined period of time established by the organization or until disposal if earlier. The new policy manual reflects that new approach (see UNHCR/AI/2023/06, para. 178). All serially tracked items (now low-value tracked items) were migrated to the Cloud ERP system as capitalized and fully depreciated assets in the fixed asset register. New low-value tracked items will also be 100 per cent depreciated after acquisition and capitalization.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

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29.	2021	A/77/5/Add.6 , chap. II, para. 234	The Board recommends that UNHCR accelerate its separation process to minimize the number of cases that last beyond the turn of the year.	<p>Following the launch of the new Digital HR system in late 2022, UNHCR has explored more efficient ways to deal with the completion of the separation procedures. These procedures do not only consist of actions taken in the HR system but also in the new Cloud ERP system, which was launched in September 2023.</p> <p>New payroll dashboards are now available in Workday to support the tracking of separation cases and highlight cases that have been pending for longer than the processing benchmark set for separations.</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
30.	2021	A/77/5/Add.6 , chap. II, para. 235	The Board recommends that UNHCR ensure the timely recognition of special post allowances and salary increases after promotion to higher staff categories in the new enterprise resource planning system.	<p>UNHCR has implemented the necessary process enhancements in the new Digital HR system to optimize and improve the timing related to the management of special post allowances and salary increases following promotions. The designation of a staff member to a temporary role that would result in a special post allowance or salary increase must be initiated in the new Digital HR system. This allows the organization to track progress in the processing of the new assignment. In addition, an automatic report on temporary functions has been introduced for human resources partners and an automatic inbox notification is created to notify the manager to complete the special post allowance questionnaire, which has also been simplified. The full process is as follows:</p> <p>The temporary higher function and special post allowance process in Workday is initiated by the manager/ local human resources department, who</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

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31.	2021	A/77/5/Add.6 , chap. II, para. 241	The Board recommends that UNHCR ensure the recording of salary payments in the appropriate financial period by integrating all other payroll elements in the global payroll subledger of the new enterprise resource planning system to avoid staff-related journal entries on general ledger accounts.	<p>must first create a job requisition. A temporary position is created at the level of the post through the job requisition; the budget for special post allowance purposes is therefore identified at the time of recording the temporary higher function. Three months into the higher function, the manager of the colleague concerned receives an inbox item to complete the special post allowance questionnaire, which has been simplified: instead of filling out a special post allowance memorandum, managers are required to answer two simple questions. Upon completion of the questionnaire, the human resources partners receive an inbox item to process the special post allowance.</p> <p>Human resources partners also receive an automatic report on temporary functions, which helps them track pending special post allowance questionnaires at the manager level. If necessary, managers can be reminded to complete the questionnaire.</p>	The recently adopted Cloud ERP system integrates all payroll accounting procedures into the subledger and will enhance the automation of the payroll journal entries that are currently posted manually. The Cloud ERP payroll integration includes a complete automation of the payroll accounting based on mappings of the payroll elements. The Cloud ERP system receives information from the payroll module Workday disaggregated into different elements of information: earnings and deductions per staff plus budget information. The corresponding	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

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				<p>general ledger debits and credits in the right accounting combinations are then derived. In cases in which information is missing from the Workday data source, UNHCR posts the payroll results in a suspense cost centre so that analysis can be performed and then inform adjustments in the general ledger and in the project and portfolio management module.</p> <p>Year-end accruals remain a manual process based on payroll data in Workday and on general ledger data in Cloud ERP.</p>				
32.	2021	A/77/5/Add.6 , chap. II, para. 273	The Board recommends that UNHCR improve its data sources for the reporting of staff in between assignments and use the valid data from the payroll system as an information basis.	<p>UNHCR is taking measures in the newly adopted Workday system to streamline the data sources for staff in between assignments and will present enhanced information on the basis of various parameters related to staff in between assignments to address the needs of various target audiences in a consistent manner.</p> <p>UNHCR is working to develop and present data on staff in between assignments.</p>	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
33.	2021	A/77/5/Add.6 , chap. II, para. 286	The Board recommends that UNHCR update its financial risk management strategy and guidelines, conduct updates on a regular basis and specify in the guidelines how UNHCR assesses, monitors and mitigates the credit, liquidity and market risks (in particular currency and interest risks) at the individual and portfolio level.	UNHCR has updated the investment guidelines regarding core treasury management (liquidity, foreign exchange, investments) and its related treasury risk management, methodologies and assessment.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

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34.	2021	A/77/5/Add.6 , chap. II, para. 294	The Board recommends that UNHCR design additional automated key performance indicators that can be objectively calculated on the basis of data recorded in the new enterprise resource planning system and that complement the information used in generating the statement of internal control.	UNHCR will identify performance indicators that can be calculated based on data recorded in the system and can be relevant in assessing the functioning of various controls. Those indicators will be used to complement the information collected through the self-certified internal control questionnaire, as part of the process to prepare the statement of internal control. The new Cloud ERP system was launched in September 2023 and needs to stabilize before UNHCR is able to effectively implement the new indicators. This will be linked with the country financial report, which is based on a new technology called "Fusion Analytics".	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
35.	2021	A/77/5/Add.6 , chap. II, para. 310	The Board recommends that UNHCR review the accounting process of implementing partners with regard to an automation and simplification that makes manual intervention almost redundant in the new enterprise resource planning system.	In the context of the business transformation programme, UNHCR has been implementing a tool, i.e. PROMS, that has automated the main partnership management processes and reduced the manual intervention in the posting of financial transactions. PROMS went live on 8 November 2023 and once the stabilization period is completed, this recommendation will be considered as implemented.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
36.	2021	A/77/5/Add.6 , chap. II, para. 318	The Board recommends that UNHCR strengthen the link between performance review and release of additional instalment payments and enable the documentation of the review in the upcoming software solution.	UNHCR has been improving the link between performance review and financial verification leading to requests for new instalments. The process of requesting instalments has been automated within PROMS, which went live in the fourth quarter of 2023. It is expected that that automation will contribute to a significant enhancement of partnership management in this area.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

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				Once the stabilization period for the new PROMS is completed, this recommendation will be considered as implemented.				
37.	2021	A/77/5/Add.6 , chap. II, para. 322	The Board recommends that UNHCR use the tools available to take further steps to improve compliance with its deadlines with regard to partner financial reports.	UNHCR will automate the process for submission of the partner financial reports within PROMS. That automation is expected to enhance compliance with the requirements for the timely submission and revision of the partner financial reports. PROMS went live in the fourth quarter of 2023, shortly after Cloud ERP. The first partner reporting will take place during the coming months as new agreements begin to be established using the new platform.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
38.	2021	A/77/5/Add.6 , chap. II, para. 380	The Board recommends that UNHCR update and aggregate its existing policies and guidelines regarding the monitoring, documentation and accounting of construction projects to achieve an institutionalized use of templates and status reports.	While some guidance related to construction projects is currently available in various documents, UNHCR is planning to capture all of this guidance in a consolidated and more detailed separate document on construction projects. The guidance will form part of the global repository of documents accompanying the programme handbook that is under development. It is expected that the guidance document will contribute to improved consistency and harmonization of practices for planning, monitoring and evaluation, and reporting on construction projects across the field operations. PROMS will also enable the digitalization of key construction management milestones and tasks, ensuring a clear audit trail of construction project documentation. There will be harmonized templates in PROMS and offline versions will be available for operations. The use of PROMS for construction management	The Board acknowledges the progress made by the Administration. However, to close the recommendation, UNCHR should consider integrating the templates in the current documentation. The Board considers the recommendation as under implementation.		X	

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39.	2021	A/77/5/Add.6 , chap. II, para. 395	The Board reiterates its recommendation that UNHCR establish an overarching strategy for workforce planning purposes (A/76/5/Add.6 , chap. II, para. 288) and emphasizes that the strategy framework should outline how trends could be assessed.	will not be mandatory for operations and will be slowly introduced in a phased approach. The UNHCR workforce planning approach is embedded in the overall planning approach and is being rolled out in 2023. In support of the 2023 planning phase, a workforce planning handbook will be released to support country operations and regional bureaux in implementing the workforce planning approach. The Division of Human Resources has initiated the drafting of an overarching strategy and framework for workforce planning in UNHCR.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
40.	2021	A/77/5/Add.6 , chap. II, para. 401	The Board reiterates its recommendation that UNHCR develop and release staffing review toolkits (A/76/5/Add.6 , chap. II, para. 296) and stresses that these toolkits should include indicators for benchmarks following the eight functional areas to quantify staffing needs.	UNHCR developed a handbook providing guidance on the staffing reviews and workforce planning, which was released in the third quarter of 2023. The handbook provides a comprehensive and holistic set of tools to be used in conducting staffing reviews and identifying functional indicators that would address this recommendation.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
41.	2021	A/77/5/Add.6 , chap. II, para. 405	The Board recommends that UNHCR examine whether to establish sample performance indicators that could be used for monitoring purposes and adapted to the staffing needs of each operation.	UNHCR has developed a list of key performance indicators and metrics that can be used to monitor the human resources action plans. The list is included in the UNHCR handbook on workforce planning, which was released in the third quarter of 2023 (see the response to the recommendation contained in para. 401 of the Board's report for 2021). Human resources staffing indicators covering UNHCR core functional groups for monitoring and measuring have also been developed.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

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42.	2021	A/77/5/Add.6 , chap. II, para. 410	The Board recommends that UNHCR reconsider the methodology for determining the right size of the human resources teams in operations.	As mentioned in the response to the recommendations contained in paragraphs 401 and 405 of the Board's report for 2021, the Division of Human Resources has developed 21 functional one-pagers with staffing indicators, covering UNHCR core functional groups (protection, programme, project control, supply, human resources, information technology, security, administration and finance, etc.), to ensure a consistent approach in determining the right size and level of staffing. The indicators have been included in the handbook for designing field presences (see pp. 33–48).	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
43.	2021	A/77/5/Add.6 , chap. II, para. 417	The Board recommends that UNHCR review how the plan access control system roles are attributed to functional roles in UNHCR to encourage more participation and inputs and ultimately optimize the quality of the information entered in COMPASS.	UNHCR has reviewed the plan access control roles and ensured that human resources partners have been granted the "bureau plan quality assurer" roles in COMPASS. The role of human resources in planning has been formalized in the Policy on Planning for, Getting and Showing Results (see para. 9.12, p. 22).	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			
44.	2021	A/77/5/Add.6 , chap. II, para. 418	The Board recommends that UNHCR strengthen the role of human resources partners and make their participation in the budget and annual programme review process more prominent.	UNHCR is building the capacity of human resources colleagues and partners, both at the level of field operations and regional bureaux, in workforce planning with the aim of achieving more effective participation in the planning process. The participation of human resources partners in the budget and annual programme review has been formalized by including language on the role of human resources in various sections of the revised programme handbook, the workforce planning handbook and the new Policy on Planning For, Getting and Showing	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

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45.	2020	A/76/5/Add.6 , chap. II, para. 89	The Board recommends that UNHCR continue to review the impact of the changes to its budgetary structure on management efficiencies, analyse the benefits of the changes proposed, communicate the result of the analysis and provide assurance that the proposed budgetary structure meets the requirements of transparency and quality.	<p>Results to reflect the important role of human resources in the planning process.</p> <p>UNHCR will continue to examine its amended budget structure over the coming budget cycles, with a view to reporting to the Executive Committee in accordance with the relevant decision of the Committee at its seventy-first session (see A/AC.96/1209, chap. III, para. 13), in which it endorsed a review on the impact of the changes to the budgetary structure and periods on management efficiencies and the ability of UNHCR to deliver on its mandate, with a view to any revisions if needed, to be presented to the Committee no later than 2025, with preliminary reviews as needed.</p> <p>In October 2021, the Executive Committee approved the programme budget for 2022 (A/AC.96/1213/Rev.1), the first one to reflect the new UNHCR global results framework. The programme budget for 2025 will be submitted for review by United Nations and UNHCR committees. Those reviews will provide a new opportunity to assess whether Member States have any concerns about the new budgetary structure, including its transparency and quality.</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.		X		
46.	2020	A/76/5/Add.6 , chap. II, para. 171	The Board recommends that UNHCR analyse and streamline the fuel management in country operations, where relevant and feasible, and establish guidance, including on storage, reconciliation and documentation, and unitary templates for	<p>Guidelines on fuel quality and fuel quantity management were finalized and published in December 2023.</p> <p>The guidelines consist of two sets of instructions related to fuel quantity and fuel quality management. They are focused on bulk fuel storage and control forms documentation for the management of fuel by UNHCR and</p>	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X			

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			standard operating procedures for fuel management on the basis of guiding principles.	implementing partners. The guidelines were developed in collaboration with the seven field operations with significant fuel inventories and capture the existing best practices and controls.				
47.	2020	A/76/5/Add.6 , chap. II, para. 172	The Board recommends that UNHCR implement measures to facilitate the monitoring of fuel management in the country operations. The regional bureaux could play a role in identifying and reconciling discrepancies in quantities and in expense recognition with regard to fuel.	In addition to the guidelines mentioned in the response to the recommendation contained in paragraph 171 of the Board's report for 2020, UNHCR has issued instructions on quality and quantity control in fuel stock management. The new guidance clarifies the roles and responsibilities regarding the monitoring of fuel management.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
48.	2020	A/76/5/Add.6 , chap. II, para. 231	The Board recommends that UNHCR consolidate and complement the guidance material on the implementing partnership management processes in one comprehensive repository that should also include the regulations in response to previous audit recommendations.	UNHCR has been working to consolidate and revise its guidance material for all processes relating to the management of funded partnerships. The new programme handbook and partnership management procedure were launched in September and October of 2023.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
49.	2020	A/76/5/Add.6 , chap. II, para. 268	The Board recommends that UNHCR define more clearly the cases in which the use of new job titles for affiliates is applicable with regard to the new administrative instruction.	The new Digital HR system (Workday) went live in October 2022. In Workday, the hiring of all categories of affiliates must be carried out through a job requisition process whereby the system offers the standard UNHCR job titles to the administrator for cases in which the affiliate performs a job that is identical to the job carried out by staff. A different job title may be entered in cases in which the affiliate's job is non-standard (e.g. for consultants).	The Board considers the recommendation as implemented.	X		

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			<p>However, even in those cases, the administrator needs to link the special job title to the relevant job family, which drastically enhances the ability of UNHCR to monitor and report on its workforce composition in terms of functional areas.</p> <p>The requirements for setting the job titles in the job requisition process are very clearly defined in the relevant Workday job aid (sect. J on job profiles). In section J of the job aid, it is explained that in cases in which the affiliate colleague has a title that is identical to the title used for staff performing the same job or functions, the administrator is requested to select that title from the list. For affiliates with a title that is different from that in the job profile list and in cases of an affiliate job requisition for a position under a United Nations Volunteer assignment, the administrator must enter "AWF" in the search bar, hit "enter" to see the list of the generic affiliate categories and then select the one corresponding to the functional area (occupation) in which the title fits. In the case of United Nations Volunteer assignments, even if the title is identical to a standard UNHCR job title, a generic job profile must still be used, so that the job description field remains empty. For such assignments, the administrator uses the "description of assignment" document, which can be attached to the respective job requisition in the "attachments" section.</p>				

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50.	2020	A/76/5/Add.6 , chap. II, para. 279	The Board recommends that UNHCR further improve the use of enhanced data analytics for additional dashboard reports and data analytics that would facilitate human resources planning analysis. Therefore, UNHCR should define key indicators. This would allow for the benchmarking of the workforce among operations and would enhance knowledge regarding whether the various functional groups of an operation are adequately staffed compared with those of other operations.	Since the roll-out of the new human resources system in October 2022, four new dashboards have been created to facilitate data analytics and data-driven decision-making processes, namely, personnel, career profile, staffing and position dashboards. Training of human resources practitioners, in partnership with regional bureaux and divisions, is under way. Staffing indicators have been developed and included in the handbook for designing field presences.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
51.	2020	A/76/5/Add.6 , chap. II, para. 312	The Board recommends that UNHCR, together with the FleetWave provider, optimize the FleetWave tool to avoid faulty data recording and to enhance usability.	The FleetWave software has been improved with a data validation feature that automatically flags and blocks any inputs that exceed the pre-set parameters, allowing for timely rectification. Moreover, the system can now spot duplicates, preventing duplicate entries of fuel data for already registered transactions. To increase visibility regarding fuel performance across countries, several new enhancements have been introduced, including: (a) New, operationally focused monthly summary reports in FleetWave, designed for user-friendliness and clarity (see examples);	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

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					(b) Operational dashboards on various aspects, including fuel, service and repair, vehicles and data quantity tracking (see extract of dashboards). Integration between FleetWave and the Cloud ERP system was explored during the implementation of the new system but was deemed no longer a priority or not feasible and was therefore not pursued further.				
52.	2019		A/75/5/Add.6, chap. II, para. 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.	In the new Cloud ERP system, asset recognition will be significantly streamlined. In accordance with the revised policy (paras. 349–351), all asset purchases are initially recorded as inventory. Asset capitalization also takes place in Cloud ERP through “distributions” from inventory locations and from projects (Springbok solution). This is currently being tested and stabilized. Consequently, there are minimal manual month-end adjustments, as was previously the case.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
53.	2019		A/75/5/Add.6, chap. II, para. 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.	As referenced in the response to the recommendation contained in paragraph 63 of the Board's report for 2022, the actual transport cost invoices for light vehicles will be matched to the goods invoice instead of applying the trade operation standard rates. This applies to both first-leg and second-leg transport. This approach will be rolled out in the first quarter of 2024 following testing in the fourth quarter of 2023.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

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54.	2019	A/75/5/Add.6 , chap. II, para. 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.	UNHCR has built on the available modules in the new Cloud ERP system dedicated to access controls and transaction controls to incorporate in the design various automated processes for the delegation of authority. A new delegation of authority and role provisioning has now been rolled out in accordance with implementation note 4, which has been shared with the Board.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
55.	2019	A/75/5/Add.6 , chap. II, para. 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.	This recommendation has been addressed through the same actions described above in respect of the recommendation contained in paragraph 88 of the Board's report for 2019 (see new delegation of authority and role provisioning as described in implementation note 4, which has been shared with the Board).	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		
56.	2019	A/75/5/Add.6 , chap. II, para. 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.	UNHCR has reviewed and updated its policies and practices regarding multi-year agreements in the light of recent multi-year planning reforms and the roll-out of COMPASS. Following discussions with internal and external stakeholders, and taking into account the limitations related to donor funding and the UNHCR financial cycle, the recently issued procedure on partnership management introduced partnership framework agreements beginning in 2024, in an effort to give partners more predictability across the period of the multi-year strategy. The partnership framework agreements are available in the Cloud ERP system and on the UN Partner Portal, and country operations	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

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57.	2019	A/75/5/Add.6, chap. II, para. 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.	are currently negotiating them with their partners for 2024 and beyond. UNHCR has used this opportunity to clarify and distinguish between the terms and conditions of multi-year partnership agreements on the one hand and partnership agreements for the immediate financial year on the other hand. Project workplans with partnership funding will therefore be linked to a longer-term partnership framework agreement that sets out the overall outcomes to be achieved with the partnership as well as the general terms and conditions applicable, thus allowing for the negotiation of shorter and more focused annual workplans with a project description, simplified financial plan and indicator targets. Multi-year agreements in their previous form will no longer be used, but the new partnership framework agreements will be used globally. The new procedure was released in August 2023, hence this recommendation is considered implemented.	The Board has reviewed all the documentation provided by the Administration and concludes that the recommendation has been addressed. The Board considers the recommendation as implemented.	X		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
58.	2019	A/75/5/Add.6 , chap. II, para. 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.	The Global Data Service confirms that the proGres v3 generation is obsolete and has been successfully decommissioned, with few exceptions. The majority of UNHCR field operations have transitioned to a centralized version of proGres, with UNHCR headquarters collecting proGres v3 database backups post-migration to the newer proGres v4 and storing them in a central repository. As of the end of 2023, the repository contained 378 database instances of proGres v3, reflecting approximately 95 per cent of all identified v3 instances. This highlights the successful implementation of the decommissioning process. In February 2024, the Global Data Service communicated the standard operating procedures for the final stage of the decommissioning process to the regional bureaux.	The Board acknowledges the efforts made by the Administration, in particular in designing a robust process. The decommissioning of proGres v3 is well advanced, but not complete. Therefore, the Board considers the recommendation as under implementation.		X			
Total						58	34	21	–	3
Percentage						100	59	36	–	5

Chapter III

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

Letter dated 31 March 2024 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 review 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.11](#)) and the 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 2023 and its financial performance and cash flows for the year then ended, in accordance with the 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 2023

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 2023, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations ([ST/SGB/2013/4](#)) and rule 602.1 of the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.12](#)).
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, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan, the Working Capital Fund for Voluntary Contributions and the Self-Financing Activities 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 also has responsibilities for stateless persons pursuant to various General Assembly resolutions and conventions. The Office also provides protection and assistance to internally displaced persons, working in cooperation with the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator and in the context of the collaborative response of the United Nations system. In all its activities, it pays particular attention to the needs of the most vulnerable and seeks to promote the equal rights of women and girls. 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. UNHCR works in partnership with Governments, international and non-governmental organizations, other United Nations agencies and displaced people, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.
5. UNHCR estimates that, by end-2023, the overall figure for forcibly displaced people was 114 million. In 2023, humanitarian crises grew in scale and complexity, with UNHCR responding to 43 new emergencies in 29 countries. UNHCR responded with life-saving assistance and protection to the people affected by earthquakes in Afghanistan, the Syrian Arab Republic and Türkiye, conflict in Sudan, a deteriorating crisis in the Democratic Republic of the Congo and unprecedented mixed movements of refugees and migrants in Latin America and the Caribbean, as well as floods in Libya and the Horn of Africa.
6. To meet growing challenges, the Office bolstered efforts to collaborate and engage with a wide array of actors. UNHCR deepened its engagement with development partners, the private sector and financial institutions to strengthen

livelihoods and inclusion and to create conditions for return in countries of origin. UNHCR also continued to contribute to the objectives of the 2030 Agenda for Sustainable Development. The Office's partnerships were aligned with its strategic directions⁵⁹ and designed to address protection priorities and foster inclusion and solutions. UNHCR led the development of eight regional refugee response plans covering the inter-agency response in 53 countries hosting refugees. UNHCR leveraged complementary expertise with agencies such as the World Food Programme, the United Nations Population Fund, the United Nations Human Settlements Programme (UN-Habitat), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the United Nations Children's Fund.

7. The Global Compact on Refugees (A/73/12 (Part II)) continued to provide the blueprint for burden- and responsibility-sharing when dealing with displacement issues. The second Global Refugee Forum⁶⁰ mobilizing whole-of-society support and engagement towards the objectives of the Global Compact on Refugees, was held in December in Geneva. It brought together more than 4,000 participants from 168 States and more than 425 other stakeholders and partners from around the world, including more than 320 forcibly displaced and stateless persons. An additional 10,000 participants joined the proceedings virtually from 120 countries – a further demonstration of the Forum's relevance, breadth and diversity. The Forum saw substantive engagement with some 1,750 pledges of financial, technical, material and policy support submitted.

8. UNHCR continued to strengthen the Population Registration and Identity Management EcoSystem (PRIMES), a suite of interoperable registration, identity management and case management tools and applications. The number of individuals with records in PRIMES rose from 24.5 million in 2022 to 27.2 million in 2023. Some 7.3 million displaced people in more than 100 countries benefited from cash assistance programmes, with 95 per cent of such programmes providing unrestricted cash. The largest operations delivering cash assistance were in Ukraine, Lebanon, the Republic of Moldova, Jordan and Afghanistan.

9. UNHCR stayed on course in pursuing inclusive protection services and work on solutions amid continuing challenges. The Office focused on providing basic services for vulnerable populations, such as distribution of core relief items to up to some 8.1 million people, shelter assistance and livelihood opportunities. UNHCR continued to monitor and advocate for the inclusion of forcibly displaced people in national protection systems. Against this backdrop, the mandate and work of the Office of the United Nations High Commissioner for Refugees was more relevant than ever.

C. Financial analysis

10. The financial position of UNHCR at year-end and the annual financial performance since 2019 are summarized in table IV.1.

⁵⁹ Office of the United Nations High Commissioner for Refugees (UNHCR), "UNHCR strategic directions 2022–2026", 2022.

⁶⁰ See www.unhcr.org/media/outcomes-global-refugee-forum-2023.

Table IV.1
Financial position and financial performance, 2019–2023

(Millions of United States dollars)

	2019	2020	2021	2022	2023
Total assets	3 376	4 004	4 594	5 340	5 077
Total liabilities	1 269	1 524	1 771	1 471	1 877
Net assets	2 107	2 480	2 823	3 870	3 200
Revenue	4 183	4 892	5 254	6 067	4 707
Expense ^a	4 258	4 337	4 790	5 483	5 297
Surplus/(deficit)	(75)	554	464	584	(590)

^a Including foreign exchange gains/losses.

11. As at 31 December 2023, total fund balances and reserves amounted to \$3,200.2 million (see statement I), representing a decrease of \$669.3 million, or 17.3 per cent, compared with the balance as at 31 December 2022. This decrease was primarily a result of the performance deficit of \$590.1 million (see statement II), the loss arising from the actuarial valuation of employee benefit obligations of \$32.4 million and the restatement opening net assets downward by \$46.8 million upon the required adoption of IPSAS 41 in 2023 (see statement III).

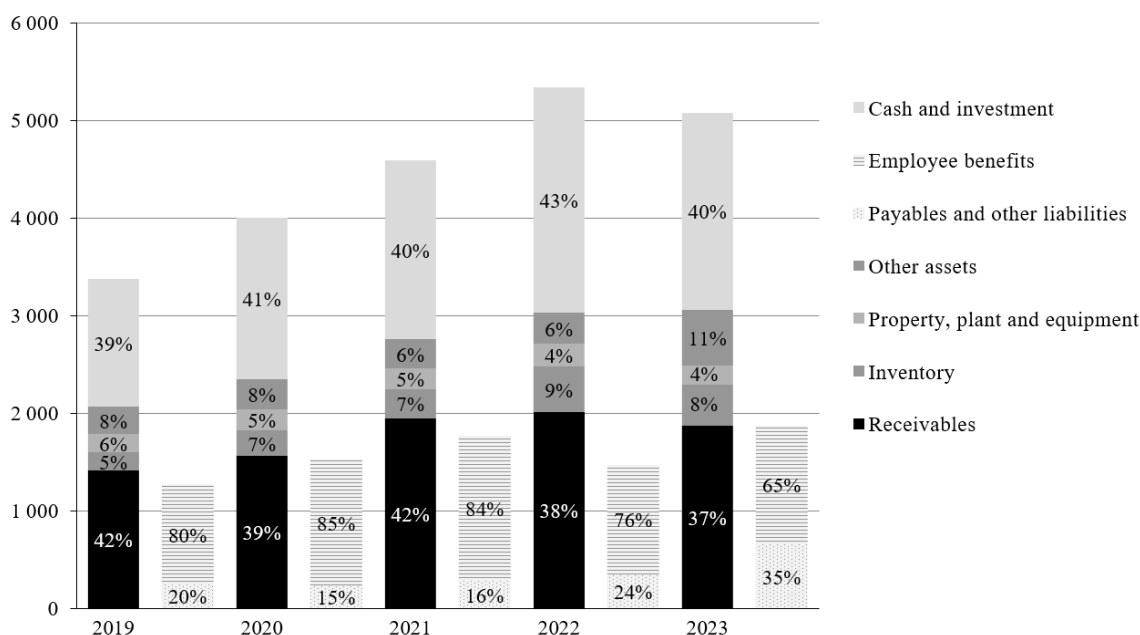
12. The fund balances and reserves comprise the accumulated fund balances and reserves (\$3,116.6 million), the Working Capital Fund for Voluntary Contributions (\$100.0 million), the Medical Insurance Plan (\$73.6 million), the Staff Benefits Fund (net deficit of \$312.3 million) and the Self-Financing Activities Fund (\$222.8 million).

13. The accumulated fund balances and reserves include, in addition to the balance of the Annual Programme Fund (\$3,048.3 million), the operational reserve (\$10.0 million), the United Nations Regular Budget Fund (\$47.2 million) and the Junior Professional Officers Fund (\$10.6 million), as detailed in note 3.11.

14. The composition by main category of the assets and liabilities of UNHCR as at the year-end for the years 2019 to 2023 is depicted in figure IV.I.

Figure IV.1
Assets and liabilities, 2019–2023

(Millions of United States dollars)



15. As at 31 December 2023, financial instruments such as cash, investments and receivables accounted for 77 per cent of total assets. Employee benefit obligations accounted for 65 per cent of total liabilities, largely consisting of long-term obligations.

16. Table IV.2 provides some key financial ratios as at 31 December 2023 compared with those as at 31 December 2022.

Table IV.2
Key financial ratios as at 31 December

	2023	2022
Current assets to current liabilities	5.11	8.28
Total assets to total liabilities	2.71	3.63
Cash and cash equivalents to current liabilities	2.42	4.41

17. The current ratio (current assets to current liabilities) is a liquidity ratio that reflects the ability of an entity to meet its current obligations within the following 12 months by using its assets that will materialize within the same time frame. At the end of 2023, the current ratio of UNHCR was 5.11, which has deteriorated as compared with 2022 but is still relatively high and indicates that UNHCR is in a good position to cover its current liabilities. The higher level of this ratio is also determined by certain factors specific to the organization, as further described. First, current assets include the amount of \$996.0 million of accounts receivable, which relates to a future year (see table 3.2.2 in note 3.2). This derives mainly from the multi-year pledges and the annual pledging conference, which is held just before year-end. Nevertheless, while the revenue from such pledges is recognized in the year in which they are made, the corresponding expense is recorded in the future years. This creates

a mismatch in the timing of recognition of the revenue and assets, on the one hand, and the corresponding expenses and liabilities, on the other hand. 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 corresponding programmes. Second, the current assets also include a significant amount invested in short-term instruments that is dedicated to funding after-service health insurance (\$706.6 million, as reflected in table 3.14.2 in note 3.14).

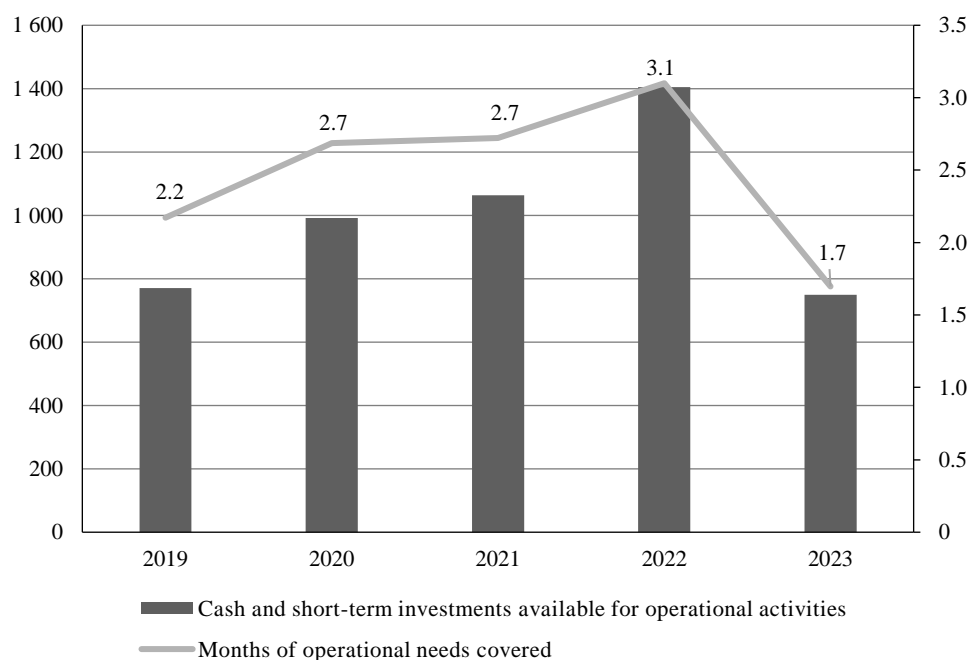
18. As at 31 December 2023, the total amount of cash and short-term investments was \$2,018.3 million, a decrease of \$289.1 million compared with \$2,307.4 million in 2022. Excluding the amounts pertaining to the Working Capital Fund for Voluntary Contributions, the Staff Benefits Fund, the Medical Insurance Plan and the Self-Financing Activities Fund, the cash and short-term investments available for operational activities amounted to \$749.1 million (\$1,203.3 million in 2022). This covers approximately 1.7 months of operational needs on the basis of average monthly expenses in 2023.

19. 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 2019 to 2023. The figure illustrates that, the operational liquidity situation at year-end has deteriorated as compared with the prior years, meaning that the timely receipt of contributions is increasingly important for the ability of UNHCR to operate smoothly.

Figure IV.II

**Total amount of cash and short-term investments for operational activities/
months of operational needs covered, 2019–2023**

(Millions of United States dollars/number of months)



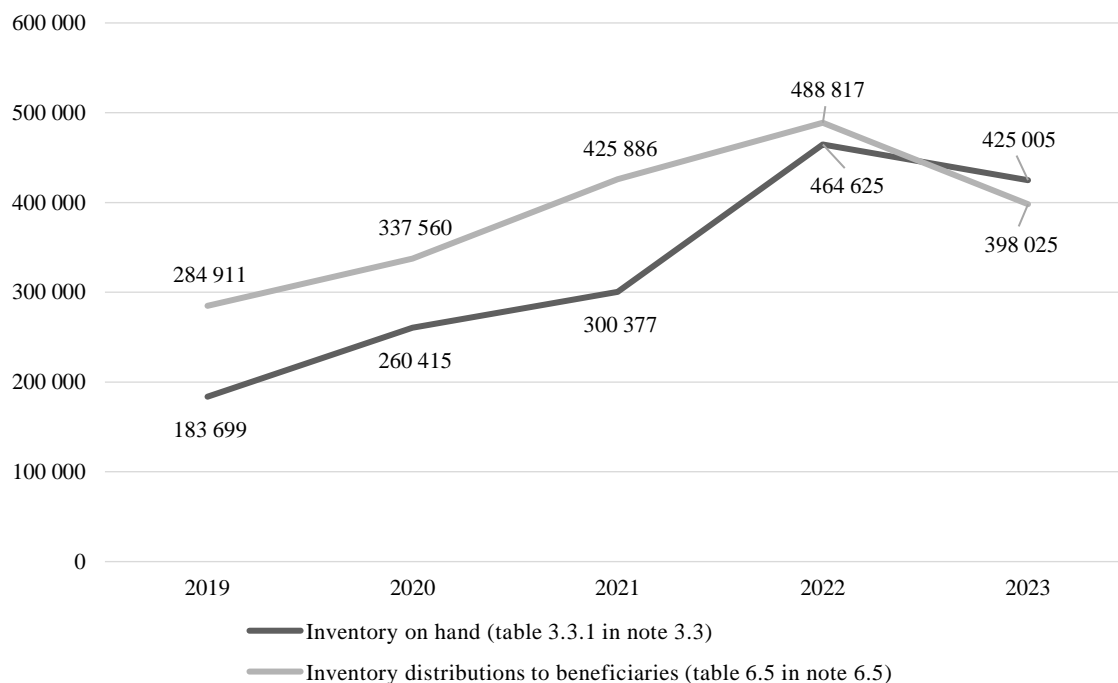
20. Figure IV.III depicts the annual inventory distribution to beneficiaries (see table 6.5 in note 6.5) together with the inventory on hand (see table 3.3.1 in note 3.3) at year-end over the past five years. Of the amount of \$398.0 million of inventory

distributed to beneficiaries in 2023, \$123.8 million (31 per cent) represents medical and hygienic supplies and apparel.

Figure IV.III

Inventory distribution to beneficiaries and on hand at year-end, 2019–2023

(Thousands of United States dollars)



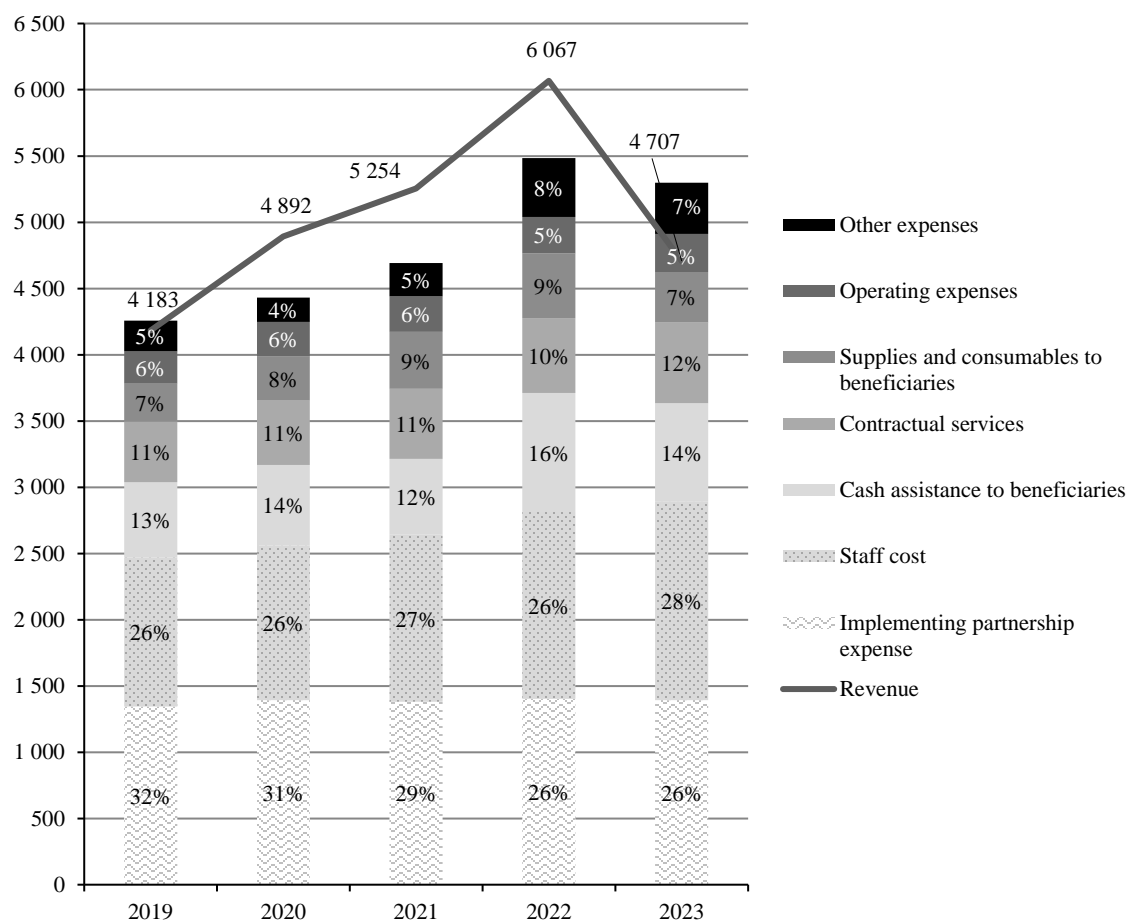
21. In terms of financial performance (see statement II), UNHCR ended the year with a deficit (revenue minus expenses including foreign exchange gains/losses) of \$590.1 million, compared with a surplus of \$584.0 million at the end of 2022.

22. The change in the annual result of 2023 in comparison with 2022 was driven mainly by a decrease in voluntary contributions revenue of \$1,396.8 million, offset by a decrease in total expenses of only \$186.0 million. That decrease in expenses is composed of decreases in cash assistance to beneficiaries (\$156.5 million), supplies and consumables for beneficiaries (\$105.3 million) and implementing partner expenses (\$8.9 million), offset by increases for salaries and employee benefits (\$87.6 million), contractual services (\$43.3 million), operating expenses (\$11.5 million), equipment and supplies (\$8.9 million), travel expenses (\$14.2 million) and miscellaneous other expenses of \$64.2 million. The deficit was decreased by foreign exchange gains of \$22.3 million recorded in 2023, while foreign exchange losses of \$122.7 million were recorded in 2022.

23. Figure IV.IV depicts the revenue and expenses for the period from 2019 to 2023.

Figure IV.IV
Revenue and expenses, 2019–2023

(Millions of United States dollars)



24. The total revenue for 2023 was \$4,707.3 million, a decrease of \$1,360.1 million, or 22.4 per cent, as compared with 2022. Voluntary contributions from donors, including in-kind contributions, amounted to \$4,534.6 million (accounting for 96 per cent of the total revenue), of which \$1,166.2 million at nominal value (see table 5.1.2 in note 5.1) was intended for future years' activities (2024–2028).

25. The total expenses for the financial period amounted to \$5,297.4 million, a decrease of 3.4 per cent as compared with 2022 (\$5,483.5 million). Statement V presents the 2023 expenditure of \$5,166.6 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2022 in annual expenses reported in statement II for 2023 are explained in the paragraphs below.

26. Expenses pertaining to agreements signed with implementing partners, amounting to \$1,392.5 million, decreased by 1 per cent as compared with 2022 (\$1,401.4 million).

27. Staff salaries and benefits, amounting to \$1,498.9 million, increased by 6.2 per cent as compared with 2022 (\$1,411.3 million), reflecting scheduled salary increases, increases in temporary assistance costs and higher costs for unconsumed annual leave balances, offset by lower costs for after-service health insurance.

28. 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 \$742.3 million, decreased by 17.4 per cent as compared with 2022 (\$898.8 million). The main decreases were recorded in Poland (\$99.7 million), Afghanistan (\$50.7 million), Iraq (\$28.0 million) and Lebanon (\$26.6 million). The overall decrease was offset by increases in the Republic of Moldova (\$24.7 million) and Pakistan (\$21.9 million).

29. Expenses for contractual services, amounting to \$609.3 million, increased by 7.6 per cent as compared with 2022 (\$566.1 million). Increases were observed in relation to construction contracts, professional services, affiliated workforce and individual contractors and other services, offset by decreases in direct services for beneficiaries and advertising, marketing and public information.

30. During 2023, higher interest rates prevailed in respect of the United States dollar than in recent years. The organization's investment management objective is to emphasize capital preservation and liquidity over the rate of return. Interest revenue of \$94.0 million (\$25.1 million in 2022) was generated during the year. The increase as compared with 2022 is primarily attributable to higher average interest rates with regard to the United States dollar (see table 4.1 of note 4).

31. The statement of changes in net assets (statement III) shows the movements in the fund balances and reserves. The net assets balance as at 31 December 2023 amounted to \$3,200.2 million (\$3,869.5 million in 2022), including \$1,661.6 million of receivables at nominal value intended for future-period activities (2024–2028), as shown in table 3.2.2 in note 3.2. Furthermore, UNHCR had legal commitments (open purchase orders) of \$424.0 million as at 31 December 2023 (see table 9.2 in note 9.2) for goods and services to be received in 2024 and subsequent years. Accordingly, some of the revenue recognized in 2023 and previous years will only be matched by expenses to be incurred during 2024 and subsequent years.

D. Programme budget performance highlights

32. 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.

33. 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 Fund for Voluntary Contributions, the Staff Benefits Fund, the Medical Insurance Plan and any special accounts held during the period.

34. The programme budget of UNHCR, which is needs-driven, is formulated on the basis of a comprehensive assessment of humanitarian and protection needs of the people whom UNHCR serves, be they refugees, asylum-seekers, internally displaced persons, stateless persons, returnees or others.

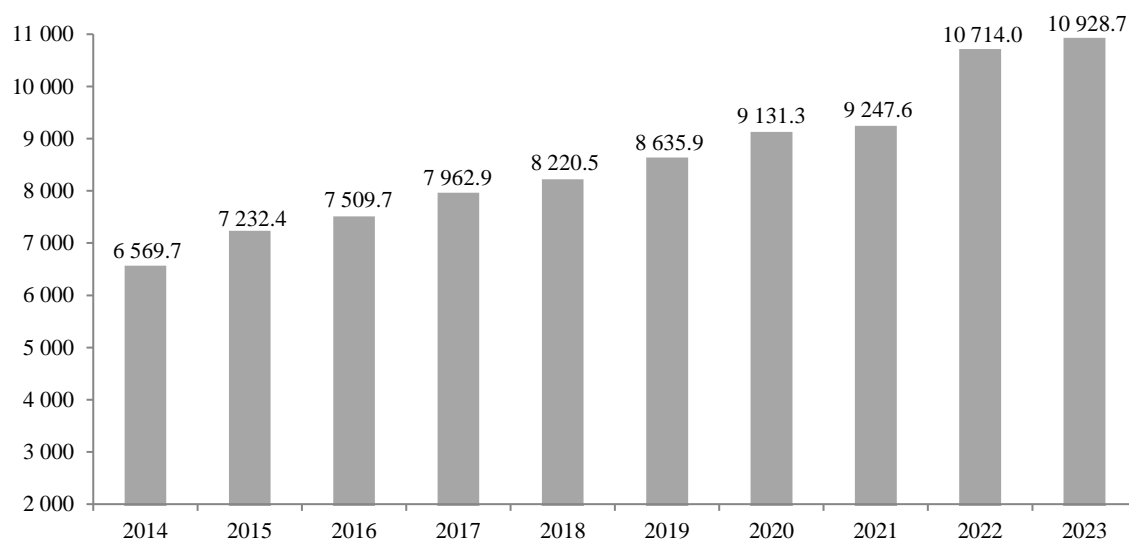
35. Subsequent to the approval of the programme budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the allocation of funds for the implementation of programmes on the basis of the availability of funds. During the implementation period, the High Commissioner may revise the approved budget with supplementary budgets, in accordance with financial rule 208.1 of the Office's financial rules

(A/AC.96/503/Rev.12), to meet new needs under any impact area arising in the course of the same period.

36. The original budget for 2023 approved by the Executive Committee at its seventy-third session (October 2022) amounted to \$10,211.3 million. Five supplementary budgets were established during the course of 2023: \$250.0 million for the situation in Ukraine; \$201.3 million for the earthquake emergency response situation in Türkiye and northern Syrian Arab Republic; \$268.7 million for the Sudan situation; \$55.8 million for the Pakistan situation and \$41.7 million for the Somalia situation. The total financial requirements for these supplementary budgets amounted to \$817.5 million. Furthermore, the budget for the Iraq operation was reduced by \$100.0 million in order to align the operational footprint of UNHCR with the United Nations transition strategy in the country. This led to a final budget of \$10,928.7 million. Figure IV.V shows the requirements over the period from 2014 to 2023.

Figure IV.V
Requirements, 2014–2023

(Millions of United States dollars)



37. The resource requirements of UNHCR are grouped under the four impact areas of its results-based framework: impact area 1, attaining favourable protection environments; impact area 2, realizing rights in safe environments; impact area 3, empowering communities and achieving gender equality; and impact area 4, securing solutions.

38. Table IV.3 shows the breakdown of the final budget (needs-based), funds available, expenditure and carry-over for programmed activities by impact area, as well as for the Junior Professional Officers Fund and the operational reserve. The difference between the final budget and the funds available represents the unfunded needs of people with and for whom UNHCR works. In 2023, unfunded needs amounted to \$5,212.8 million, or 47.7 per cent of total requirements.

Table IV.3
Total requirements, funds available and expenditure, 2023^a

(Millions of United States dollars unless otherwise indicated)

	<i>Final budget</i>	<i>Funds available^b</i>	<i>Expenditure</i>	<i>Carry-over</i>	<i>Percentage</i>	
					<i>Expenditure on final budget</i>	<i>Expenditure on funds available</i>
Impact area 1	2 701.6	1 643.7	1 529.7	114.0	56.6	93.1
Impact area 2	5 236.4	2 864.7	2 529.2	335.5	48.3	88.3
Impact area 3	1 385.3	651.6	588.5	63.1	42.5	90.3
Impact area 4	1 139.6	545.0	511.7	33.4	44.9	93.9
Subtotal, programmed activities	10 463.0	5 705.1	5 159.0	546.1	49.3	90.4
Junior Professional Officers Fund	12.0	10.8	7.6	3.3	63.1	69.8
Operational reserve	453.8	–	–	–	–	–
Total	10 928.7	5 715.9	5 166.6	549.4	47.28	90.4

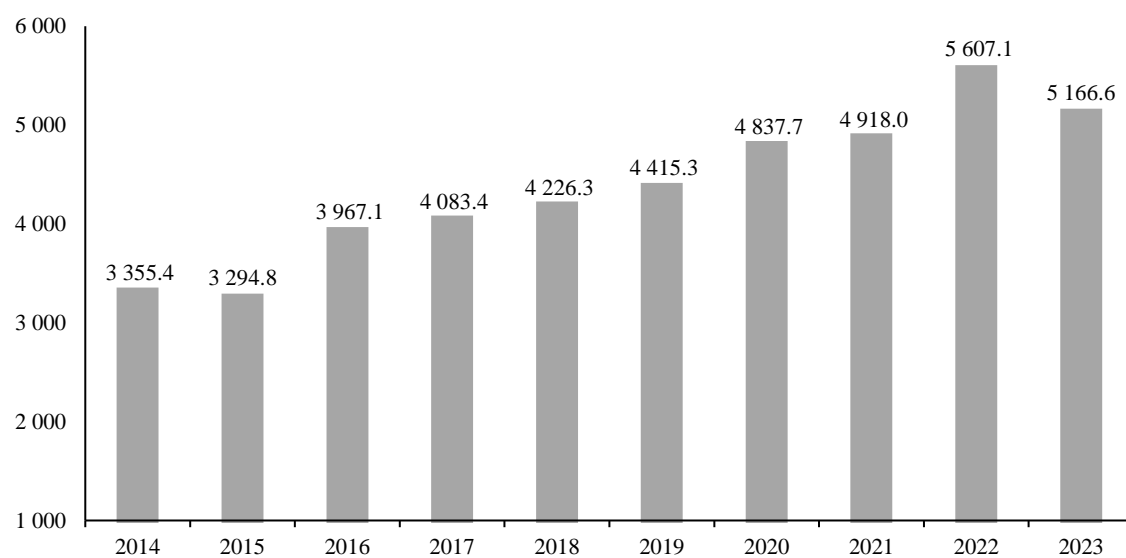
^a Totals in the table may not add up owing to rounding.

^b The distribution of funds available by impact area is indicative, as not all resources available are earmarked for specific impact areas.

39. The expenditure amount of \$5,166.6 million in 2023 represents a decrease of \$440.5 million, or 7.9 per cent, compared with the 2022 expenditure (\$5,607.1 million). Figure IV.VI illustrates annual expenditure over the period from 2014 to 2023.

Figure IV.VI
Expenditure, 2014–2023

(Millions of United States dollars)



40. Table IV.4 shows 2023 expenditure, broken down in terms of programme, programme support, management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2022.

Table IV.4
Expenditure by programme, programme support, management and administration and Junior Professional Officers Programme, 2022 and 2023^a

(Millions of United States dollars)

	2023		2022	
	Amount	Percentage	Amount	Percentage
Programme	4 095.5	79.3	4 548.9	81.1
Programme support	876.7	17.0	856.9	15.3
Management and administration	186.7	3.6	193.5	3.5
Junior Professional Officers Programme	7.6	0.1	7.7	0.1
Total expenditure	5 166.6	100.0	5 607.1	100.0

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

41. 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 2014 to 2023 in values and percentages, respectively. The decrease in the programme cost category is due mainly to the reduction in expenditures under country and regional programmes, a reflection of the global decrease in funds available and expenditures in 2023. The minor increase under programme support, partly offset by the decrease under management and administration is related to expenditures at headquarters, which also slightly increased.

Figure IV.VII
Evolution of expenditure, 2014–2023, by cost category

(Millions of United States dollars)

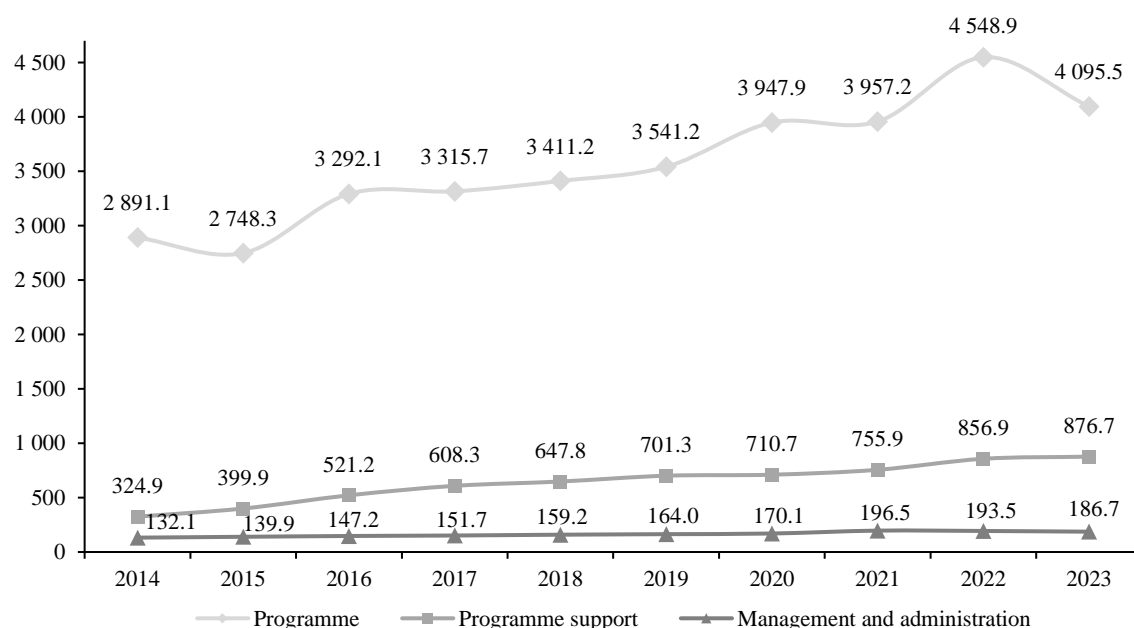
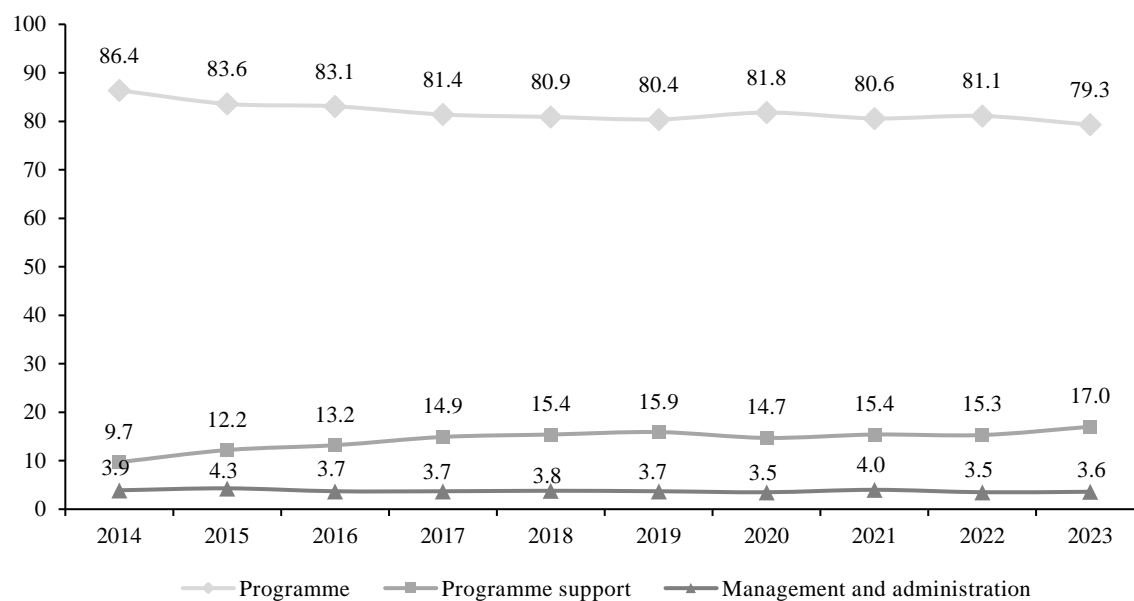


Figure IV.VIII
Evolution of expenditure, 2014–2023, by cost category

(Percentage)



E. Going concern

42. 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 2024, the 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 budget requirements for 2024 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

43. In accordance with UNHCR financial rule 508.1, the High Commissioner is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that organizational aims and objectives can be met, while safeguarding resources and assets of UNHCR. The system of internal control shall incorporate an ongoing process to identify and prioritize the risks to the achievement of UNHCR aims and objectives, evaluate the likelihood and impact of those risks being realized and to manage them efficiently, effectively and economically.

44. 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 rules, policies 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.

45. Furthermore, in addition to the controls exercised at all levels of the organization, a robust oversight system is used by the bodies through the mechanisms described below.

Office of Internal Oversight Services

46. The Office of Internal Oversight Services (OIOS) conducts internal audit services at UNHCR, in accordance with UNHCR financial rule 515.1 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 UNHCR Audit Service of the Internal Audit Division of OIOS is based in Geneva, with offices in Nairobi and Budapest. The internal auditors undertake regular audits of UNHCR country and regional operations and organizational units, functions and systems at headquarters. OIOS also undertakes thematic audits and advisory engagements. The audit results and recommendations are communicated to the High Commissioner, and audit reports are published on the OIOS website. In 2023, OIOS issued 19 reports: 10 audits of country operations, 2 audits of regional bureaux and 7 audits of headquarters activities. The headquarters audits included the fleet and fuel management, the refugee status determination processes, the supply chain management for information and communications technology equipment, the cybersecurity preparedness, the affiliate workforce arrangements and use of consultants, the arrangements for prevention of, risk mitigation for and response to gender-based violence and the livelihood programmes.

Independent audit of projects implemented by partners

47. UNHCR carries out a high percentage of its activities through implementing partners. In 2023, UNHCR continued to collaborate with more than 1,200 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.

48. 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 global, independent and reputable audit service providers have been selected by UNHCR. In 2021, the Office increased the number of external audit firms with which it had frame agreements from four to eight. By increasing the number of audit firms with a broader geographic footprint, UNHCR increased access to auditors with an established presence in the countries where audits are carried out. The change offered more opportunities for increased competitive selection of audit services, an efficient process of project audit certification and improved opportunities for the high-quality and timely delivery 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

49. 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 2023, the Committee held three sessions, during which it discussed the workplans and their implementation, as well as the reports from internal and external audit, investigation, evaluation and strategic oversight functions. The Committee acknowledged assurance provided by the respective oversight entities and commented on oversight analysis and coordination. It also discussed transformation and change, strategic planning, enterprise risk management, financial management and human resources management and information technology. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2023.

Inspector General's Office

50. 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 and gaps in their activities. The Inspector General's Office comprises two services: the Investigation Service and the Strategic Oversight Service. The Investigation Service undertakes investigations into all forms of misconduct involving UNHCR staff or those who have a contractual relationship with UNHCR, and it 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 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. With a view to enhancing cohesion among oversight functions, the Strategic Oversight Service also administers the memorandum of understanding with OIOS for the provision of internal audit services on behalf of UNHCR, 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.

Other tools and mechanisms

51. 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.

52. Following its launch in 2019, the fifth statement of internal control of UNHCR, for 2023, is issued as set out below.

Statement of internal control, 2023

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 controls to ensure the efficient and effective use of the organization's resources while securing and safeguarding its workforce and assets. In line with the UNHCR roles, accountabilities and authorities frameworks, 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 (multi-) country representatives, the division directors and other relevant staff. Internal control and accountability processes are exercised continually at all operational levels, and every individual in UNHCR has, with varying degrees of responsibility, a role to play in internal control.

Purpose of internal controls

Internal controls at UNHCR are understood to be processes which are designed to provide reasonable assurance regarding the achievement of objectives relating to operations, compliance and reporting. Internal control is an ongoing process, effected by myself, together with my senior management team and personnel at large. The system of internal controls is designed to manage risks to an acceptable level rather than to eliminate them entirely. I consider effective internal controls to be instrumental in achieving the strategic objectives of UNHCR; securing and safeguarding its workforce and assets; ensuring reliability of both financial and non-financial reporting; complying with applicable legislation, policies and contractual obligations; and promoting the efficiency and effectiveness of operations.

Internal control is a key function of management and an integral part of the overall process of managing UNHCR operations. I therefore rely on UNHCR management at all levels to:

- (a) Establish an environment and a culture that promotes effective internal controls;
- (b) Identify and assess risks that may affect the achievement of objectives, including the risk of fraud and corruption;
- (c) Develop and implement plans, policies, procedures and operating standards, as well as systems and other control activities, to mitigate and 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.

The UNHCR statement of internal control is an accountability document that includes information on the effectiveness of internal controls. It covers the financial reporting period from 1 January to 31 December 2023, and takes into consideration any relevant events up to the date of certification of the financial statements of UNHCR.

The UNHCR operating environment

In delivering on its primary purpose to safeguard the rights and well-being of forcibly displaced and stateless people, UNHCR is exposed to situations with a high level of inherent risk, including in terms of the security of its personnel and displaced and stateless people. In 2023, humanitarian crises grew in scale and complexity, with UNHCR responding to 43 newly declared emergencies in 29 countries. UNHCR focused on providing basic services for vulnerable populations, such as health care, water, sanitation, shelter, distribution of core relief items, cash assistance and livelihood opportunities. UNHCR continued to monitor and advocate for the inclusion of forcibly displaced people in national protection systems. UNHCR addressed such challenges by swiftly identifying needs, reprioritizing and reallocating resources and introducing measures to increase flexibility regarding the difficult operating environments while at the same time ensuring the safety and security of its personnel. The ability of UNHCR to respond quickly, effectively and efficiently to crises and operate in ever-changing and complex environments was also recognized in various internal audit reports for the year.

As the numbers of displaced and stateless people have reached historic highs, UNHCR continues to transform to meet the expanding operational and accountability expectations of an agile, efficient and innovative organization. UNHCR has committed since 2020 to a business transformation programme to modernize its information technology business systems, with the overarching goal of delivering results to forcibly displaced and stateless people more effectively. It covered six projects tasked with transforming systems and processes for human resources (Workday), financial, procurement and supply management (Cloud ERP), programme and results-based management (COMPASS) and partnerships (Project Reporting Oversight and Monitoring Solution also known as PROMS), external engagement management (Synergy) and process integration, data exchange management and a common data platform for reporting (LINK). Systems improvements are complemented by business process simplification, including the adoption of cloud-based technology and industry best practices. Cloud-computing not only improves the business continuity, visibility and scalability of applications but also enhances their security and transparency. While COMPASS and Workday were rolled out in 2021 and 2022, respectively, key milestones were reached in 2023 when the remaining four projects (Cloud ERP, PROMS, Synergy and LINK) went live.

Transformation is not only about changing structures, accountabilities and processes. It is also about changing the organizational culture. UNHCR recognizes the importance that organizational culture has on overall efficiencies, working conditions and ultimately on better delivery for forcibly displaced people. Business transformation can yield sustainable changes only if the culture of an organization aligns with those changes. UNHCR will continue to promote a positive work culture and assist our colleagues in realizing changes.

Roles, accountabilities and authorities across the organization for managing risks and controls

Roles, accountabilities and authorities were revised to provide a harmonized view of the differentiated roles of headquarters, regional bureaux and country operations across all major business areas of the organization. These updated roles, accountabilities and authorities, released in December 2022, were aimed at strengthening effective and accountable decentralized decision-making and bringing UNHCR into closer alignment with the “three lines” model on oversight.

Following the completion of the business transformation programme, UNHCR is bringing together an overview of the systems that the organization uses to strengthen accountability within an overarching accountability framework for adoption in late 2024. The accountability framework will complement the roles, accountabilities and authorities frameworks for headquarters, regional bureaux and country offices. The aim is to strengthen understanding of accountability mechanisms among personnel and highlight what is necessary to maintain a robust accountability culture and practices over time.

These tools further reflect the application of the revised three-lines model in UNHCR. The model is a lens through which to consider how risks are managed at different levels of the organization. It also provides high-level guidance on how to identify and structure the interactions and responsibilities of the key counterparts in the organization in order to improve alignment, collaboration and accountability while maintaining adequate controls and oversight. Within the new architecture, aligned with an updated enterprise risk management policy issued in 2020, risk management and control activities are being exercised at all levels of the organization.

Risk management 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 (operational risk register) approach, to identify and manage our key risks and identify opportunities. UNHCR sees risk management to be a key enabler for risk-informed decision-making, embedded in the organization's day-to-day processes and activities, and a responsibility of all UNHCR personnel. Internal controls are essential to managing risks, and the effectiveness of existing controls is considered when assessing levels of risk.

UNHCR has made steady progress in building a stronger risk management culture across the organization and is implementing a five-year strategy for risk management with the aim of bringing the organization's risk maturity to a more advanced level by the end of 2025. An independent advisory in 2022 by OIOS on the functioning and effectiveness of risk management in UNHCR found that progress had been made in all areas of risk management since the previous external benchmarking exercise. The Board of Auditors also examined the risk management in UNHCR as part of the audit performed in relation to the financial statements for 2022 and issued two recommendations. UNHCR has taken the actions to implement the first recommendation related to ensuring more consistency in the way that risks are reviewed and escalated at the level of regional bureaux and is in the process of addressing the second recommendation, highlighting the need to adopt, as a complement to the issuance of its corporate risk appetite statement, a consistent methodology for defining internally the Office's tolerance for operational risks at the field level.

Key findings of risk reviews in 2023

The Strategic Risk Register was reviewed and refreshed again in late 2023 and shared internally in early 2024. The risk register captures 13 strategic risks, with key risk and control indicators and target appetite levels defined for each risk. This has allowed UNHCR to better assess whether its mitigation actions are bringing the risks to acceptable levels, and it has laid the groundwork for more detailed discussions on the Office's risk appetite. In the update, no new strategic risks have been identified;

however, the causes and consequences of all risks have been revised to take account of recent developments and changes in the global operational context. More specifically, the risk linked to the Office's transformation has been substantially revised to reflect the changing context now that the Business Transformation Programme has gone live. The strategic risk of climate change has also been reframed to reflect progress made and align it with the UNHCR Focus Area Strategic Plan for Climate Action 2024–2030. Strategic risks related to exercising the mandate of UNHCR in a polarized global environment, emergency preparedness and response, funding and cybersecurity were assessed as increasing in 2023.

Based on the bottom-up risk management process, which is sequenced to feed into the updating of the strategic risk register, protection and solutions and emergencies remain the two biggest areas of risk facing UNHCR, representing more than 40 per cent of all risks and opportunities identified in 2023. Key risk themes included reduced protection space, challenges to finding solutions and conflict-driven large-scale displacement. Encouragingly, the protection environment also remains the area where the most opportunities were identified, often in relation to the Global Compact on Refugees and possibilities for the inclusion of refugees into national systems and programmes. Addressing these risks and opportunities has been a priority for UNHCR throughout 2023 at all three levels of the organization.

Integrity and ethical conduct have remained a prominent risk area. It primarily cuts across three risk themes: sexual misconduct; fraud by suppliers, personnel and partners; and fraud by forcibly displaced and stateless people. Efforts to prevent these risks from materializing have been focused on adapting and enhancing business processes and their controls, reinforcing training and awareness-raising, and strengthening community engagement and feedback and monitoring mechanisms.

I am reassured by the positive feedback from risk owners as well as external oversight providers that necessary processes and action plans are in place and provide sufficient evidence that UNHCR takes reasonable action to manage its key risks and implement mitigating actions.

Review of the effectiveness of internal controls

As the United Nations High Commissioner for Refugees, I am responsible for reviewing the effectiveness of the system of internal controls of the organization. My review is informed by senior managers within the organization, who are responsible for the development and maintenance of the internal control framework.

My review of the effectiveness of the UNHCR system of internal controls is based on the following mechanisms, as well as other evidence as available and appropriate:

(a) The annual certification statements, together with the internal control self-assessment questionnaires, as completed and submitted by all UNHCR representatives, directors of the regional bureaux and administrative support divisions. The questionnaire was used by each entity to review and rate its compliance with key controls in various areas, including organizational governance and management aspects and operational, administrative and support areas, as well as in emergency preparedness and organizational resilience. The responses included a rationale for the self-assessment ratings attributed to the tested internal controls. To enhance the role of the bureaux in monitoring the adequacy of controls in their regions, starting with the 2023 financial year the results of the self-assessment exercises of country operations are being reviewed by the respective regional bureaux, which conducted spot-checks and provided feedback to country operations as applicable. With the certification statements, representatives and directors

confirmed their responsibility and accountability for having put in place and maintained adequate internal controls in their respective areas on a day-to-day basis. Taking into consideration the evolving operational circumstances, some of the questions included in the questionnaire were reviewed to capture particularities of the 2023 annual reporting cycle;

(b) The reports issued by OIOS following the audits conducted under the 2023 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. Audit reports are made public on the OIOS website;⁶¹

(c) The independent audit reports of projects implemented by partners. UNHCR 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 reports and recommendations issued by the Board of Auditors, the Joint Inspection Unit and the UNHCR Independent Audit and Oversight Committee. The related observations and recommendations of these oversight bodies provide objective information on compliance and control effectiveness. They submit their key findings, observations and recommendations to the governing bodies. Reports of the Board of Auditors, the Joint Inspection Unit and the UNHCR Independent Audit and Oversight Committee are made public on the Board of Auditors website,⁶² Joint Inspection Unit website⁶³ and Independent Audit and Oversight Committee website,⁶⁴ respectively.

Internal control issues arising during 2023

Through all review mechanisms described above, it was noted that several internal control matters already identified in prior years continued to persist in 2023, in addition to newly flagged aspects, affecting the robustness of the control environment of UNHCR. The following is a summary of such identified matters and the progress made in addressing them:

(a) **Efforts continue to maximize benefits from the new enterprise resource planning system, as well as other business systems, to enhance their use beyond transaction processing.** The business transformation programme was finalized in 2023 with the launch of the remaining four systems (Cloud ERP, PROMS, Synergy and LINK) and subsequent stabilization of the business transformation programme systems. While the transformation agenda is a positive and necessary initiative to improve the Office's effectiveness and efficiency, the organization-wide scale and scope of change inherently carries significant risks. Harnessing cloud-based technology, Cloud ERP and other systems offer a range of expanded features and integrations that, over time, will streamline the platform ecosystem with which UNHCR personnel interact in their daily work and will facilitate new and simplified ways of working and collaborating. Fully harnessing the potential benefits will require a coordinated approach focused on stabilization of the systems, data and integration management to translate these efforts into streamlined business processes,

⁶¹ See oios.un.org/audit-reports.

⁶² See www.un.org/en/auditors/board/auditors-reports.shtml.

⁶³ See www.unjiu.org/content/reports.

⁶⁴ See www.unhcr.org/about-unhcr/governance-and-oversight/independent-audit-and-oversight-committee-iaoc.

cost-effectiveness and increased automation of internal controls. Efforts are directed to:

- (i) Improving the new systems to ensure that business needs can be met more efficiently and effectively while improving internal business processes and increasing synergies and consistencies across the systems. Following the closure of the business transformation programme, a temporary business support team has been established, to oversee follow-up activities including a comprehensive lessons learned and impact gains exercise, in addition to assisting with the stabilization process when coordination and business as usual support are fully integrated into the divisions;
- (ii) Enhancing data management and its use, to enable more data-driven and evidence-based decision-making and to improve data integrity and enhance reporting capabilities;
- (iii) Strengthening internal control frameworks and second-line oversight, facilitated by updated policies, instructions and dashboards. UNHCR will endeavour to identify relevant key performance indicators that can be extracted from Cloud ERP, or calculated based on data recorded in the system, to support a more objective assessment of the functioning of various controls;
- (iv) Further enhancing the delegation of authority and role provisioning in Cloud ERP (DOARP framework). Efforts continue to fully digitize and automate the request process for delegation of authority and role provisioning, to better enable the users to request Cloud ERP roles and access rights on a self-service basis and to provision and deprovision in an automated manner;
- (v) Elevating partnership management with PROMS. As familiarity of staff across the organization increases in using PROMS for handling projects implemented through partners, it is expected that this will result in time savings from reduced manual workload; enhanced risk and knowledge management from increased availability of timely financial and performance data; and improved ability of the organization to manage partnership agreements;
- (vi) Strengthening control over personnel data and related costs maintained in Workday and COMPASS.

(b) **Strengthening procurement planning and enhancing contract management instruments and monitoring tools as intended.** The establishment and monitoring of consolidated procurement plans are mandatory. They are one of the main outcomes of the UNHCR procurement planning process, with the aim of facilitating the recording and monitoring procurement actions related to the establishment of new contracts and the extension or renewal of existing contracts to respond to UNHCR operational requirements. The improvement of current standard templates and the development of more automated dashboards and tools are in progress. This is also part of the revision of the UNHCR policy and administrative instruction on procurement. The revised framework includes new approaches on procurement planning, as well as a clearer assignment of roles, accountabilities and authorities, delineating the responsibilities across functions at different levels to ensure a more effective procurement planning process. Furthermore, UNHCR has undertaken a revision of its supply chain operating model which is gradually being rolled out. Its aim is to strengthen the procurement leadership and provide better definition of roles for country operations, regional bureaux and headquarters entities based on a functional segmentation approach linked to complexity and proximity considerations. While this is expected to strengthen the procurement capacity at all levels, a special emphasis is placed at the regional bureau level, which is reinforced as a key internal control and second line role for procurement;

(c) **UNHCR cybersecurity controls need continued focus.** Cybersecurity has emerged as an area of immense importance, and the international humanitarian space is not untouched by it. The potential consequences of cybersecurity incidents go beyond the disruption of systems, data breaches, the number of user accounts that might be compromised or financial losses. The ability of UNHCR to deliver its objectives, and its reputation and credibility vis-à-vis its member States and stakeholders, is at stake. Cybersecurity is therefore recognized as a strategic organization-wide concern and included in the UNHCR strategic risk register. In 2023, UNHCR continued to enhance its cybersecurity controls and programmes, to respond to the evolving threat landscape. It issued its first policy on information security, which established the new position of Chief Information Security Officer and set out accountabilities, an assurance process and a risk-based approach. Furthermore, in 2023, OIOS conducted an audit of cybersecurity preparedness in UNHCR and made several recommendations in its report to UNHCR senior management. At the end of 2023, UNHCR conducted its first in-depth cybersecurity self-assessment process; lessons and learnings from this informed the responses given by operations in their internal control self-assessment questionnaires certified by representatives at year-end. Other significant areas of attention in 2023 included the first minimum cybersecurity and data protection baseline for UNHCR-funded partners (jointly with the Data Protection Office), two updated and improved administrative instructions and dozens of operational security improvements;

(d) **Workforce planning and staffing indicators will continue to be improved to support operations.** UNHCR is closely monitoring the implementation of the strategic workforce planning approach adopted in 2021. The newly issued handbook for workforce planning, complemented by relevant chapters in the revised UNHCR Programme Handbook, will facilitate strategic, results-based, multi-year planning and programming, including the analysis and forecasting of talent needs across the organization. It includes a human resources action plan toolkit to facilitate talent interventions and the proper implementation of the structural and staffing reviews with a people-centric approach. Position planning is also increasingly integrated into overall planning and budgeting. The handbook for designing field presences was updated to include functional staffing indicators to help operations design their staffing structures to maximize the delivery of results. UNHCR will continue to provide training on workforce planning, and an overarching strategy for workforce planning is expected to be finalized by the end of 2024. This strategy will guide the organization's efforts to mitigate the risk of misalignment between the current skill set of personnel and future requirements to meet the challenges UNHCR is facing, which is one of the organization's strategic risks;

(e) **There is a need to increase adherence to the policy of the continuous monitoring and analysis of security risks, emergency risks and preparedness, as well as business continuity planning.** The number of countries facing greater security risks continued to increase during the reporting period and security measures need to be adapted and/or enhanced to reduce the risk, including through risk avoidance measures when deemed appropriate. Emergency-related risks were rated second of the top 10 risks identified by field operations. Effective and efficient emergency preparedness and response are a corporate priority of UNHCR. 2023 was a dramatic year in terms of displacement owing to political violence, war and climate change and/or natural disasters. UNHCR issued a new policy on emergency preparedness and response in February 2023, which introduced new ways of working and simplified procedures for emergencies, accompanied by the release of new guidance on emergency preparedness in April 2023. The guidance provides a practical framework for implementing and operationalizing the preparedness measures set out in the emergency policy. It enables UNHCR to better plan, programme and carry out emergency preparedness and response activities in different areas, including

protection, camp and site management and shelter, as well as to prepare for solutions from the onset of an emergency. The risk analysis for emergencies is currently integrated into the regular risk review process in line with the UNHCR policy for enterprise risk management. Business continuity planning is a core element of the organizational resilience management system and part of the emergency preparedness process;

(f) **Compliance to maintain vehicles master data needs to be continued to be strengthened to provide more reliable information for fleet management.** The FleetWave software has been improved in 2023 with a data validation feature that automatically flags and blocks any inputs that exceed the pre-set parameters, allowing for timely rectification. Moreover, the system can now spot and prevent duplicate entries of fuel data for already registered transactions. In addition, a mass upload of vehicle refuelling events in FleetWave for fuel provided by commercial suppliers was introduced in selected operations, further enhancing the data quantity and quality. To increase visibility into fuel performance across countries, enhancements of FleetWave included monthly summary reports as well as operational dashboards on various aspects including fuel, service and repair. Furthermore, guidelines on fuel quality and fuel quantity management have been issued capturing the existing best practices and controls;

(g) **New cash-based intervention finance process under Cloud ERP to be strengthened.** Following the introduction of a new cash-based intervention process under Cloud ERP, UNHCR has conducted training sessions and workshops to enhance the knowledge of UNHCR personnel on the new process. CashAssist (the UNHCR cash-based interventions management system), and Cloud ERP have been integrated to simplify and improve controls through automations. Expenses and refunds are now integrated in the reconciliation process in CashAssist with the result of making the process more efficient and eliminating inconsistency between the two systems. Furthermore, in 2023, UNHCR issued an updated instruction on financial risk management, internal controls and reporting related to cash-based intervention, making the use of CashAssist mandatory in country operations and introducing enhanced standard operating procedures templates.

With the aim of taking timely actions to further strengthen the internal control system, the status of implementation of recommendations issued by internal and external audits is continuously monitored by senior management, together with other relevant risk owners. Increased attention is being 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 the UNHCR senior management team and submitted periodically to the governing bodies of UNHCR.

Statement

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

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR operated under an effective system of internal controls and

there were no material weaknesses to report for the year 2023 and up to the date of the approval of the organization's financial statements.

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

28 April 2024

Chapter V

Financial statements for the year ended 31 December 2023

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars)

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

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 2023

(Thousands of United States dollars)

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

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 2023

(Thousands of United States dollars)

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

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 2023

(Thousands of United States dollars)

	<i>Reference</i>	2023	2022 <i>(restated and reclassified)^a</i>
Cash flows from operating activities:			
Surplus/(deficit) for the period		(590 106)	583 993
Adjustment for:			
Depreciation, amortization and impairment	Note 6.10	84 327	77 904
Foreign exchange (gains)/losses on cash and cash equivalents		36 050	36 926
Revenue from in-kind contributions of property, plant and equipment, and intangibles	Note 3.5	(569)	(200)
(Gain)/loss on disposal of property, plant and equipment, and intangibles	Note 5.4	(11 702)	(15 747)
Changes in:			
(Increase)/decrease in contributions receivable, before restatement (IPSAS 41)	Note 3.2	186 751	(62 959)
(Increase)/decrease in inventories	Note 3.3	39 620	(164 249)
(Increase)/decrease in other assets	Note 3.4	(272 677)	(34 326)
Increase/(decrease) in accounts payable and accruals	Note 3.7	263 468	79 577
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss	Note 3.8	63 962	94 694
Increase/(decrease) in provisions	Note 3.10	(4 716)	(112)
Increase/(decrease) in other liabilities	Note 3.9	49 913	(11 731)
Increase/(decrease) in deferred revenue		870	31
Net cash flows from operating activities		(154 809)	583 800
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(67 338)	(100 867)
Purchase of intangible assets	Note 3.6	–	(4 716)
Proceeds from sale of assets	Note 5.4	19 885	15 747
Purchase of short-term investments		(2 075 050)	(1 405 000)
Maturities and sale of short-term investments		2 024 248	1 416 518
Net cash flows from investing activities		(98 256)	(78 318)
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		(253 064)	505 482
Effect of exchange rate changes on cash and cash equivalents		(36 050)	(36 926)
Cash and cash equivalents at beginning of the year		2 307 447	1 838 891
Cash and cash equivalents at end of the year		2 018 333	2 307 447

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 2023^a

(Thousands of United States dollars)

	Approved programme budget amount		Actual on comparable basis	Variances: final budget and actual amounts
	Reference	Original ^b		
Available funds^d			5 715 912	
Field operations				
West and Central Africa		896 486	1 064 955	482 234 582 721
East Africa, Horn of Africa and Great Lakes Region		2 021 249	2 160 691	875 295 1 285 396
Southern Africa		471 462	471 707	178 238 293 469
Middle East and North Africa		2 470 154	2 441 639	974 224 1 467 415
Asia and the Pacific		944 741	1 014 985	575 107 439 878
Europe		1 293 533	1 693 533	1 046 743 646 790
Americas		827 188	827 432	355 135 472 297
Total field operations		8 924 813	9 674 942	4 486 976 5 187 966
Global programmes		542 115	519 050	426 011 93 039
Headquarters		246 650	268 961	246 001 22 960
Operational reserve		485 679	453 759	– 453 759
Junior Professional Officers Fund		12 000	12 000	7 567 4 433
Total	Note 7	10 211 257	10 928 712	5 166 555 5 762 157
Balance of available funds^d	Note 7			549 357

^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 programme budget for 2023 of \$10,211.3 million was approved by the Executive Committee of the Programme of the High Commissioner at its seventy-third session (10–14 October 2022), as contained in [A/77/12/Add.1](#), paragraph 13.

^c The final budget figure represents the sum of the approved original programme budget of \$10,211.3 million and the final supplementary budgets of \$817.5 million established by the High Commissioner in 2023 in accordance with rule 208.2 of the UNHCR financial rules ([A/AC.96/503/Rev.12](#)) and a budget reduction of \$100.0 million implemented in the field (Iraq) as contained in [A/78/12/Add.1](#), paragraph 12.

^d Available funds represent the last estimate by management of funding available for the year. Thus, any balance represents the available funds not consumed by 31 December. In note 7, table 7.2, this balance is reconciled to the change in cash balances reflected in statement IV.

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 2023 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 [319 A \(IV\)](#). 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 displaced people, 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. In 2003, the Assembly decided to remove the temporal limitation on the continuation of the Office and to continue the Office until the refugee problem is solved (Assembly resolution [58/153](#)).

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 2023, the Executive Committee consisted of 108 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 and liaison offices in New York and Brussels. As at 31 December 2023, UNHCR had a presence in 135 countries and/or territories, where its core work was managed through regional bureaux, country or multi-country offices, sub-offices and field offices in the following seven regions: West and Central Africa; East Africa, Horn of Africa and Great Lakes; Southern Africa; Middle East

and North Africa; Asia and the Pacific; Europe; and the Americas. 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. Pursuant to IPSAS 1: Presentation of financial statements, paragraph 31, outlining the general requirements for the presentation of financial statements, and to comply with its promulgated financial rules, UNHCR departs from IPSAS by presenting the net balance of the Staff Benefits Fund within the net assets section of the statement of financial position. The net unfunded balance presented is composed of the accumulated balance of the employee benefit liabilities less the approved funding provided against those liabilities. This presentation, which provides more visibility to the unfunded balance of the Staff Benefits Fund, has been consistently applied to the financial statements since 2007. The full details required to comply with the presentation requirements of IPSAS are nevertheless reflected in note 3.14.

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 consolidated budget requirements for 2024 during its seventy-fourth plenary session (9–13 October 2023) 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 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.12](#)), 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.

Changes in presentation

12. Following a rationalization of the detailed accounts in 2023, certain asset and liability balances and expenses have been recategorized to improve presentation of the nature of underlying assets, liabilities and related expenses. Where relevant and material, prior-year comparative numbers have been reclassified accordingly. The

specific reclassifications are explained in the footnotes to the tables in the relevant notes below.

Materiality and use of judgment and estimates

13. The financial statements necessarily include estimated amounts on the basis of management's knowledge, judgment and assumptions with regard to events and actions. Estimates include but are not limited to implementing partner receivables and accruals, 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.

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

Adoption of IPSAS 41

15. Effective 1 January 2023, UNHCR adopted IPSAS 41: Financial instruments, which was issued in August 2018. It replaced IPSAS 29: Financial instruments: recognition and measurement, and introduces:

- (a) Simplified classification and measurement requirements for financial assets;
- (b) A forward-looking impairment model;
- (c) A flexible hedge accounting model.

16. Any changes from the initial adoption of the Standard are effective on that date, thus not requiring the restatement of the prior-period amounts. As a result, the financial assets, financial liabilities, non-exchange and exchange receivables and investment revenue as at 31 December 2022 presented in these financial statements have been accounted for in accordance with the accounting policies as stated in the 2022 financial statements.

New classification and measurement principles for financial assets

17. IPSAS 41 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets and the contractual cash-flow characteristics of those assets. Depending on these criteria, financial assets are classified into the following categories: "financial assets at amortized cost", "financial assets at fair value through net assets/equity", or "financial assets at fair value through surplus or deficit".

18. On 1 January 2023, the application of the new criteria resulted in the maintenance of the existing classification of all investments.

New impairment model

19. Whereas the previous impairment model was based on incurred losses, IPSAS 41 has introduced a forward-looking impairment model based on expected credit losses over the lifetime of the financial asset. The expected credit losses take into account possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at amortized cost or at financial assets at fair value through net assets/equity.

20. The following table shows the original measurement categories for UNHCR financial assets under IPSAS 29 as applied to the 2022 financial statements and the new measurement categories under IPSAS 41 for UNHCR financial assets as at

1 January 2023. There were no changes to the measurement categories for the financial liabilities.

(Thousands of United States dollars)

	<i>Measurement category prior to the adoption of IPSAS 41</i>	<i>Net carrying amount at 31 December 2022</i>	<i>Measurement category under IPSAS 41</i>	<i>Net carrying amount at 1 January 2023</i>
Financial assets				
Cash and cash equivalents	Amortized cost	974 868	Amortized cost	974 868
Term deposits with original maturities under 3 months	Amortized cost	1 242 529	Amortized cost	1 242 529
Money market funds, other	Financial assets at fair value through surplus or deficit	90 050	Financial assets at fair value through surplus or deficit	90 050
Contributions receivable (note 3.2)	Amortized cost	2 010 391	Amortized cost	1 963 621
Other accounts receivable (note 3.4)	Amortized cost	23 477	Amortized cost	23 477

21. The following table provides an analysis of the impact of the transition to IPSAS 41 of the organization's financial assets and receivables. It shows the reconciliation of the carrying amounts from their previous measurement category under IPSAS 29 as applied to the 2022 financial statements, with their new measurement categories upon transition to IPSAS 41 on 1 January 2023:

(Thousands of United States dollars)

	<i>Balance at 1 January 2023</i>					
	<i>Balance at 31 December 2022</i>	<i>Reclassification</i>	<i>Remeasurement</i>	<i>Financial assets at fair value through surplus or deficit</i>	<i>Amortized cost</i>	<i>Total</i>
Financial assets (investments and cash and cash equivalents)						
Cash and cash equivalents (note 3.1)	974 868	1 242 529	–	–	2 217 397	2 217 397
Short-term investments (note 3.1)	1 332 579	(1 242 529)	–	90 050	–	90 050
Total financial assets (investments and cash and cash equivalents)	2 307 447	–	–	90 050	2 217 397	2 307 447
Contributions receivable balance (note 3.2) ^a	2 010 391	–	(46 770)	–	1 963 621	1 963 621
Total impact of the adoption of IPSAS 41	4 317 838	–	(46 770)	90 050	4 181 018	4 271 068

^a Remeasurement of contributions receivable upon implementation of IPSAS 41 was calculated using the World Bank special drawing right interest rate applicable at 31 December 2022. The comparative numbers for 2022 reflected in note 3.2 do not include the impact of remeasurement, since the adoption of IPSAS 41 resulted in a restatement of opening receivables on 1 January 2023.

Revenue

Non-exchange revenue

22. 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.

23. Revenue from voluntary contributions and the United Nations regular budget 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.

24. 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

25. In-kind contributions of goods and selected 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 in kind include goods which are distributed to beneficiaries, as well as 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 specific selected services are treated as both revenue and expense upon receipt.

Exchange revenue

26. 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

27. Interest revenue is recognized over the period in which it is earned. Besides interest earned on operational cash balances, interest revenue includes the impact of amortization of cash and cash equivalents arising from the measurement of term deposits at amortized cost and mark-to-market adjustments for money market funds classified as financial assets at fair value through surplus or deficit for the purposes of IPSAS 41. Any impact of changes in the amortized cost of financial asset receivables classified as amortized cost for the purposes of IPSAS 41 is recognized as a component of interest revenue.

Expenses

28. 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

29. 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 assets comprise cash and cash equivalents, investments, accounts receivable and other miscellaneous receivable balances from exchange transactions. Tax receivables are not considered to represent financial instruments for the purposes of IPSAS 41.

30. UNHCR financial liabilities comprise, accounts payable and accruals which are recognized initially at fair value and subsequently measured at amortized cost.

31. When financial assets and liabilities are short term, as the impact of amortization is not material, amortized cost is equivalent to the trade date amount at inception for cash and cash equivalents or to the original invoice value at the time that the related goods or services are delivered and accepted for receivables and financial liabilities.

32. UNHCR uses World Bank special drawing rights as the reference rates for the initial measurement of long-term receivable financial assets and financial liabilities under IPSAS 41.

33. The classification of financial instruments and assessment of materiality considerations for the purposes of IPSAS 41 are subject to annual review.

Assets

Financial assets measurement and classification

34. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. UNHCR classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date. Paragraphs 15–21 above (Adoption of IPSAS 41) describe a change in classification further to the adoption of IPSAS 41 effective 1 January 2023.

<i>Classification</i>	<i>Financial assets</i>
Fair value through surplus and deficit	Money market funds
Amortized cost	Cash and cash equivalents and receivables

35. All financial assets are initially measured at fair value. UNHCR initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the organization becomes party to the contractual provisions of the instrument.

36. Financial assets with maturities beyond 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

37. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term after an assessment of their contractual cash flow characteristics, as well as the determination of the organization's management model for such financial assets, which is both to collect contractual cash flows and to sell the financial assets. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

38. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value, plus transaction costs, and are subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

39. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

40. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and UNHCR has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Cash and cash equivalents

41. Cash and cash equivalents comprise cash on hand, cash at banks and short-term deposits with maturities of three months or less. Cash and cash equivalents and short-term investments in term deposits are measured at amortized cost and initially based on a forward-looking assessment of any material credit loss risk for a 12-month period.

Investments

42. Investments in short-term deposits generally held to maturity with maturities between 3 and 12 months are measured at amortized cost. Any credit exposures for which there has been a significant increase in credit risk since initial recognition are recognized on the basis of full lifetime expected credit losses.

43. Investments in money market funds with a fixed amount to be redeemed, a term of 3 months or less at the time of investment, and a credit rating of AAA or a comparable high rating are classified as a component of cash and cash equivalents. Other investments in money market funds are measured at fair value with changes recorded through surplus and deficit.

44. Investment revenue is included in interest revenue.

Contributions and other receivables

45. The principal on UNHCR receivables that are classified as financial assets is deemed to be the amount resulting from the transaction, and the interest element is deemed to be zero. UNHCR holds such receivables to collect the cash flow, and they are classified and measured at amortized cost, in accordance with IPSAS 41, paragraph 40.

46. Short-term contributions receivable are measured at amortized cost and recorded at nominal or original invoice value.

47. Non-current receivables designated as financial assets for the purposes of IPSAS 41 are discounted using World Bank special drawing rights as the reference rates for the initial measurement of financial assets and liabilities under IPSAS 41. UNHCR has no history of credit losses on contributions receivable therefore the impact of expected credit losses in the measurement of these receivables is currently zero.

48. Other receivables that are not financial assets for the purposes of IPSAS 41 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.

Inventories

49. 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, apparel and construction materials and related equipment.

50. 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.

51. 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-controlled receiving location in the destination country. Costs incurred to move inventories between in-country warehouses or distribution points are expensed as incurred.

52. The cost of inventories is determined on a weighted average basis.

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

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

Other assets

55. Other assets are other claims on third parties, including prepayments for implementing partners, cash-based intervention and commercial transactions, as well as tax and miscellaneous exchange receivables and advances. These are recognized when UNHCR expects to receive cash or financial benefits in the future.

Property, plant and equipment

Measurement of costs at recognition

56. 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.

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

58. Prior to 2023, individual items of movable property, plant and equipment which did not meet this minimum cost threshold were expensed directly in the period of acquisition without capitalization. From 2023, such low value assets are capitalized and tracked as fixed assets and depreciated 100 per cent in the year of acquisition. The prior period comparative cost and accumulated depreciation balances have been adjusted accordingly. The change of presentation had no impact on net assets. The impact of the change is summarized in the following table.

Impact of restatement of property, plant and equipment, 2022

(Thousands of United States dollars)

	31 December 2021	Impact of restatement	1 January 2022	Before reclassifications	Impact of reclassifications	31 December 2022
Cost before adjustment	447 059	138 280	585 339	26 539	30 690	642 568
Accumulated depreciation	(232 584)	(138 280)	(370 864)	(5 817)	(30 690)	(407 371)
Net book value	214 475	–	214 475	20 722	–	235 197
<i>Impact on expense categories</i>						
Depreciation	–	–	–	35 193	30 690	65 883
Equipment and supplies	–	–	–	169 924	(30 690)	139 234
Total impact on selected expenses of 2022	–	–	–	205 117	–	205 117

59. 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.

60. Acquisition or construction costs of all other buildings are expensed at the time of acquisition or construction. The rights of UNHCR 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

61. 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:

Class	Estimated useful life (in years)
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

<i>Class</i>	<i>Estimated useful life (in years)</i>
Motor vehicle equipment – light	8
Equipment, including generators, telecommunications, security and safety, storage, computers and office furniture and fittings	5

62. Changes in useful lives are accounted for prospectively as a change in accounting estimate. 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.

63. The estimated useful life of light vehicles was revised from six to eight years in 2022 to reflect recent historical experience and minimize the expected future gains or losses upon planned disposals prior to the end of their useful lives. No useful life revisions to major asset categories were necessary in 2023.

Intangible assets

64. 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.

65. Intangible assets controlled by UNHCR 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. The capitalized value of internally developed software excludes those costs related to research and maintenance.

66. In 2023, the remaining net book value of software developed or enhanced internally was derecognized owing to the substantive completion of the planned transformation away from on-premises controlled software solutions and towards a software as a service-based approach. The stand-alone value of any residual components of controlled in-house software solutions is no longer material and is no longer reliably measurable independent of the derecognized assets.

67. 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
Software developed internally	5
Licences and rights, copyrights, intellectual property and other intangible assets	Shorter of the licence or rights period and useful life of 3 years

Software as a service

68. Costs incurred to configure or customize, and subscriptions fees to access cloud-based software as a service (SaaS) are recognized as operating expenses when the services are received if the systems utilized do not meet the criteria to be recognized as controlled assets. Subscriptions fees contracted for the predeployment period that are distinct from configuration costs are amortized over the remainder of the minimum subscription period, starting from the date of initial active deployment.

69. Costs incurred for the development of software code that enhances or modifies or creates additional capability to existing on-premises systems and satisfies the recognition criteria for an intangible asset are recognized as intangible software assets and amortized over the remaining useful life of the software on a straight-line basis. The useful lives of intangible software assets are reviewed at least annually. Any change in useful lives, including those due to such enhancements, are accounted for prospectively as a change in accounting estimate.

70. The assessment of whether costs to integrate and bridge controlled software to software-as-a-service solutions meet recognition criteria for capitalization as intangible software assets may involve key judgments as to the exact nature of the costs incurred, including whether a separate asset can be reliably measured.

Liabilities*Accounts payable and accruals*

71. Accounts payable are financial liabilities incurred to settle the cost 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 represent amounts due to implementing partners against agreements implemented by 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 for the purposes of IPSAS 41.

72. Accruals are financial liabilities for goods and services as at the reporting date that have been received by or provided to UNHCR during the year and have not been invoiced by suppliers or claimed by partners. Accruals include the estimated implemented share of the value of partnership agreements when partner reports confirming implementation have not yet been reported or processed.

Other liabilities

73. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. Future refund obligations are designated in the same manner as accounts payable and accruals and recorded at nominal value, as the impact of discounting is immaterial.

Employee benefits

74. 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

75. Short-term employee benefits in UNHCR comprise mainly salaries 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

76. 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.

77. 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

78. 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.

79. 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 belonging to 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

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

Provisions and contingencies

81. 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 outflow of resources 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.

82. 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

83. 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 operational segment.

84. The UNHCR budget is based on a comprehensive assessment of the humanitarian and protection needs of displaced people. The High Commissioner may approve supplementary budgets in the case that new needs cannot be fully met from the approved UNHCR programme budget. Supplementary budgets are reported to each subsequent meeting of the Standing Committee for the Committee to take note of them.

85. 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 basis used to prepare the budget and the financial statements differ, note 7 provides: (a) the comparison of the actual budgetary amounts presented in statement V with the IPSAS actual expense amounts presented in the statement of financial performance (statement II); and (b) the reconciliation of the difference between actual budgetary resources and expenditure with the cash increase/decrease presented in the cash-flow statement (statement III).

Segment reporting

86. 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.

87. UNHCR reports on the transactions of each segment during the year and on the balances held at the end of the year.

88. The structure of UNHCR internal financial reporting is organized into seven regions plus headquarters and global programmes for the purpose of evaluating performance in achieving UNHCR objectives and in making decisions about the future allocation of resources. Note 8 presents the regional and headquarters segment reporting schedules.

89. As at 31 December 2023, special funds and accounts comprised the Working Capital Fund for Voluntary Contributions, the Staff Benefits Fund, the Medical Insurance Plan and the Self-Financing Activities Fund.

Joint operations/UN Fleet

90. In 2022, UNHCR and the World Food Programme (WFP) signed a memorandum of understanding to establish a joint operation for the provision of mobility solutions to the United Nations system, referred to as UN Fleet, including vehicle leasing, insurance services and other related services. UN Fleet operations commenced in 2023. UN Fleet is not established as a separate entity with legal form and is jointly governed and funded by UNHCR and WFP, with each providing half of the approved funding. UNHCR recognizes its share in the assets and liabilities of UN Fleet, and of its revenues and expenses earned or incurred jointly with WFP under IPSAS 37: Joint arrangements. The UNHCR share of the net assets and results of joint operation of

2023 are not material. The results and financial position are recorded as a component of the Headquarters segment in 2023.

New accounting standards

91. IPSAS 41: Financial instruments was issued in 2018, initially with an effective date of 1 January 2022, which was subsequently deferred by one year to 1 January 2023 through the final pronouncement, entitled “COVID-19: Deferral of Effective Dates”, issued in 2020. The opening net assets and liabilities of 2023 are restated to reflect the impact of discounting in the measurement of the amortized cost of long-term contributions receivable necessary as a consequence of the adoption of the standard in 2023. The result was a \$42.9 million change (reduction) in the measurement of earmarked contributions receivables in 2023, and a restatement of the opening balance of \$46.8 million. For the other financial assets, the impact on the financial statements of UNHCR upon adoption is limited to additional disclosures as the financial impact is immaterial to the results and financial position of UNHCR at 31 December 2023.

92. IPSAS 42: Social benefits was issued in 2019, with an effective date of 1 January 2022, which was subsequently deferred by one year to 1 January 2023 through the final pronouncement, entitled “COVID-19: Deferral of Effective Dates”, issued in 2020. IPSAS 42 is not expected to be applicable to UNHCR in the foreseeable future.

93. IPSAS 43: Leases was issued in January 2022 with an effective date of 1 January 2025. IPSAS 43 supersedes IPSAS 13: Leases and introduces the right-of-use model for lessees. Its impact on the financial position of UNHCR upon adoption, including the impact of consequential amendments to other standards, is currently being assessed. Based on the right-of-use model, upon adoption of the new standard and after the expiration of the validity of any transitional provisions that may be applied, most expense leases will be required to be capitalized, resulting in an increase in the amount of capitalized assets and the recording of related lease liabilities.

94. IPSAS 43 will also be applicable to lease revenue, including the revenue earned from the contracts entered into by UN Fleet with United Nations system entities utilizing its services. The treatment of these leases under IPSAS 43 is still being assessed.

95. IPSAS 44: Non-current assets held for sale and discontinued operations, was issued in May 2022. IPSAS 44 promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5: Non-current assets held for sale and discontinued operations. Adoption of the standard is mandatory in the financial year ending 31 December 2025. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are not expected to be significant for UNHCR. Any impact of the presentation and disclosure changes will depend on the future identification of discontinued operations, starting on 1 January 2025.

96. IPSAS 45: Property, plant and equipment, was issued in May 2023 and replaces IPSAS 17: Property, plant and equipment. IPSAS 45 removes the scope exclusion for heritage property, plant and equipment, provides application and implementation guidance on infrastructure assets and captures property, plant and equipment-related measurement impacts from IPSAS 46. The impact of IPSAS 45 will be assessed prior to the effective date of 1 January 2025.

97. IPSAS 46: Measurement, was issued in May 2023 and draws upon International Financial Reporting Standard 13: Fair value measurement, with the addition of public

sector specific elements, including the current operational value measurement basis. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The impact of IPSAS 46 will be assessed prior to the effective date of 1 January 2025. The adoption of IPSAS 46 is not expected to change the UNHCR accounting policy choice of applying the historical cost model to tangible and intangible assets.

98. In March 2023, the IPSAS Board issued IPSAS 47: Revenue and IPSAS 48: Transfer expenses, each with an effective date of 1 January 2026. IPSAS 47 replaces IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers), to create a single consolidated revenue standard. IPSAS 48 is applicable to the accounting for substantially all UNHCR expenses incurred through implementing partners.

99. The impact of both IPSAS 47 and IPSAS 48 is currently being assessed.

100. On the basis of preliminary assessments, the impact of IPSAS 47 on UNHCR accounting for earmarked voluntary contributions is likely to be significant. Under the current IPSAS 23, UNHCR recognizes substantially all voluntary contributions as non-exchange revenue upon signature of the relevant contribution agreement. Under IPSAS 47, UNHCR will be required to record revenue from unearmarked contributions on a cash receipt basis and revenue from earmarked voluntary contributions when (or as) any identified compliance obligations under binding arrangements, and any enforceable obligations arising from other earmarked contributions, are duly satisfied. Compliance obligations and enforceable obligations, as defined in IPSAS 47, are concepts that broadly align with the expectations and entitlements of donors under many individually significant earmarked voluntary contribution agreements. The change in revenue recognition approach upon implementation of IPSAS 47 is expected to result in a significant shift in the timing of recognition for a substantial share of UNHCR revenue from earmarked voluntary contributions from the year of signature of the contribution agreement to the subsequent year(s) for which the funds are intended, and when UNHCR satisfies the relevant obligations.

101. The impact of IPSAS 48 on the UNHCR implementing partner expense accounting is not expected to be significant, as in the absence of specific IPSAS guidance prior to the publication of IPSAS 48, current UNHCR accounting for implementing partner expenses has been preliminarily assessed as being broadly aligned with the accounting approach reflected in IPSAS 48.

102. IPSAS 49: Retirement benefit plans, was issued in November 2023 and aligns with International Accounting Standard) 26: Accounting and reporting by retirement benefit Plans. It prescribes the accounting and reporting requirements for public sector retirement benefit plans. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 49. The Standard does not deal with other forms of employment benefits such as employment termination benefit or after-service health insurance plans. Adoption of the standard is mandatory for the financial year ending 31 December 2026. IPSAS 49 is not expected to have any impact on UNHCR financial reporting.

Note 3
Assets and liabilities

3.1 Cash and cash equivalents

Table 3.1.1
Summary of cash and cash equivalents

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022 (reclassified)^a</i>
Cash and cash equivalents		
Headquarters bank and cash	438 000	684 618
Field offices bank and cash	367 420	290 251
Short-term deposits	1 207 444	1 242 529
Investments in money market funds	5 470	90 050
Total cash and cash equivalents and short-term investments	2 018 333	2 307 447

^a In 2023, term deposits and money market funds with an original duration of less than three months were reclassified from investments to cash and cash equivalents. Prior year comparative amounts have also been reclassified accordingly. Investments in money market funds meet the criteria for classification as cash and cash equivalents.

103. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts and money market funds are available at short notice and meet the criteria for classification as cash and cash equivalents.

104. Table 3.1.2 shows the purposes for which cash and cash equivalents were held.

Table 3.1.2
Earmarking of cash and cash equivalents

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022 (reclassified)</i>
Cash and bank balances		
Operational	694 840	870 050
Junior Professional Officers Fund	10 579	9 208
Operational cash and bank balances	705 419	879 258
Working Capital Fund for Voluntary Contributions	100 000	95 610
Non-operational cash and bank balances	100 000	95 610
Total cash and bank balances	805 419	974 868
Short-term deposits and investments		
Staff Benefits Fund	877 269	737 680
Medical Insurance Plan	73 593	69 581
Self-Financing Activities Fund	222 810	201 246
Operational	39 242	324 072
Total short-term deposits and investments	1 212 914	1 332 579

	31 December 2023	31 December 2022 (reclassified)
Of which:		
Operational	744 661	1 203 330
Non-operational	1 273 672	1 104 117
Total cash and cash equivalents	2 018 333	2 307 447

Table 3.1.3
Currency position of cash and cash equivalents

(Thousands of United States dollars)

<i>Holding currency</i>	<i>Position at 31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	1 735 378	–	–
Euro	57 127	(5 193)	5 713
Uganda shilling	19 331	(1 757)	1 933
West African CFA franc	13 164	(1 197)	1 316
Sudanese pound	12 240	(1 113)	1 224
Other currencies	181 093	(16 463)	18 109
Total cash and cash equivalents and investments	2 018 333	(25 723)	28 295

105. Cash and cash equivalents and short-term investments are held primarily in United States dollars. Table 3.1.3 indicates the impact on surplus or deficit if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all other variables constant, compared with the exchange rates in effect on 31 December 2023.

Table 3.1.4
Credit ratings of cash and cash equivalents

(Thousands of United States dollars)

	<i>Credit ratings^a</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Short-term deposits	Prime-1	1 207 444	1 242 529
Cash – other		805 419	974 868
Of which:	Prime-1	605 917	799 637
	Prime-2	27 244	22 372
	Prime-3	39 088	21 201
	Unrated/unknown	133 170	131 657
Total cash and cash equivalents and short-term investments		2 012 863	2 217 397

	<i>Credit ratings^a</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Short-term investments			
Money market funds	Aaa	5 470	90 050
Total investments		5 470	90 050
Total cash and cash equivalents		2 018 333	2 307 447

^a Long-term ratings for money market funds and short-term deposits ranged from Aa3 to A1 in 2023 and 2022. For cash – other, ratings are based on aggregated bank group ratings and long-term ratings ranging from Aa1 to Baa3 in 2022 and 2023. Issuers rated Prime-1, Prime-2 or Prime-3 have a superior, strong or acceptable ability to repay short-term debt obligations, respectively, based on Moody’s short-term rating definitions.

106. Credit risk for cash and cash equivalents is mitigated by the fact that balances are held with a significant number of counterparties.

3.2 Contributions receivable

107. The following tables summarize the composition of contributions receivable by donor class (table 3.2.1) and year due (table 3.2.2).

Table 3.2.1

Analysis of net contributions receivable by donor class

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022</i>
Current contributions receivable		
Governments	847 264	933 205
United Nations system organizations and funds	84 015	63 742
Other intergovernmental organizations	194 926	169 073
Private donors	131 438	97 959
Current contributions receivable before allowance	1 257 643	1 263 979
Allowance for doubtful accounts	(9 930)	(6 348)
Total current contributions receivable	1 247 714	1 257 631
Non-current contributions receivable		
Governments	593 704	678 630
United Nations system organizations and funds	10 340	15 074
Other intergovernmental organizations	41 460	51 580
Private donors	20 127	7 475
Total non-current contributions receivable before discounting	665 631	752 760
Discounting of non-current receivables (IPSAS 41)	(42 935)	–
Net contributions receivable	1 870 409	2 010 391

Table 3.2.2
Summary of contributions receivable by year due

(Thousands of United States dollars)

<i>Year due</i>	<i>31 December 2023</i>	<i>Percentage</i>	<i>Year due</i>	<i>31 December 2022</i>	<i>Percentage</i>
2022 and before	53 969	2.9	2021 and before	9 346	0.5
2023	197 774	10.6	2022	211 532	10.5
2024	995 970	53.2	2023	1 036 753	51.6
Total current contributions receivable	1 247 713	66.7		1 257 631	62.6
2025	479 821	25.6	2024	338 381	16.8
2026	156 280	8.4	2025	323 181	16.1
2027	29 530	1.6	2026	90 925	4.5
2028	–	–	2027	272	0.0
Total non-current contributions receivable before discounting	665 631	35.6		752 760	37.4
Discounting of non-current receivables	(42 935)	(2.3)		–	–
Total contributions receivable	1 870 409	100.0		2 010 391	100.0

108. Contributions receivable are treated as financial assets for the purposes of IPSAS 41, and non-current contributions receivable are measured at amortized cost by discounting their nominal value from the estimated date of future cash receipts using the applicable World Bank special drawing right interest rate. Contributions receivable are measured at amortized cost notwithstanding the fact that earmarking requirements of donors have not yet been satisfied, and the date of receipt of the funds may be dependent on the timing of the future satisfaction of the earmarking requirements.

109. The impact of discounting non-current contributions receivable to amortized cost is attributable to the implementation of IPSAS 41 from 1 January 2023. The amortization of the restated receivable balance on that date until 31 December 2023 is included within interest income. See note 5.3.

110. The movement of the allowance for doubtful accounts during 2023 was as follows:

Table 3.2.3
Change in allowance for doubtful contributions receivable

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Write-offs</i>	<i>Increase (Decrease)</i>	<i>31 December 2023</i>
Allowance for doubtful accounts	6 348	–	3 630 (48)	9 930

111. Contributions receivable are presented net of allowances for those receivables which are past due and for which there is objective evidence that the amounts due are impaired. The impaired receivables represent disputed claims and are not indicative of credit risk.

Table 3.2.4
Ageing of net contributions receivable

(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 2023	1 661 603	(3)	1 661 600
Less than 12 months overdue	198 144	(369)	197 775
More than 12 months overdue	63 527	(9 558)	53 969
Total contributions receivable before discounting	1 923 274	(9 930)	1 913 344

Table 3.2.5
Total contributions receivable by currency

(Thousands of United States dollars)

<i>Contributions receivable by currency</i>	<i>31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	631 308	–	–
Euro	536 969	(48 815)	53 697
Danish krone	256 897	(23 354)	25 690
Swedish krona	199 952	(18 178)	19 995
Other currencies	288 218	(26 202)	28 822
Total contributions receivable before discounting	1 913 344	(116 549)	128 204

112. Contributions receivable are denominated largely in United States dollars, euros, Danish krone and Swedish krona. Table 3.2.5 indicates the impact on surplus/(deficit) owing to changes in the dollar-equivalent value of contributions if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all other variables constant, compared with the exchange rates in effect as at 31 December 2023.

Table 3.2.6
Total contributions receivable by credit risk exposure

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022</i>
Government ratings^a		
Aaa–Aa3	1 338 875	1 435 415
A1–A3	81 573	159 625
Baa1–Baa3	15 792	9 798
Ba1–B3	1 392	743
Caa–Ca	2 000	2 000
Unrated	1 337	4 399
Total governments contributions receivable	1 440 969	1 611 981

	31 December 2023	31 December 2022
Intergovernmental organizations	236 386	220 600
United Nations system organizations and funds	94 355	78 724
Private donors	151 564	105 434
Contributions receivable before allowance	1 923 274	2 016 739
Allowance for doubtful accounts	(9 930)	(6 348)
Total contributions receivable before discounting	1 913 344	2 010 391

^a Moody's ratings.

113. Contributions receivable are recorded primarily based on pledges received and accepted from governments and intergovernmental organizations. Table 3.2.6 indicates the exposure by credit rating for net contributions receivable from governments. Comparable credit ratings applicable to other contributions receivable are not readily available. Credit risk on contributions receivable is mitigated by the fact that financial commitments resulting from contribution agreements are generally entered into only after related contributions funding has been received.

3.3 Inventories

114. The distribution or internal consumption of inventory is recorded as an expense in the statement of financial performance under distributions either to partners (note 6.1) or to beneficiaries (note 6.4), or – when consumed internally – under the relevant category of equipment and supplies (note 6.7). Inventories intended for long-term internal usage may also be transferred to property plant and equipment (note 3.5).

115. 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
Summary of inventory by type

(Thousands of United States dollars)

<i>Inventory type</i>	<i>31 December 2023</i>	<i>31 December 2022 (reclassified)^a</i>
Medical and hygienic supplies and apparel	11 321	22 593
Household items	186 335	225 743
Tents	89 834	109 752
Construction materials and related equipment	12 078	8 134
Basic food	364	479
Other supplies and equipment	143 477	114 494
In-transit and other	46 115	–
Assets held for distribution	–	2 021
Subtotal	489 523	483 214
Less: inventory valuation allowance	(64 517)	(18 589)
Total inventory^b	425 005	464 625

(Footnotes on following page)

(Footnotes to table 3.3.1)

^a In 2023, the categorization of inventory by type was updated. Prior year amounts have been reclassified for comparability with the current categorization,

^b In 2023, UNHCR implemented a new inventory management system as part of its new finance and supply chain information technology infrastructure implementation. The implementation of the new system facilitated a standardization of the inventory valuation methodology using weighted average cost for all UNHCR warehouse locations to achieve full compliance with IPSAS 12. Prior to the change, actual unit cost was used to determine costs in some locations, and average cost was used at other locations. It is not practical to recalculate 2022 inventory values following the same average cost methodology that is applied in 2023. However, owing to the very similar valuation bases and the relatively short average holding periods for most inventory items, the change to consistent use of average costing in 2023 is not expected to lead to significant changes in inventory valuations over time. The transition to average costing did not result in any restatement of inventory value at the date of system conversion in 2023.

116. At year-end, UNHCR held inventory items with a total value of \$425.0 million net of valuation allowances. This is equivalent to approximately 12 months' distribution made in 2023 (approximately 12 months in 2022).

117. Prior to their disposal, assets previously in use and held for distribution to partners are recategorized from property, plant and equipment to inventory (see table 3.5.1).

Table 3.3.2

Movement in inventory

(Thousands of United States dollars)

<i>Inventory reconciliation</i>	2023	2022 (reclassified) ^a
Opening inventory as at 1 January	464 625	300 376
Cost of goods acquired ^b	397 830	598 214
Cost of goods distributed	(435 183)	(451 255)
Transfers (to)/from property, plant and equipment	23 504	–
Other adjustments ^c	20 158	22 802
Change in inventory valuation allowance	(45 929)	(5 513)
Closing inventory as at 31 December	425 005	464 625

^a Where practicable, inventory balances at 31 December 2022 and movements for the period ending 31 December 2023 are presented to ensure comparability with the 2023 presentation. See also footnote to table 3.3.1.

^b Includes in-kind contributions and consumables.

^c Other adjustments primarily consists of \$16.8 million to reflect the initial recognition in 2023 of low-value tracked items on hand in controlled warehouse locations. Low-value tracked items were previously expensed upon acquisition. From 2023, when delivered to a controlled warehouse, low-value tracked items are accounted for as inventory until they are either externally distributed and expensed accordingly or are put into use, at which time they are transferred to property, plant and equipment and immediately depreciated. It was not practical to identify the impact on opening inventory balances of the initial recognition of elements of these balances that may have been on hand at 1 January 2023. The remaining offsetting adjustment consists of miscellaneous inventory corrections (\$3.4 million).

Table 3.3.3
Change in inventory valuation allowance

(Thousands of United States dollars)

	31 December 2022	Increase/(decrease)	31 December 2023
Inventory valuation allowance	18 589	45 929	64 517

118. The inventory valuation allowance as at 31 December 2023 reflects impairments pending clarification of possible discrepancies in recorded quantities identified during physical verification (\$26.6 million), in value adjustments for inventory items beyond their shelf lives (\$16.2 million), in transit balances between warehouses for extended periods (\$6.7 million), in transit balances overdue from suppliers (\$2.8 million) and in impairment of vehicles held in warehouses for more than 12 months pending deployment (\$1.9 million). In 2023, UNHCR warehouses in the Sudan were subject to looting. As a result, an additional impairment allowance of \$10.4 million was recorded pending final verification of losses. It is expected that a significant share of the final losses will be covered by insurance. See note 9.4, Contingent assets.

3.4 Other current assets

Table 3.4
Summary of other current assets

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (reclassified) ^a
Prepayments commercial, partners and other	424 131	227 127
United Nations entity receivables	47 149	27 545
Implementing partner receivables	5 228	–
Value added tax receivables	37 930	41 482
Staff advances	58 384	19 000
Other assets	11 188	7 435
Subtotal	584 009	322 588
<i>Less: allowance for other current assets</i>	<i>(12 435)</i>	<i>(23 691)</i>
Total other current assets	571 574	298 897

^a Prior period balances are recategorized within other current assets for greater comparability with 2023 reported amounts. Amounts previously disclosed in a separate category of deposits with suppliers are now presented under prepayments commercial, partners and other as there is no longer any substantive basis for distinguishing between the two categories previously presented.

119. Prepayments (e.g. under implementing partnership agreements, to financial service providers under cash assistance arrangements and to property owners for rent) are payments made in advance of provision of goods or commercial and partnership services for which the final claims of the suppliers and partners have yet to be processed.

120. In 2023, prepayments include \$328.6 million (2022: \$113.7 million) for activities of implementing partners to be performed during the period for which reports to confirm these activities have not yet been processed (see note 6.1). The

increase from 2022 is due to a delay in processing the reports during the system changes.

121. Based on past experience, the amounts advanced as prepayments that – pending the processing of partner reports – are expected to be confirmed as implementing partner expenses in 2023 are recorded as accrued liabilities. Prepayments relating to 2023 partner activities are released as and when the annual partner report processing is completed. See notes 6.1. and 6.7. The accrued liabilities are released at the same time as the actual expenses reported are processed.

122. In addition to prepayments for the activities of 2023 not yet fully reported and processed, implementing partner prepayments include \$10.6 million for 17 projects where the delivery of services is extended into 2024 (2022: \$43.2 million for 96 extended projects) and \$3.1 million of first instalments for two projects due for implementation in 2024 (2022: \$70.5 million against 267 new projects).

123. Implementing partner receivables represent amounts due from implementing partners related to activities originally agreed but not implemented during the reporting period or an earlier period.

124. Prepayments to financial service providers of cash-based assistance not yet delivered to final beneficiaries, net of estimated deliveries not yet reported by financial service providers, amounted to \$47.1 million. Other prepayments of \$48.1 million relate largely to commercial vendors.

125. Staff advances consist primarily of education grants, rental subsidies, travel, medical expenses, salary and other staff entitlements.

126. 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

127. 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.

128. Assets held at 31 December 2023 for distribution to partners were recategorized to inventory (see table 3.3.1).

Table 3.5.1
Property, plant and equipment, 2023

(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 2023	32 287	25 338	354 682	55 144	155 375	19 742	642 568
Additions – purchased	1 463	459	31 772	7 117	24 488	2 039	67 338
Additions – contributions in kind	564	–	–	–	5	–	569
Net transfers (to)/from inventory	–	–	(20 167)	(2 598)	(365)	(375)	(23 505)
Other adjustments	–	(574)	(1 576)	221	(71)	–	(2 000)
Disposals ^a	(165)	–	(43 003)	(11 052)	(3 206)	(3 021)	(60 447)
Closing balance at 31 December 2023	34 149	25 223	321 708	48 832	176 226	18 384	624 522
Accumulated depreciation							
Opening balance at 1 January 2023	(28 361)	(8 967)	(164 318)	(37 948)	(149 199)	(19 125)	(407 918)
Transfers and recategorizations	–	–	(2 096)	(984)	(1 218)	4 844	546
Disposals ^a	165	–	28 018	6 564	3 333	1 218	39 298
Depreciation charge for the year ^b	(1 832)	(1 891)	(29 155)	(5 605)	(20 888)	(2 230)	(61 601)
Impairment	–	–	(4 051)	(371)	(160)	(70)	(4 652)
Closing balance at 31 December 2023	(30 028)	(10 858)	(171 602)	(38 344)	(168 131)	(15 363)	(434 326)
Net book value							
Opening balance at 1 January 2023	3 926	16 371	190 364	17 196	6 176	617	234 650
Closing balance at 31 December 2023	4 121	14 365	150 106	10 488	8 095	3 021	190 196

^a Disposals included assets transferred to partners with a net book value of \$11.8 million.

^b During 2023 and prior to commencement of depreciation, items with a total cost of \$28.3 million that were initially accounted for as asset additions of the period in which they were delivered to UNHCR warehouse locations were recategorized as inventory pending external distribution or entry into use if distributed internally. Following the change in accounting treatment, items purchased and received at inventory locations are accounted for as inventory pending determination of their ultimate use, either as fixed assets or for distribution.

Table 3.5.2
Property, plant and equipment, 2022

(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 (reclassified)^a</i>
Cost/valuation							
Opening balance at 1 January 2022	28 203	19 956	339 007	45 829	128 128	24 215	585 338
Additions – purchased	3 682	5 382	49 459	11 610	27 084	3 650	100 867
Additions – contributions in kind	–	–	–	126	74	–	200
Transfers in/(out) and recategorizations	402	–	3 387	2 486	1 580	(7 453)	402
Assets held for distribution	–	–	(1 932)	(303)	15	109	(2 111)
Disposals ^b	–	–	(35 239)	(4 604)	(1 506)	(779)	(42 128)
Closing balance at 31 December 2022	32 287	25 338	354 682	55 144	155 375	19 742	642 568
Accumulated depreciation							
Opening balance at 1 January 2022	(24 274)	(7 139)	(162 277)	(36 333)	(123 607)	(17 233)	(370 863)
Assets held for distribution	–	–	201	87	(6)	55	337
Disposals ^b	–	–	24 845	3 126	1 154	535	29 660
Depreciation charge for the year	(4 087)	(1 828)	(25 913)	(4 828)	(26 740)	(2 482)	(65 878)
Impairment	–	–	(1 174)	–	–	–	(1 174)
Closing balance at 31 December 2022	(28 361)	(8 967)	(164 318)	(37 948)	(149 199)	(19 125)	(407 918)
Net book value							
Opening balance at 1 January 2022	3 929	12 817	176 730	9 496	4 521	6 982	214 475
Closing balance at 31 December 2022	3 926	16 371	190 364	17 196	6 176	617	234 650

^a Opening balances have been restated to include the original cost and offsetting accumulated depreciation of an equal amount for low-value tracked items. Previously these items were expensed at the time of purchase without being accounted for and managed as fixed assets. 2022 balances also reflect minor reclassifications between asset categories to better reflect the nature of the relevant items. Similarly, assets in transit at year-end but already in the control of UNHCR are presented as property plant and equipment, additions in 2023 rather than offset against the related accounts payable balances pending delivery. Assets additions include \$0.4 million of assets in transit that were previously offset against the related accounts payable balance pending delivery. See also note 3.7.

^b Disposals included assets transferred to partners with a net book value of \$9.3 million.

3.6 Intangible assetsTable 3.6.1
Movements in intangible assets, 2023

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2023</i>
Cost			
Opening balance 1 January 2023	–	65 975	65 975
Additions – purchased	–	–	–
Additions – contributions in kind	–	–	–
Disposals	–	(41 255)	(41 255)
Transfers into service	–	–	–
Closing balance 31 December 2023		24 720	24 720
Accumulated amortization			
Opening balance 1 January 2023	–	(41 879)	(41 879)
Disposals	–	36 443	36 443
Amortization charge for the year	–	(18 075)	(18 075)
Closing balance 31 December 2023	–	(23 511)	(23 511)
Net book value			
Opening balance 1 January 2023	–	24 096	24 096
Closing balance 31 December 2023	–	1 209	1 209

Table 3.6.2
Movements in intangible assets, 2022

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2022</i>
Cost			
Opening balance 1 January 2022	–	59 489	59 489
Additions – purchased	4 716	–	4 716
Disposals	–	1 771	1 771
Other adjustments	–	–	–
Transfers into service	(4 716)	4 716	–
Closing balance 31 December 2022	–	65 975	65 975
Accumulated amortization			
Opening balance 1 January 2022	–	(31 032)	(31 032)
Disposals	–	–	–
Amortization charge for the year	–	(10 847)	(10 847)
Closing balance 31 December 2022	–	(41 879)	(41 879)
Net book value			
Opening balance 1 January 2022	–	28 457	28 457
Closing balance 31 December 2022	–	24 096	24 096

129. 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.

130. During 2023, no new capitalization of internally developed intangible assets was recorded as UNHCR continued its transformation away from deployment of on-premises controlled software towards contracted software as a service (SaaS). Consequently, the residual values of legacy on-premises solutions were retired together with the remaining net book value of residual elements of on-premises software that are no longer distinguishable and reliably measurable. Intangible software assets with a total net book value of \$4.8 million were derecognized in 2023.

3.7 Accounts payable and accruals

Table 3.7.1

Analysis of accounts payable and accruals

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (restated ^a and reclassified ^b)
Accounts payable		
Commercial and other suppliers	125 711	111 100
Implementing partners	23 868	75 965
United Nations entities	7 913	35 270
Total accounts payable	157 492	222 335
Accruals	444 299	115 988
Total accounts payable and accruals	601 791	338 323

^a The prior period accrual balance has been restated because, from 2023, medical premiums paid by participants in the Medical Insurance Plan are no longer presented as a component of other revenue. Instead, to better reflect the nature of the funding provided, participants' premiums increase the accrued liability available to cover unprocessed medical claims. Any excess of this accrued liability upon expiration of the valid claim period is released to reduce the medical insurance – current cost reflected under staff costs (note 6.2). The impact of the change is to reduce other revenue, accruals and the Medical Insurance Plan fund balance by \$4.2 million at 31 December 2022 (see also notes 3.13 and 5.4).

^b Prior-period comparative amounts have been reclassified to ensure comparability with 2023 presentation as follows: \$5.4 million of balances previously accounted for as other current liabilities are reclassified to accounts payable to better reflect the nature of the obligations. See also note 3.9. Owing to a change in the accounting for assets in transit implemented in 2023, property, plant and equipment additions acquired but still in transit at year-end are no longer offset against the related commercial accounts payable balance prior to delivery and installation. Instead, such in-transit items are accounted for as property plant and equipment additions when UNHCR assumes control of the assets. Prior year in-transit asset balances of \$0.4 million have been reclassified to property, plant and equipment additions accordingly. See also note 3.5.

131. Accounts payable to commercial and other suppliers relate primarily to amounts due for goods and services for which invoices have been received by UNHCR.

132. Accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

133. Primarily as a result of delays in processing of reports from partners during the implementation of new systems, accruals of \$444.3 million as at 31 December 2023 include a larger than typical amount of \$291.1 million of estimated expenses of implementing partners not yet reported and processed and therefore not yet offset against the related prepayments made to the partners of \$328.6 million. See notes 3.4 and 6.1.

134. Substantially all the remaining 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.

Table 3.7.2

Currency position of accounts payable and accruals

(Thousands of United States dollars)

	<i>Position at 31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	459 933	–	–
Euro	35 672	3 243	(3 567)
Polish zloty	11 616	1 056	(1 162)
Central African CFA franc	11 024	1 002	(1 102)
Moldovan leu	10 883	989	(1 088)
Other currencies	72 663	6 606	(7 266)
Total accounts payable and accruals	601 791	12 896	(14 186)

135. Accounts payable and accruals are denominated primarily in United States dollars. Table 3.7.2 indicates the impact on surplus/(deficit) if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all other variables constant, compared with the exchange rates in effect on 31 December 2023.

3.8 Employee benefits liabilities

Table 3.8.1

Analysis of employee benefits liabilities

(Thousands of United States dollars)

	<i>2023</i>	<i>2022</i>
Employee benefits liabilities		
After-service health insurance	916 438	833 927
Repatriation benefits	143 120	131 577
Annual leave	125 971	120 740
Salaries and other staff benefits	27 801	32 376
Other separation benefits	4 367	2 674
Total employee benefits liabilities	1 217 696	1 121 294
Composition		
Current	175 615	173 574
Non-current	1 042 081	947 720
Total employee benefits liabilities	1 217 696	1 121 294

136. 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.

137. Annual leave liabilities are calculated for the unused annual leave balance. Separating staff are entitled to be paid for unused annual leave, up to a predetermined limit. Active staff may also carry forward their unused leave balance into the next calendar year, up to the same limit.

138. 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

139. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. A full valuation is generally carried out every second year and a roll forward valuation is performed for the interim period. In 2023 a roll forward valuation was performed. Actuarial assumptions are summarized as follows:

Assumptions used in valuation of post-employment liabilities

Discount rate	2.84 per cent (2022: 3.41 per cent) – Projected after-service health insurance cash outflows are discounted at spot rates 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: the United States dollar, the euro and the Swiss franc. The underlying reference discount rates are consistent with those recommended by experts and agreed for use by entities within the United Nations system. The average duration of the obligations is estimated at 24 years for the participants in the United Nations Staff Mutual Insurance Society scheme and at 26 years for participants in the Medical Insurance Plan.
After-service health insurance	
Health-care cost inflation	1.76 per cent (2022: 1.84 per cent) – Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement. The underlying currency-specific inflation rate assumptions are consistent with those recommended by experts and agreed for use by entities within the United Nations system.
Health-care cost age factor at age 65	\$4,915 (2022: \$4,915) – The age factor at age 65 indicates the relative cost of health care for an average UNHCR retiree compared with each \$1,000 of cost for a typical staff member in active service. Age factors applied for each age cohort are determined by levels of care consumed and cost differences experienced between the location and the period of active service and of retirement. The majority of after-service health insurance claim costs are expected to be incurred in Europe, primarily in Swiss francs and euros.

Assumptions used in valuation of post-employment liabilities

	The combination of health-care cost inflation assumptions and UNHCR-specific age factors lead to after-service health insurance liabilities that are appropriate to the characteristics of the relevant UNHCR population and to patterns of retirees' health-care claims.
Discount rate	4.52 per cent (2022: 5.16 per cent) – The entitlements to repatriation benefits are determined in United States dollars.
Repatriation and shipment	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. The average duration of the obligations is estimated at 7 years in respect of repatriation grants and at 9 years in respect of travel and shipping costs.
Expected rate of salary increase	2.1 per cent (2022: 2.20 per cent)

After-service health insurance liability

Table 3.8.2

Comparison of gross and net after-service health insurance liability

(Thousands of United States dollars)

	2023	2022
Gross accrued liability	1 337 405	1 220 811
Offset from retiree contributions	(420 967)	(386 884)
Net liability as at 31 December	916 438	833 927

140. 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. 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. As retirees continue to make contributions to the scheme, the gross liability is reduced by the present value of expected post-retirement contributions by participants to reflect the net liability.

141. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3
Change in defined benefit obligation

(Thousands of United States dollars)

<i>After-service health insurance</i>	<i>2023</i>	<i>2022</i>
Defined benefit obligation at 1 January	833 927	1 200 464
Service cost for year	35 715	64 403
Interest cost for year	28 262	19 292
Benefits paid (net of participant contributions)	(8 904)	(6 676)
Actuarial (gain)/loss	27 438	(443 556)
Defined benefit obligation at 31 December	916 438	833 927

142. Service and interest costs are recognized as an expense in the statement of financial performance (statement II). The expense recognized in 2023 is \$64.0 million (\$83.7 million in 2022), as detailed in note 6.2.

143. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$27.4 million in 2023 is attributable to changes in financial assumptions since 2022, in particular lower discount rates (\$46.9 million) and changes to demographic assumptions (\$1.8 million), and offset by the impact of the medical inflation rate (\$21.3 million). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and liability.

144. UNHCR sets aside funds in respect of after-service health insurance liabilities for past service (3 per cent of the net base salary of all Professional and General Service staff) and for current-year costs (service and interest). The total amount funded as at 31 December 2023 is \$706.6 million (\$584.8 million in 2022) (see also note 3.14). 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
Unfunded defined benefit obligations

(Thousands of United States dollars)

<i>After-service health insurance</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Defined benefit obligations	916 438	833 927
Funded	(706 557)	(584 836)
Unfunded defined benefit obligations	209 881	249 091

145. The contribution of UNHCR in 2024 for after-service health insurance is estimated at \$70.2 million.

Sensitivity analysis

146. 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 2023; and (b) the accumulated post-employment benefit obligation as at 31 December 2023 are shown in table 3.8.5.

Table 3.8.5
Sensitivity analysis – after-service health insurance

(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		
Discount rates:		
One percentage point increase	(14 981)	(190 154)
One percentage point decrease	24 522	259 644
Net periodic post-employment medical costs:		
One percentage point increase	27 043	259 325
One percentage point decrease	(18 637)	(193 208)
Age factor:		
One per cent increase per year after age 65	22 505	273 600
One per cent decrease per year after age 65	(21 345)	(196 768)

Repatriation benefits

147. 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 actuarially determined accrued liability for repatriation grant and related travel as at 31 December 2023 was \$143.1 million (\$131.6 million in 2022), as shown in table 3.8.6.

Table 3.8.6
Repatriation accrued liability by type

(Thousands of United States dollars)

	<i>2023</i>	<i>2022</i>
Repatriation grant	87 656	78 738
Travel and shipment	55 464	52 839
Liability as at 31 December	143 120	131 577

148. The accrued liability represents the already earned portion of the present value of repatriation benefits.

149. Table 3.8.7 presents a reconciliation of opening and closing balances of the repatriation liability.

Table 3.8.7
Repatriation liability roll forward

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>2023</i>	<i>2022</i>
Net obligation at 1 January	131 577	144 640
Service cost for the year	6 230	7 324
Interest cost for the year	6 359	3 333
Benefits paid	(6 049)	(4 867)

<i>Repatriation grant and travel</i>	2023	2022
Actuarial (gain)/loss	5 002	(18 852)
Total obligation at 31 December	143 120	131 577

150. The aggregate of the current-year service and interest costs is recognized as an expense in the statement of financial performance (statement II). For 2023, the expense recognized was \$12.6 million (\$10.7 million in 2022). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and the liability.

151. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$5.0 million in 2023 is attributable to changes in financial assumptions, in particular to the increase in the single equivalent discount rate (\$6.2 million), offset by actuarial gains of \$1.0 million due to changes in other financial assumptions (salary increase rate and inflation rate) and to changes in demographic assumptions (\$0.2 million).

Table 3.8.8
Funding status of repatriation liability

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	31 December 2023	31 December 2022
Total obligations	143 120	131 577
Funded	(40 734)	(29 430)
Unfunded obligations	102 386	102 147

152. The contribution by UNHCR in 2024 for repatriation benefits is estimated at \$12.3 million.

Sensitivity analysis

153. 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 2023; and (b) the accumulated post-employment benefit obligation as at 31 December 2023 is shown in table 3.8.9.

Table 3.8.9
Sensitivity analysis – repatriation grant and travel

(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	1 239	7 188
One percentage point decrease	(1 065)	(6 390)
Discount rates:		
One percentage point increase	(1 245)	(10 614)
One percentage point decrease	1 457	12 223

United Nations Joint Staff Pension Fund

154. 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 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, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

155. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the 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 Fund. UNHCR and the Fund, in line with the other organizations participating 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. The organization's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

156. The Regulations of the Pension Fund stipulate 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 using the open group aggregate method every two years. 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.

157. The financial obligation of UNHCR to the 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 Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following 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.

158. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

159. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent. The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.

160. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, 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 reporting, the General Assembly has not invoked the provision of article 26.

161. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the 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 (2020, 2021 and 2022) amounted to \$8,937.7 million, of which 8 per cent was contributed by UNHCR.

162. During 2023, contributions paid to the Fund by UNHCR amounted to \$297.7 million (2022: \$267.3 million). Expected contributions due in 2024 are approximately \$310 million.

163. Membership in the Fund may be terminated by 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 shall 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 on the basis of 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 is included in the amount.

164. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit 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

165. 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.

Table 3.9

Other current liabilities

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (reclassified) ^a
Other payables	54 425	4 315
Contributions pending agreement	801	998
Total other current liabilities	55 226	5 313

^a Prior-period comparative amounts have been reclassified. Specifically, \$5.8 million previously reported under other current liabilities have been reclassified to accounts payable to better reflect the nature of the liabilities. See also note 3.7.

166. Other payables of \$54.4 million as at 31 December 2023 include cash received and expected to be passed through to other implementers of United Nations joint programmes (\$28.1 million), unapplied cash receipts (\$7.9 million), residual balances not yet allocated owing to ongoing realignment of account balances following a change in accounting system in 2023 (\$3.6 million) and other miscellaneous payable balances (\$14.8 million). Residual unprocessed clearing balances are expected to be reclassified to accounts payable and accruals or offset against receivables progressively during 2024.

3.10 ProvisionsTable 3.10
Provisions

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022</i>
Type of provision		
Provisions for refunds of contributions	91	–
Legal claims	719	5 526
Other	94	94
Total provisions	903	5 620
Of which:		
Current	810	5 526
Non-current	94	94
Total provisions	903	5 620

167. 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.

3.11 Accumulated fund balances and reserves

Table 3.11

Accumulated fund balances and reserves

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Adoption of IPSAS 41</i>	<i>1 January 2023</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2023</i>
Annual Programme Fund						
Annual Programme Fund net of Reserves	3 792 700	(46 770)	3 745 930	(775 790)	78 178	3 048 318
Operational reserve	10 000	–	10 000	–	–	10 000
Total Annual Programme Fund	3 802 700	(46 770)	3 755 930	(775 790)	78 178	3 058 318
United Nations Regular Budget Fund	42 183	–	42 183	–	4 993	47 175
Junior Professional Officers Fund	9 217	–	9 217	1 362	–	10 579
Total accumulated fund balances and reserves	3 854 100	(46 770)	3 807 330	(774 428)	83 171	3 116 073

168. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization. The Projects Fund was previously reported separately but is now subsumed within the Annual Programme Fund. Opening balances have been restated accordingly.

169. The operational reserve is utilized to provide assistance to refugees, returnees and displaced and stateless persons for which there is no provision in the programmes approved by the Executive Committee. The reserve is maintained at not less than \$10 million by replenishments from the Working Capital Fund for Voluntary Contributions.

3.12 Working Capital Fund for Voluntary Contributions

170. The Working Capital Fund for Voluntary Contributions is maintained by savings from prior-year programmes, voluntary contributions and other income. It is utilized to guarantee commitments and payments pending receipt of pledged contributions and in respect of revenue-producing activities of UNHCR.

Table 3.12

Working Capital Fund for Voluntary Contributions

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2023</i>
Working Capital Fund for Voluntary Contributions	100 000	123 536	(123 536)	100 000

3.13 Medical Insurance Plan

Table 3.13

Changes in Medical Insurance Plan

(Thousands of United States dollars)

	<i>31 December 2022 (restated)^a</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2023</i>
Medical Insurance Plan	65 417	8 176	–	73 593

^a As a result of a change in the accounting for the premiums paid by participants in the Medical Insurance Plan, the balance as at 31 December 2022 has been restated. See also note 5.4.

171. 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 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

Changes in Staff Benefits Fund

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Surplus/ (deficit)</i>	<i>Actuarial gain/(loss)</i>	<i>Transfer in/(out)</i>	<i>31 December 2023</i>
Staff Benefits Fund	(351 238)	31 046	(32 440)	40 365	(312 267)

Table 3.14.2
Analysis of Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2023			31 December 2022		
	<i>Liabilities</i>	<i>Funding</i>	<i>Net fund balance</i>	<i>Liabilities</i>	<i>Funding</i>	<i>Net fund balance</i>
After-service health insurance	(916 438)	706 557	(209 881)	(833 927)	584 836	(249 091)
Repatriation	(143 120)	40 734	(102 386)	(131 577)	29 430	(102 147)
Annual leave	(125 971)	125 971	–	(120 740)	120 740	–
Other separation benefits	(4 367)	4 367	–	(2 674)	2 674	–
Total	(1 189 896)	877 629	(312 267)	(1 088 918)	737 680	(351 238)

172. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits. The financial rules for voluntary funds administered by the High Commissioner require that assets and financial liabilities associated with accrued end-of-service and post-retirement benefits shall be recorded in the Staff Benefits Fund (A/AC.96/503/Rev.12, rule 414.3). Therefore, the deficit of funding compared with the related liabilities of \$312.3 million (2022: \$351.2 million) is presented as the net balance (deficit) of the Staff Benefits Fund on the face of the statement of financial position. UNHCR management considers that this presentation represents a necessary departure from the requirements of paragraph 95 of IPSAS 1: Presentation of financial statements, as permitted under exceptional circumstances in paragraph 31 of IPSAS 1. The full information required to comply with the presentation requirements of paragraphs 32 and 95 of IPSAS 1 by separately identifying the funding of \$877.3 million (2022: \$737.7 million) and the related liabilities of \$1,189.9 million (2022: \$1,088.9 million) is disclosed in table 3.14.2. Although the net fund balance represents the deficit of the funding compared with the related liabilities, the funding is not legally protected (“ring-fenced”) to cover the related liabilities.

173. UNHCR charges the current-year cost of the actuarially valued after-service health insurance and repatriation post-retirement benefits (service and interest), as well as the catch-up amounts for the two components of post-retirement benefits, to the annual budget for staff costs. The catch-up amount for after-service health insurance is calculated as 3 per cent of the net base salary of all Professional and relevant General Service staff and the catch-up for the repatriation liability is a fixed amount of \$3.0 million. The amount of actuarially valued post-retirement benefit liabilities, which consist of after-service health insurance and repatriation obligations that are funded as at 31 December 2023, is \$747.3 million (\$614.3 million in 2022) (see also note 3.8 above).

3.15 Self-Financing Activities Fund

174. The Self-Financing Activities Fund was established effective 1 January 2021 as a self-financing fund to manage UNHCR vehicle fleet activities, which were previously managed within the Annual Programme Fund. The Self-Financing Activities Fund is maintained by revenue from inter-fund charges for vehicle rental and insurance, and income from vehicle auction sales and external vehicle fleet revenue of United Nations Fleet. Expenses include staff costs, equipment and related supplies, depreciation on vehicles, insurance and other miscellaneous costs.

Table 3.15
Self-Financing Activities Fund

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2023</i>
Self-Financing Activities Fund	201 246	21 564	–	222 810

175. UN Fleet became operational effective 1 January 2023 within the self-financing activities fund to manage vehicle fleet activities for United Nations system entities. The initial funding is provided 50 per cent by UNHCR and 50 per cent by the World Food Programme (WFP). The surplus of \$21.6 million includes a net deficit of \$1.2 million for the UNHCR share of the results of UN Fleet for 2023.

176. 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

177. 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

178. 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 practised. All surplus funds placements are made with financial institutions that are accorded the strongest credit ratings by the primary rating agencies.

179. UNHCR analyses the concentration of credit risk exposure according to the credit ratings of the term deposits and money market funds it holds. UNHCR applies credit ratings issued by Moody's. Short-term credit ratings are applicable for term deposits, as the durations of all deposits are less than one year. As at 31 December 2023, UNHCR had money market funds amounting to \$5.6 million, which had the highest fund rating issued by S&P Global Ratings of Aaa. As at 31 December 2023, UNHCR had short-term deposits of \$1,195.0 million, which were all rated in the highest short-term rating category of Prime-1.

180. Balances required for day-to-day operational purposes are highly geographically dispersed and maintained only at the level required for operations, thus limiting credit risk for these balances.

181. Credit risk for cash and investments is summarized in table 3.1.4.

Receivables

182. 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. Credit risk exposure for contributions receivable is summarized in table 3.2.6.

Liquidity risk

183. UNHCR total cash and cash equivalent holdings amounted to \$1,193.6 million as at 31 December 2023, compared with \$2,307.4 million as at 31 December 2022.

184. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of \$849.1 million and encumbered non-operational cash holdings amounting to \$1,169.3 million (see note 3.1).

185. The average balance of unencumbered operational cash holdings during 2023 represents a coverage of 1.7 months of expenses (2022: 3.1 months).

186. 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. 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 65 per cent of the total of such commitments at year-end are liquidated within the first six months of the subsequent period.

Interest rate risk

187. 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 UNHCR programmes and budget is not directly dependent on interest earnings.

188. During the period from 1 January to 31 December 2023, deposits were held primarily in United States dollars. The average rate of return on United States dollar deposits was 5.04 per cent, compared with 1.57 per cent in 2022, reflecting the increasing interest rate trends in this short-term investment segment.

Table 4.1

Deposit trend analysis

	2023	2022
Term deposits		
Average balance (millions of United States dollars)	1 125	1 167
Average interest rate (percentage)	5.04	1.57
Average duration (days)	31	36

Foreign exchange risk

189. 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 109 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. UNHCR enters into currency swap arrangements primarily to manage currency and interest risks of holding excess euro balances. Currency swaps are traded mainly against the United States dollar. In 2023, swap transactions amounted to €94.5 million. In addition, UNHCR conducts a limited number of forward contracts for known Swiss franc payroll requirements. In 2023, SwF 58 million was traded for this purpose. There are no open forward contracts at year-end.

190. 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.

191. 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.

192. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 135 countries and territories of operation.

Sensitivity analysis

193. The major categories of monetary assets are cash and cash equivalents, investments and receivables. The major components by currency of cash and investments and related sensitivities to foreign exchange rate movements as at 31 December 2023 are reflected in table 3.1.3. There is significant foreign exchange risk derived from pledges of voluntary contributions recorded as receivables, specifically in the timing of the receipt of a pledge. Total contributions receivable by currency and related sensitivities to foreign exchange rate movements are reflected in table 3.2.5.

194. Monetary liabilities are primarily reflected in accounts payable. The major currency components of accounts payable and related sensitivities to foreign exchange rate movements are reflected in table 3.7.2. Substantially all accounts receivable are due for settlement within one year, and normally within a shorter period, thus limiting exposure to foreign exchange risk.

Table 4.2
Other monetary assets and liabilities – sensitivity to foreign exchange risk

(Thousands of United States dollars)

<i>Other monetary assets net of other monetary liabilities subject to foreign exchange risk – by currency</i>	<i>31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Euro	(64 268)	6 427	(5 843)
Polish złoty	(11 961)	1 196	(1 087)
Central African CFA franc	(10 961)	1 096	(996)
Moldovan leu	(10 926)	1 093	(993)
Swiss franc	20 665	(1 879)	22 731
Other currencies	(83 550)	8 355	(7 595)
Total	(161 002)	16 288	6 216

195. The remaining monetary assets and liabilities not included in cash, investments receivables and accounts payable that are subject to foreign exchange rate movements are summarized in table 4.2.

Table 4.3
Net monetary assets and liabilities by currency risk

(Thousands of United States dollars)

<i>Net monetary assets and liabilities by currency</i>	<i>31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	1 588 404	–	–
Euro	561 173	(56 117)	51 016
Danish krone	259 527	(25 953)	23 593
Swedish krona	201 407	(20 141)	18 310
Norwegian krone	100 363	(10 036)	9 124
Australian dollar	68 661	(6 866)	6 242
Pound sterling	67 534	(6 753)	6 139
Swiss franc	28 520	(2 852)	2 593
Canadian dollar	24 450	(2 445)	2 223
Afghan afghani	(18 352)	1 668	(1 835)
Ukrainian hryvnia	(20 996)	1 909	(2 100)
Moldovan leu	(28 850)	2 623	(2 885)
Other currencies	22 227	(2 021)	2 223
Total	2 854 070	(126 984)	114 643

196. The largest overall exposures netting off monetary assets against monetary liabilities by currency are summarized in table 4.3.

197. The overall impact on fund balances of asymmetric changes in all monetary assets and liabilities, holding all other variables unchanged, would be to reduce fund balances by \$127.0 million (4.4 per cent) if the United States dollar strengthens by 10 per cent, and to increase fund balances by \$114.6 million (4.0 per cent) if the United States dollar weakens by 10 per cent, compared with the exchange rates in

effect as at 31 December 2023, as currency fluctuations of 10 per cent are considered possible as at this date. Year-end exposure to currency risk is considered to be higher than the risk that generally applies during the year, as receivables denominated in currencies other than the United States dollar are higher at year-end than typical average levels applicable during the financial year.

Note 5
Revenue

5.1 Voluntary contributions

Table 5.1.1
Analysis of voluntary contributions

(Thousands of United States dollars)

	2023	2022
Monetary contributions		
Government	3 345 541	4 157 319
Other intergovernmental organizations	249 435	324 160
Private donors	647 454	1 112 417
United Nations system organizations and funds	183 757	180 640
Subtotal monetary contributions	4 426 187	5 774 537
Refunds to donors and other reductions in prior-year revenue	(367)	(4 091)
Discounting of non-current receivables (IPSAS 41)	(18 540)	–
Net monetary contributions	4 407 280	5 770 445
In-kind contributions		
Government	28 600	31 298
Other intergovernmental organizations	213	759
Private donors	97 520	127 996
United Nations system organizations and funds	959	871
Total in-kind contributions	127 292	160 923
Total voluntary contributions	4 534 572	5 931 369

198. Monetary contributions revenue is adjusted for refunds made to donors and reductions in prior-year revenue arising from underspending against earmarked funding or changes in estimates.

199. In-kind contributions represent donations of goods and, where material, selected 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. In-kind contributions in 2023 comprised \$88.8 million for goods (\$125.5 million in 2022) and \$38.5 million for services (\$35.4 million in 2022). Contributions of goods consisted primarily of clothing and footwear (\$74.0 million).

200. The total monetary contributions (before adjustments) of \$4,426.2 million recorded in 2023 are further analysed below by year funded and by type of earmarking:

Table 5.1.2
Monetary contributions recognized by year to which funding relates

(Thousands of United States dollars)

<i>Year funded</i>	<i>2023</i>	<i>Year funded</i>	<i>2022</i>
2023 and earlier	3 259 998	2022 and earlier	4 477 103
Future years		Future years	
2024	912 629	2023	1 042 385
2025	160 799	2024	145 584
2026	63 107	2025	87 630
2027	29 654	2026	21 260
2028	–	2027	574
Subtotal, future years	1 166 189		1 297 433
Total monetary contributions (before adjustments)	4 426 187		5 774 537

201. Revenue from earmarked voluntary contributions is recognized, and receivables are recorded at the time of signature of the relevant agreement.

Table 5.1.3
Monetary contributions by type of earmarking

(Thousands of United States dollars)

	<i>2023</i>	<i>2022</i>
Unearmarked	588 437	777 319
Softly earmarked	694 284	1 619 512
Earmarked	2 264 572	2 428 097
Tightly earmarked	878 894	949 609
Total monetary contributions (before adjustments)	4 426 187	5 774 537

202. Unearmarked contributions are fully flexible in how they can be used. Softly earmarked contributions are specified at a regional level or any combination of one or more of situation, population group, marker, impact or outcome area. Earmarked contributions are those that are directed to a specific country operation. Tightly earmarked contributions are earmarked at the country and/or operation level, with additional specifications or attributes for any combination of one or more of situation, population group, marker, impact or outcome area and usage may be restricted to one or more countries. 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 United Nations regular budget

Table 5.2

United Nations regular budget

(Thousands of United States dollars)

	2023	2022
United Nations regular budget	49 597	84 378

203. The regular budget is allotted annually by the United Nations to UNHCR and covers staff and other management costs as determined under article 20 of the statute of the Office. Revenue recognized in 2023 is based on the date of receipt of allotment advice letters and includes the residual allotment for 2023 of \$2.4 million not recognized in the prior year and the initial allotment for 2024 (\$47.2 million).

5.3 Interest revenue

Table 5.3

Interest revenue

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Cash and cash equivalents	71 608	25 110
Receivables amortization	22 375	–
Total interest revenue	93 983	25 110

^a In 2023, funds recovered from implementing partners owing to delays in the consumption of previously advanced instalment payments are accounted for as a reduction in partnership costs. Previously, the recovered amounts were treated as interest revenue. The recovered amount in 2022 (\$1.0 million) is reclassified from interest revenue to implementing partnership expenses. See also note 6.1.

204. The significant increase in market interest rates during 2023 was the primary reason for the higher interest revenue from cash and cash equivalents reported in the year of \$71.6 million compared with the interest revenue of \$25.1 million recorded in 2022.

205. Interest revenue from receivables amortization primarily represents the impact of the adoption of IPSAS 41: Financial instruments, in 2023. Contribution receivable balances at 1 January 2023 were restated at amortized cost, thus reducing the amount reported as receivables by \$46.8 million. By the end of 2023, the impact of the amortization of the restated opening receivable balances was \$22.4 million and is included in interest income.

5.4 Other revenue

Table 5.4

Other revenue

(Thousands of United States dollars)

	2023	2022 (restated and reclassified) ^a
Gain on sale of assets	11 702	15 747
Use of guest-house accommodation	4 304	4 828
Use of office space and parking	710	744
UN Fleet revenue	194	–
Miscellaneous revenue	12 254	5 268
Total other revenue	29 164	26 586

^a From 2023, medical premiums paid by participants in the Medical Insurance Plan are no longer presented as a component of other revenue. Instead, to better reflect the nature of the funding provided, participants' premiums increase the accrued liability available to cover unprocessed medical claims. Any excess accrued liability remaining upon expiration of the valid claim period is released to reduce the medical insurance – current cost reflected under staff costs (note 6.2). The impact of the change is to reduce other revenue and the Medical Insurance Plan fund balance by \$4.2 million at 31 December 2022 (see also note 3.13). The prior-period other revenue has been restated accordingly. Residual minor revenue amounts related to the Medical Insurance Plan (\$0.1 million) previously presented with the restated revenue have been reclassified to miscellaneous revenue in the 2022 comparatives.

Note 6**Expenses****6.1 Implementing partnership expense**

206. The total implementing partners' expense incurred during the financial period amounted to \$1,392.5 million (2022: \$1,401.4 million).

Table 6.1

Implementing partnership expense

(Thousands of United States dollars)

	<i>Total expenses</i>	
	2023	2022 (reclassified)
Expenses reported by implementing partners against current-year agreements	1 071 295	1 388 189
Report pending receipt or processing ^a	291 092	–
Distributions of goods to partner and other direct costs ^b	11 811	9 354
Prior-year agreement adjustments ^c	18 271	3 887
Total expense	1 392 469	1 401 430

(Footnotes on following page)

(Footnotes to table 6.1)

^a Costs not yet confirmed by receipt and processing of partner reports are accounted for as accrued expenses. Following processing of reports, confirmed expenses are offset against prepayments and accruals are released. At the time of reporting, \$291.1 million of partnership expenses are still under review. The \$163.5 million previously reported for 2022 as reports pending receipt of processing have subsequently all been processed. Therefore, the prior year comparative amounts have been updated accordingly.

^b The costs of partnership arrangements previously reported under other expense categories are reclassified to partnership expenses to better reflect their nature and to consolidate partnership related expenses in one cost category. Specifically, distribution of goods to partners were previously accounted for as equipment and supplies (note 6.7) and banking costs associated with supporting partners were recorded under bank charges (note 6.11). Similarly, in 2023, funds recovered from implementing partners due to delays in consumption of previously advanced instalment payments are accounted for as a reduction in partnership costs. Previously, the recovered amounts were presented as interest revenue. Amounts recovered in 2022 of \$1.0 million have been reclassified from interest revenue to implementing partnership expenses to better reflect the nature and purpose of the expense reductions. See also note 5.3.

^c The prior-year agreement adjustments amount of \$18.3 million (2022: \$3.9 million) includes partner expenses incurred in the current year against agreements of previous periods of \$18.1 million (2022: \$4.9 million) and expenses identified through audits of partners of \$0.2 million (2022: \$0.6 million). 2022 comparatives include partner receivable write-off expenses of \$1.7 million net of reversal of related allowances and other expenses.

207. The amount of \$1,392.5 million reported as implementing partner expenses (2022: \$1,401.4 million) includes \$291.1 million paid to implementing partners in 2023 in respect of which reporting is pending receipt from partners or processing by UNHCR. Due to the impact of the timing of system changes in 2023, this level of unprocessed reports is higher than at the same stage in the prior period (2022: \$163.5 million). The processing delays are not indicative of any underlying change in the quality or reliability of partner reports. The estimated refunds to UNHCR for underspending are recorded within implementing partner receivables and advances (see note 3.4).

208. The total amount of funds recovered from implementing partners in 2023 for unjustified expenses was \$0.6 million (\$1.1 million in 2022). These were determined through UNHCR review of audit reports of activities implemented by partners.

6.2 Salaries and employee benefits

Table 6.2

Salaries and employee benefits

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Salary	835 332	761 206
Staff allowances and entitlements	227 543	234 923
Pension	185 323	165 706
After-service health insurance	63 977	83 696
Temporary assistance	106 759	74 888
Medical insurance – current	29 526	40 081
Termination	6 178	7 273
Reimbursement of income tax	5 081	7 037
Evacuation	8 523	4 088

	2023	2022 (reclassified) ^a
Annual leave	5 231	3 360
Other personnel costs	25 471	29 032
Total salaries and employee benefits	1 498 942	1 411 291

^a Owing to the reorganization of the UNHCR chart of accounts in 2023, certain prior year salary and employee benefit costs have been reclassified by subcategory for consistency with current year presentation. Overall salary and employee benefit costs for 2022 are not impacted.

209. Annual leave of \$5.2 million (2022: \$3.4 million) represents the increase in annual leave entitlements accrued by staff during the period.

6.3 Cash assistance to beneficiaries

210. Cash assistance is a means of delivering protection, assistance and services providing recipients with choice in meeting their needs.

Table 6.3

Cash assistance to beneficiaries

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Direct cash assistance	730 824	888 168
Financial Service Provider Charges	11 436	10 628
Total cash assistance to beneficiaries	742 260	898 796

^a In 2023, the related cost of charges by financial service providers of \$11.4 million are reported here to better reflect the total costs of such assistance. The comparable 2022 costs (\$10.6 million) have been reclassified from bank charges accordingly.

211. Cash assistance of \$742.3 million (2022: \$898.8 million) excludes any cash assistance provided through partners, which is included in implementing partnership expense in note 6.1.

6.4 Contractual services

Table 6.4

Contractual services

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Affiliated workforce and individual contractors	178 622	170 419
Advertising, marketing and public information	97 986	114 775
Construction contracts	79 951	59 090
Transport, cargo handling and warehouse management	2 013	8 013
Software and data management services	51 984	51 583
Direct services for beneficiaries	28 483	47 822
Professional services	48 804	29 556
Individual consultants	12 180	11 497

	2023	2022 (reclassified) ^a
Translation, printing and publication	8 759	8 798
Other services	100 552	64 521
Total contractual services	609 333	566 074

^a Owing to the reorganization of the UNHCR chart of accounts in 2023, certain prior year costs have been reclassified by subcategory within the category of contractual services for consistency with current-year presentation. Similarly, the elements of transport, cargo handling and warehouse management that related to physical goods already distributed are included in the cost of those distributions in 2023. To ensure comparability, 2022 transport, cargo handling and warehouse management costs of \$49.0 million have been reclassified proportionately to supplies and consumables for beneficiaries (\$38.6 million) and to equipment and supplies (\$11.4 million). See also notes 6.5 and 6.7.

212. Affiliate workforce comprises individuals who have a working relationship with UNHCR, including United Nations Volunteers, individual consultants, individual contractors under arrangements with affiliate partner organizations, fellows and those deployed.

213. Direct services for beneficiaries includes the provision of medical care, transportation, accommodation, and other services where UNHCR contracts with service providers on behalf of displaced people in lieu of cash assistance to beneficiaries.

214. Software and data management services (previously referred to as data processing) includes costs of service providers incurred in the implementation of cloud-based software-as-a-service solutions which do not meet the criteria for treatment as intangible assets. Distinct subscription costs identified for periods prior to the deployment of software as a service are deferred, accounted for as prepayments, and amortized over the remaining minimum subscription period.

215. Other services include accrued contractual service costs for various specialized services of a technical, analytical and operational nature provided through contractual arrangements, as well as uninvoiced accrued costs which are not apportioned to specific subcategories of contractual services in 2023 as it is impractical to do so.

6.5 Supplies and consumables for beneficiaries

Table 6.5

Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Distributed from inventory		
Medical and hygienic supplies and apparel	123 820	218 547
Household items	116 666	118 893
Bedding materials	33 066	60 015
Construction materials and related equipment	84 335	60 669
Tents	41 528	28 377
Basic food	3 964	2 316
Other supplies and equipment	(5 356)	–
Total distributed to beneficiaries	398 025	488 817

	2023	2022 (reclassified) ^a
Other changes in inventory (not yet distributed)	(15 837)	(1 281)
Total supplies and consumables for beneficiaries	382 188	487 536

^a Owing to the reorganization of the UNHCR chart of accounts in 2023, certain prior year costs have been reclassified by subcategory within supplies and consumables for beneficiaries for consistency with current-year presentation. Similarly, costs for inbound transport of goods in 2022 of \$38.6 million were not originally allocated to the cost of the related goods and were previously presented as transport, cargo handling and warehouse management cost expense. These costs are reclassified in the 2022 comparative balances for consistency with the 2023 expense presentation, which includes the related inbound transport costs within supplies and consumables for beneficiaries. See also note 6.4.

216. Other changes in inventory (not yet distributed) reflect primarily changes in the level of allowances for inventories beyond their shelf lives and for in-transit inventory items where delivery is overdue.

6.6 Operating expenses

Table 6.6

Operating expenses

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Rental and maintenance of premises	92 512	87 856
Security	56 853	53 099
Fuel and lubricants	37 990	37 989
Communications	33 497	35 609
Utilities	12 101	16 099
Guest houses	12 172	14 185
Rental and maintenance of vehicles and equipment	12 050	8 498
Insurance	6 434	4 637
Other operating expenses	23 019	17 133
Total operating expenses	286 626	275 105

^a Bank charges previously presented under operating expenses are presented under note 6.11.

217. Other operating expenses includes local transport, miscellaneous supplies and materials for various operational needs.

6.7 Equipment and supplies expense

Table 6.7

Equipment and supplies expense

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Equipment and related supplies	72 538	82 672
Software and licences	31 712	10 887
General office supplies	12 786	14 436

	2023	2022 (reclassified) ^a
Furniture and fixtures	10 160	9 828
Property, plant and equipment transferred	3	(1 348)
Buildings (non-capitalizable)	768	3 947
Vehicles and workshop supplies	5 780	3 963
Alterations and improvements	363	797
Total equipment and supplies	134 111	125 181

^a Beginning in 2023, the cost of equipment and supplies intended for internal consumption is accounted for as a capital purchase and added to fixed assets. The cost of low-value tracked items is therefore capitalized and depreciated at 100 per cent in the period of acquisition. Previously such low value items were accounted for as consumable equipment and not included in fixed asset cost or accumulated depreciation during their period of use. For consistency with current year practice, prior year costs incurred for the purchase of low-value tracked items have been reclassified from equipment and supplies to depreciation expense (\$30.7 million). See also note 6.10.

Costs for inbound transport of goods in 2022 of \$11.4 million were not originally allocated to the cost of the related goods and were previously presented as transport, cargo handling and warehouse management cost expense. These costs are reclassified in the 2022 comparative balances for consistency with the 2023 expense presentation, which includes the related inbound transport costs within the cost of the relevant categories of equipment and supplies. See note 6.4.

Cost of goods transferred to partners are now presented under partnership expenses. Prior year costs (\$9.3 million) are reclassified for consistency. See note 6.1.

6.8 Travel expenses

218. Travel expenses increased to \$92.2 million in 2023 from \$77.9 million in 2022 owing to various factors, including the elimination of all remaining restrictions related to the COVID-19 pandemic combined with a general increase in airfares charged by airlines and a revision of travel rules to introduce an increased rate of terminal expenses from June 2023.

6.9 Other expenses

Table 6.9

Other expenses

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Seminars and workshops	20 418	18 383
Bad debt expense	462	8 092
Training	7 485	7 983
Miscellaneous expenses	6 600	(4 744)
Other accrued expenses	2 610	–
Total other expenses	37 575	29 714

^a In 2023, bank charges were reclassified from other expenses to other non-operational expenses for consistency with 2023 presentation. See note 6.11.

219. In 2022, miscellaneous expenses were offset by \$7.6 million in releases of miscellaneous aged liabilities no longer expected to result in an outflow of resources.

220. In 2023, other accrued expenses represent miscellaneous costs for services already received during 2023 which were not invoiced and paid until 2024 but which are correctly reflected as 2023 expenses.

6.10 Depreciation, amortization and impairment

Table 6.10

Depreciation, amortization and impairment

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Depreciation of property, plant and equipment	61 600	65 883
Impairment of property, plant and equipment	4 652	1 174
Amortization of intangible assets	18 075	10 847
Total depreciation and amortization	84 327	77 904

^a Beginning in 2023, the cost of all equipment, including low-value tracked items, intended for internal use, is accounted for as a capital purchase and added to fixed assets when the relevant items enter into use. The cost of low-value tracked items is capitalized and depreciated at 100 per cent in the period of acquisition. Previously, such low value items were accounted for as consumable equipment and supplies but not included in fixed asset cost or accumulated depreciation during their period of use. For consistency with current year practice, prior year costs incurred for the purchase of low-value tracked items have been reclassified from equipment and supplies to depreciation expense (\$30.7 million). See also note 6.7.

6.11 Other non-operational expenses

Table 6.11

Other non-operational expenses

(Thousands of United States dollars)

	2023	2022 (reclassified) ^a
Bank charges	10 401	8 588
Provisions and write-offs	49 296	1 182
Total non-operational expenses	59 697	9 770

^a Together with depreciation and foreign exchange gains and losses, costs included in the category are outside the results framework and are therefore presented separately in 2023. In 2023, bank charges were reclassified from other expenses for consistency with the revised presentation. Similarly, costs associated with the provision of banking support previously accounted for as bank charges are reported under partnership expenses in 2023. Prior year comparative costs have been reclassified accordingly. See notes 6.1 and 6.9.

221. Provisions and write-offs in 2023 represent primarily increases in the impairments of inventory balances (\$45.9 million). See note 3.3.

6.12 Foreign exchange gains and losses

Table 6.12.1

Foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2023</i>	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2022</i>
Accounts payable	19 106	(3 536)	15 570	(7 154)	477	(6 677)
Contributions receivable	4 851	(46 210)	(41 358)	55 136	59 467	114 603
Cash and investments	(40 438)	36 050	(4 389)	(40 841)	36 926	(3 915)
Other	18 496	(10 628)	7 869	16 400	2 301	18 701
Total foreign exchange (gains) and losses	2 015	(24 324)	(22 309)	23 541	99 171	122 712

Table 6.12.2

Realized foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2023</i>	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2022</i>
Accounts payable	(6 563)	25 669	19 106	(49 810)	42 656	(7 154)
Contributions receivable	(11 177)	16 028	4 851	(33 792)	88 928	55 136
Cash and investments	(40 438)	–	(40 438)	(108 744)	67 903	(40 841)
Other	(11 007)	29 503	18 496	(7 528)	23 928	16 400
Total realized foreign exchange (gains) and losses	(69 185)	71 200	2 015	(199 874)	223 415	23 541

Table 6.12.3

Unrealized foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2023</i>	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2022</i>
Accounts payable	(5 165)	1 629	(3 536)	(497)	974	477
Contributions receivable	(112 958)	66 748	(46 210)	(55 183)	114 649	59 467
Cash and investments	–	36 050	36 050	(21 466)	58 392	36 926
Other	(10 628)	–	(10 628)	(23 742)	26 043	2 301
Total unrealized foreign exchange (gains) and losses	(128 751)	104 427	(24 324)	(100 888)	200 058	99 171

222. In 2023, the unrealized exchange gains of \$24.3 million resulted primarily from the impact of the weakening of the United States dollar against those currencies in which UNHCR held contributions receivable balances as at 31 December 2023.

Note 7**Statement of comparison of budget and actual amounts**

223. 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 as follows:

(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 Fund for Voluntary Contributions, the Medical Insurance Plan and the Self-Financing Activities Fund;

(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).

224. 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 2023 is presented below.

Table 7.1

Statement of comparison of budget expenditure and actual amounts

(Thousands of United States dollars)

	2023
Actual amount on a comparable basis (statement V)	5 166 555
Basis differences	
Commitments and accruals	(34 181)
Employee benefit timing differences	(62 073)
Inventory timing differences	155 583
Fixed asset capitalization and depreciation	25 717
Provisions for liabilities	49 296
Other	72 654
Total basis differences	206 996

	2023
Entity differences	
Staff Benefits Fund	5 762
Medical Insurance Plan	9 125
Working Capital Fund for Voluntary Contributions	(84 032)
Self-Financing Activities Fund	(6 984)
Total entity differences	(76 129)
Total expenses	5 297 423

225. 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.

Table 7.2

Reconciliation of balance of available funds with operating cash flow

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total 2023</i>
Balance of available funds	549 357	–	–	549 357
Basis differences	(788 693)	(140 361)	–	(929 053)
Entity differences	84 527	42 105	–	126 632
Net increase/(decrease) in cash and cash equivalents from the statement of cash flow	(154 809)	(98 256)	–	(253 064)

Note 8
Segment reporting

8.1 Schedule of assets and liabilities by segment as at 31 December 2023

Table 8.1.1

Schedule of assets and liabilities by geographic segment as at 31 December 2023

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2023</i>
Assets									
Current assets									
Cash and cash equivalents	24 719	79 841	22 520	61 532	62 188	71 982	44 557	1 650 993	2 018 333
Contributions receivable – current	–	–	–	–	–	–	–	1 247 714	1 247 714
Inventories	37 558	71 918	5 552	59 032	34 658	76 406	5 106	134 775	425 005
Other current assets ^a	–	–	–	–	–	–	–	571 574	571 574
Total current assets	62 277	151 760	28 072	120 564	96 846	148 388	49 664	3 605 056	4 262 626
Non-current assets									
Contributions receivable – non-current	–	–	–	–	–	–	–	622 696	622 696
Property, plant and equipment ^a	–	–	–	–	–	–	–	190 196	190 196
Intangible assets	–	–	–	–	–	–	–	1 209	1 209
Total non-current assets	–	–	–	–	–	–	–	814 101	814 101
Total assets	62 277	151 760	28 072	120 564	96 846	148 389	49 664	4 419 157	5 076 727
Liabilities									
Current liabilities									
Accounts payable and accruals ^a	–	–	–	–	–	–	–	601 791	601 791
Deferred revenue	–	–	–	–	–	–	–	901	901
Employee benefits – current	–	–	–	–	–	–	–	175 615	175 615
Other current liabilities	–	–	–	–	–	–	–	55 226	55 226
Provisions	–	–	–	–	–	–	–	810	810
Total current liabilities	–	–	–	–	–	–	–	834 343	834 343

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2023</i>
Non-current liabilities									
Employee benefits – non-current	–	–	–	–	–	–	–	1 042 081	1 042 081
Provisions	–	–	–	–	–	–	–	94	94
Total non-current liabilities	–	–	–	–	–	–	–	1 042 175	1 042 175
Total liabilities	–	–	–	–	–	–	–	1 876 518	1 876 518
Net assets	62 277	151 760	28 072	120 564	96 846	148 389	49 664	2 542 639	3 200 209

^a The 2022 prior-year comparative segment schedules included certain asset and liability balances presented and split by geographical segment. The segmentation approach followed for these assets and liabilities in 2022 is no longer applicable following the transition to new systems which introduce global consolidation for these assets and liabilities. The assignment of these balances to segments other than the Headquarters/global programmes/other segment has therefore been discontinued in the 2023 presentation. No reclassification of 2022 comparative tables is required as the presentation of each period reflects the change in overall administrative responsibilities from 2022 to 2023.

Table 8.1.2
Schedule of assets and liabilities by geographic segment as at 31 December 2022

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>Total</i>
Assets									
Current assets									
Cash and cash equivalents	19 774	59 768	13 758	51 764	81 115	36 854	16 389	2 028 025	2 307 447
Contributions receivable	–	–	–	–	–	–	–	1 257 631	1 257 631
Inventories	31 938	89 331	7 670	75 599	49 151	122 458	12 774	75 705	464 625
Other current assets	12 774	40 021	4 271	45 111	30 674	63 554	18 829	83 663	298 897
Total current assets	64 487	189 119	25 699	172 474	160 939	222 867	47 992	3 445 023	4 328 600
Non-current assets									
Contributions receivable	–	–	–	–	–	–	–	752 760	752 760
Property, plant and equipment	9 608	33 486	7 582	15 081	11 297	7 493	2 324	147 779	234 650
Intangible assets	–	–	–	29	–	–	–	24 067	24 096
Total non-current assets	9 608	33 486	7 582	15 110	11 297	7 493	2 324	924 606	1 011 506
Total assets	74 094	222 605	33 281	187 584	172 236	230 360	50 317	4 369 629	5 340 106
Liabilities									
Current liabilities									
Accounts payable and accruals	10 038	21 655	3 115	61 880	27 895	60 295	15 198	138 247	338 323
Deferred revenue	–	–	–	–	–	–	–	31	31
Employee benefits	–	–	–	–	–	–	–	173 574	173 574
Other current liabilities	–	–	–	–	–	–	–	5 313	5 313
Provisions	–	–	–	–	–	–	–	5 526	5 526
Total current liabilities	10 038	21 655	3 115	61 880	27 895	60 295	15 198	322 691	522 767
Non-current liabilities									
Employee benefits	–	–	–	–	–	–	–	947 720	947 720
Provisions	–	–	–	–	–	–	–	94	94
Total non-current liabilities	–	–	–	–	–	–	–	947 814	947 814
Total liabilities	10 038	21 655	3 115	61 880	27 895	60 295	15 198	1 270 505	1 470 581
Net assets	64 056	200 950	30 167	125 704	144 341	170 065	35 119	3 099 124	3 869 525

8.2 Schedule of revenue and expenses by segment for the year ended 31 December 2023

Table 8.2.1

Schedule of revenue and expenses by geographic segment as at 31 December 2023

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2023</i>
Revenue									
Voluntary contributions	307 793	703 940	113 586	844 087	417 242	624 907	304 567	1 218 450	4 534 572
United Nations regular budget	–	–	–	–	–	–	–	49 597	49 597
Interest revenue	–	–	–	–	–	–	–	93 983	93 983
Other revenue	1 309	3 557	349	1 362	1 206	212	311	20 858	29 164
Total revenue	309 102	707 497	113 935	845 449	418 448	625 119	304 878	1 382 888	4 707 316
Expenses									
Implementing partnership expenses	144 748	337 060	60 086	311 668	205 679	214 138	119 091	–	1 392 469
Salaries and employee benefits	147 287	294 540	84 177	227 095	157 753	170 760	120 052	297 278	1 498 942
Cash assistance to beneficiaries	11 151	19 647	4 911	239 729	70 823	364 923	19 025	12 050	742 260
Contractual services	33 453	75 519	15 079	102 500	53 770	106 987	47 835	174 189	609 333
Supplies and consumables for beneficiaries	22 234	92 599	8 827	56 108	67 083	114 869	12 179	8 289	382 188
Operating expenses	43 181	87 449	15 108	57 822	30 737	35 043	18 723	(1 437)	286 626
Equipment and supplies	10 733	21 987	3 655	19 110	15 918	14 751	10 294	37 662	134 111
Travel expenses	12 652	16 242	5 800	9 572	7 972	12 283	9 246	18 435	92 203
Other expenses	1 767	2 867	953	2 404	2 318	13 756	2 687	10 823	37 575
Depreciation, amortization and impairment	–	–	–	–	–	–	–	84 327	84 327
Other non-operational expenses	–	–	–	–	–	–	–	59 697	59 697
Total expenses before foreign exchange	427 206	947 910	198 596	1 026 008	612 053	1 047 510	359 132	701 313	5 319 731
Foreign exchange (gains)/losses	–	–	–	–	–	–	–	(22 309)	(22 309)
Surplus/(deficit) for the year	(118 104)	(240 413)	(84 661)	(180 559)	(193 605)	(422 391)	(54 254)	703 884	(590 106)

Table 8.2.2
Schedule of revenue and expenses by geographic segment as at 31 December 2022

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>Total 2022 (restated and reclassified)</i>
Revenue									
Voluntary contributions	354 088	664 599	155 030	988 841	460 850	821 531	281 988	2 204 442	5 931 369
United Nations regular budget	–	–	–	–	–	–	–	84 378	84 378
Interest revenue	–	–	–	–	–	–	–	25 110	25 110
Other revenue	4 099	9 963	2 032	4 910	3 612	1 483	1 377	(890)	26 586
Total revenue	358 187	674 562	157 062	993 751	464 462	823 014	283 365	2 313 040	6 067 443
Expenses									
Implementing partnership expenses	153 680	329 978	66 723	343 151	194 734	140 331	128 546	44 287	1 401 430
Salaries and employee benefits	142 709	278 587	84 246	219 856	147 944	137 701	112 111	288 137	1 411 292
Cash assistance to beneficiaries	9 473	26 557	6 872	302 200	95 258	430 823	13 525	14 088	898 796
Supplies and consumables for beneficiaries	23 754	83 647	18 459	110 464	38 458	53 719	55 028	182 545	566 074
Contractual services	42 458	137 357	15 330	104 038	84 822	75 017	23 289	5 225	487 536
Operating expenses	38 492	88 198	17 257	68 966	29 769	29 659	17 495	(14 731)	275 105
Equipment and supplies	10 661	36 411	7 077	18 025	35 108	25 474	20 277	(27 852)	125 181
Travel expenses	8 642	13 645	5 138	7 816	6 849	13 116	9 342	13 389	77 937
Other expenses	2 518	5 290	495	(48)	1 204	7 962	2 116	10 177	29 714
Depreciation, amortization and impairment	–	–	–	–	–	–	–	77 904	77 904
Other non-operational expenses	–	–	–	–	–	–	–	9 770	9 770
Total expenses before foreign exchange	432 387	999 670	221 597	1 174 468	634 146	913 802	381 729	602 939	5 360 738
Foreign exchange (gains)/losses	2 268	3 192	446	423	7 341	15 200	1 615	92 227	122 712
Surplus/(deficit) for the year	(76 468)	(328 300)	(64 981)	(181 140)	(177 025)	(105 988)	(99 979)	1 617 874	583 993

226. Voluntary contributions by region in tables 8.2.1 and 8.2.2 correspond to the earmarking reflected in contribution agreements. Voluntary contributions not earmarked to a specific region are allocated to headquarters/global programmes/other for the purposes of presentation in these tables but are allocated for global spending.

227. 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 2023 of \$16.7 million. Inter-fund charges and revenue in respect of the Self-Financing Activities Fund amounted to \$48.4 million in 2023. They are included under the headquarters/global programmes/other column in tables 8.2.1 and 8.2.2.

8.3 Long-lived asset additions by segment

Table 8.3

Schedule of long-lived asset additions by geographic segment

(Thousands of United States dollars)

	<i>Property, plant and equipment^a</i>	<i>Intangible assets</i>	<i>Total 2023</i>	<i>Property, plant and equipment^a</i>	<i>Intangible assets</i>	<i>Total 2022</i>
West and Central Africa	–	–	–	1 160	–	1 160
East Africa, Horn of Africa and Great Lakes Region	–	–	–	7 382	–	7 382
Southern Africa	–	–	–	1 132	–	1 132
Middle East and North Africa	–	–	–	3 244	–	3 244
Asia and the Pacific	–	–	–	4 729	–	4 729
Europe	–	–	–	4 794	–	4 794
The Americas	–	–	–	3 300	–	3 300
Headquarters/global programmes/other	73 845	–	73 845	42 524	6 487	49 010
Total	73 845	–	73 845	68 265	6 487	74 751

^a The 2022 prior year comparative amounts present long-lived asset additions split by geographical segment. The segmentation approach followed for these assets and liabilities in 2022 is no longer applicable following the transition to new systems which introduce global consolidation for these assets. The assignment of these balances to segments other than the Headquarters/Global/programmes/other segment has therefore been discontinued in the 2023 presentation. No reclassification of 2022 comparatives is required as the presentation of each period reflects the change in overall administrative responsibilities from 2022 to 2023.

Note 9
Commitments and contingencies

9.1 Leases

Table 9.1
Obligations for operating leases

(Thousands of United States dollars)

	2023	2022
Under 1 year	41 611	42 903
1–5 years	45 907	44 614
Beyond 5 years	6 663	9 511
Total obligations for operating leases	94 181	97 028

228. Obligations for operating leases includes obligations that may be cancelled under special circumstances owing to the existence of diplomatic clauses in the lease agreements. Given that the diplomatic clauses are generally not expected to be utilized, the obligations disclosed reflect the expected minimum term of the lease under normal circumstances.

229. As at 31 December 2023, UNHCR did not have any finance leases. Operating leases included \$8.5 million of lease obligations without a diplomatic clause.

9.2 Commitments

230. As at 31 December 2023, UNHCR had commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered, as follows:

Table 9.2
Open commitments

(Thousands of United States dollars)

	2023	2022
Assets and supplies	162 382	206 798
Services	181 527	182 695
Instalments due against partnership agreements	–	101 941
Operating expenses	48 060	47 406
Consultants	17 729	3 500
Other commitments	14 283	8 253
Total open commitments	423 981	550 593

231. The decrease in 2023 of total open commitments is attributable primarily to a reduction in the procurement of medical supplies, equipment, construction contracts and transportation and cargo handling for COVID-19-related needs compared with the levels required in 2022.

232. Multi-year commitments through 2026 of \$41.5 million to secure information technology services are reflected in table 9.2.

233. In 2023, no purchase orders were issued against partnership agreements expected to be implemented in 2024 or later.

9.3 Legal or contingent liabilities

234. 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.

235. As at 31 December 2023, there were 29 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 \$2.7 million.

236. There are 49 unresolved third-party claims against UNHCR. The main third-party claims relate to ongoing 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 third-party claims with maximum expected settlement values of approximately \$3.8 million.

9.4 Contingent assets

237. As a result of political upheavals in the Sudan, during 2023 UNHCR experienced looting and other theft of significant fixed assets and inventory. While the final amount is subject to negotiation, insurance claims related to the losses of inventory are expected to result in the recovery of a minimum of approximately \$9.1 million of insurance proceeds. The related fixed assets and inventory have been impaired pending final determination of the level of losses suffered net of insurance claims.

Note 10

Related party disclosures

238. 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.

Table 10

Related party disclosures

(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>
Key management personnel, 2023	5	1 239	118	330	1 776	40

239. The table above summarizes aggregate remuneration paid to five 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.

240. 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.

241. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 11

Events after the reporting date

242. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year.

243. In March 2024, a voluntary separation arrangement was approved for up to 311 staff members based on a package offer to qualifying staff members in November 2023. The arrangement was not finalized by end of 2023 and there is no accrual of the related costs in these financial statements. The total maximum cost of the package offered was approximately \$24.5 million. As not all potential participants are expected to accept the offers the actual cost is expected to be lower, but the final amount has yet to be determined. Most elements of the package will result in cash outflows in 2024.

244. At the date of signing these financial statements, 31 March 2024, other than as referred to above, no material events, favourable or unfavourable, have occurred that would have impacted the present statements.

245. The financial statements were approved on 31 March 2024 and submitted to the Board of Auditors for opinion. No one other than UNHCR has the authority to amend these financial statements.

