



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 2021

and

Report of the Board of Auditors

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



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High Commissioner for Refugees**

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Report of the Board of Auditors



United Nations • New York, 2022

Note

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

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Letters of transmittal

Letter dated 31 March 2022 from the Controller and Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees and the United Nations High Commissioner for Refugees addressed to the Chair of the Board of Auditors

Pursuant to the financial rules for voluntary funds administered by the Office of the United Nations High Commissioner for Refugees, we have the honour to submit the financial statements for the year ended 31 December 2021, certified and approved in accordance with article 11.3 of those rules ([A/AC.96/503/Rev.10](#)).

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2021:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.
2. The financial statements have been prepared and presented in accordance with:
 - (a) The International Public Sector Accounting Standards (IPSAS);
 - (b) The Financial Regulations of the United Nations;
 - (c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;
 - (d) The accounting policies of the organization, as summarized in note 2 to the financial statements.
3. The property, plant and equipment, the intangible assets and the inventories disclosed, respectively, in notes 3.5, 3.6 and 3.3 to the financial statements are owned by the organization and are free from any charge.
4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.
5. All material accounts receivable 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 at 31 December 2021 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 2021, 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 2021 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 2021 that necessitate revision of the information presented in the financial statements thereto.

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

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

**Letter dated 21 July 2022 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 2021.

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2021 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 2021 and the financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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 2021 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 thereon.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

(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 concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the voluntary funds administered by the United Nations High Commissioner for Refugees to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the voluntary funds administered by the High Commissioner to cease to continue as a going concern;

(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 fair presentation.

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

Report on other legal and regulatory requirements

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

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

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

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

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

21 July 2022

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 2021. 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 2021 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 2021, the total revenue increased compared with 2020. As in prior years, the liquidity is affected by the inclusion of donor commitments and agreements made for future years.

In 2021, UNHCR responded to protracted displacement and new crises. UNHCR responded to 40 new emergencies in 29 countries. The overall figure for persons of concern surpassed 92 million. The response to the coronavirus disease (COVID-19) pandemic continued. In this context, over 19.7 million persons obtained pandemic-related protection services and 9.3 million benefited from cash assistance.

UNHCR continued on its path of parallel reform initiatives with challenges to the organization and its workforce. UNHCR communicated that the decentralization and regionalization process had been completed by 2021 and had entered into a "landing" phase. The business transformation programme, which now includes the reform of the budgeting and results-based management processes, still requires attention and prudent management.

Financial overview

The voluntary contributions increased, by \$359.4 million (7.4 per cent), to \$5,187.2 million and represented 98.7 per cent of the organization's total revenues of \$5,254.2 million. The expenses increased by \$259.9 million and amounted to \$4,692.4 million. The increase resulted mainly from supplies and consumables for beneficiaries (\$93.2 million), salaries and employee benefits (\$92.8 million), contractual services (\$43.1 million) and equipment and supplies (\$39.9 million). Expenses for cash assistance to beneficiaries decreased by \$34.5 million and implementing partner expenses by \$11.5 million. The 2021 surplus amounted to \$464.5 million, compared with a surplus of \$554.4 million in 2020.

UNHCR maintains a high ratio of current assets to meet its current liabilities. However, the strong appearance of its current assets is significantly affected by the inclusion of \$1,766.2 million in donor agreements made for future years. Constraints with regard to earmarked resources remained, notwithstanding the fact that the proportion of unrestricted funds significantly increased by 10 percentage points, standing at 21 per cent of 2021 contributions compared with 11 per cent in 2020.

Furthermore, there remains a heavy reliance on a limited number of donors, given that almost 70 per cent of 2021 contributions were derived from 10 donors, with 1 donor accounting for 36 per cent of all contributions.

Key findings

Reform initiatives

The Board made observations on three different reform initiatives: the decentralization and regionalization reform, the new results-based management approach (COMPASS) and the business transformation programme.

The Board noted that UNHCR did not yet apply a systematic approach to comprehensively evaluate the impact of the decentralization and regionalization reform on the organization as a whole. In the view of the Board, the provided cost tracking sheet and certain established key performance indicators are a first step and should be used and integrated in a comprehensive evaluation to determine the real and tangible benefits of the reform.

The Board found that UNHCR was about to conclude the final step to consolidate various documents into a comprehensive accountability framework. The Board was provided with separate draft documents of roles, accountabilities and authorities, including revisions of such documents. The Board found that those documents had not yet been officially promulgated and did not represent a comprehensive framework.

The Board concluded that the new results-based management approach and the intended strategic reorientation had not yet been fully incorporated by the operations. The Board sees a need for further communication of the intended reorientation and emphasis on the differences in the new approach to achieve the intended mind-shift in the scheduled period until 2024.

The Board found that the reporting functionalities in the new COMPASS tool showed room for improvement. The Board concluded that reports provided so far did not meet the users' expectations and forced them to create self-tailored solutions.

The Board found that the business transformation programme, with its large number of software projects, in conjunction with their interdependencies, posed a major challenge for UNHCR. Those interdependencies and the connections through interfaces could significantly delay the success of the business transformation programme. The Board found that the sequence of go-live dates was critical with regard to costs of the integration.

The Board noted that the ceiling amount of a 2014 frame agreement, which UNHCR applied for new cloud-based information technology services in 2021, had increased from \$3.7 million to \$46.6 million over that time period. The frame agreement and contract negotiations could have benefited from a more detailed update of specific services covered and the terms and conditions for ordering cloud services.

Budget and finance

The Board took note of nine cases of contribution agreements that were not recorded in the correct financial years. The agreements had been negotiated at the field level. The Board holds that, as a result of the regionalization and decentralization reform, country offices will be more involved in acquiring voluntary contributions. Therefore, UNHCR should make efforts to raise the awareness of country offices of their roles and responsibilities in the process of negotiating and accepting voluntary contributions.

The Board found that the cash management and risk management guidelines did not include an assessment of the UNHCR financial risk environment or a structured determination of major areas that required risk mitigation. The guidelines did not comment on the currency risk exposure, nor did they contain explanations of suitable

risk mitigation measures. The Board found that the guidelines needed to be updated and complemented.

The Board found that UNHCR used an Excel-based self-assessment questionnaire to assemble the information that formed bases for the statement of internal control. The Board found that UNHCR did not use automated system-generated key performance indicators to complement the questionnaire.

Implementing partnership management

The Board found that UNHCR had decided to release a subsequent instalment payment on the basis of the partner's project finance reports, even though the remaining unused balance of the previous instalment was greater than 50 per cent. The Board found that UNHCR did not consider the remaining unused balance of the previous instalments, draw conclusions or make comparisons to decide on the release of a further instalment. The Board indicated that the approval and transfer of a subsequent instalment, as requested by the partner, should be subject to more diligent and deeper review in cases where the remaining unused balance exceeded 50 per cent of the previous instalment.

The Board identified several implementing partners that had been assigned to raise funds and public awareness of the UNHCR mandate. The partners conducted those tasks, for example, through social media campaigns and public events. The Board noted that the implementing partners did not have the task of delivering any kind of support to persons of concern under the reviewed partnership agreements. The identified partners received funding of \$69 million in 2021. The Board holds that the corresponding expenses should be reclassified from implementing partner expenses to a more suitable expense category.

Cash assistance to beneficiaries

The Board found different staffing capacities and volumes of expenses of cash-based intervention programmes in the country offices reviewed. The Board noted that there was no clear correlation between staffing capacities and the volume of expenses of cash-based programmes. The Board holds that UNHCR needs to include benchmarks and parameters in guidance to support staffing capacities in the field.

Human resources management

The Board reviewed the efforts of UNHCR to improve its workforce planning management and noted that UNHCR had not yet issued an overarching strategic workforce planning framework as recommended in its report for 2020. In the Board's opinion, workforce planning is of limited value if it is not embedded in an organization-wide strategic workforce framework. Such a framework includes an overarching strategic approach, aligns budget restrictions with future staffing needs and prioritizes organization-wide strategic objectives so that UNHCR can make the best use of resources to accomplish its mandate.

The Board identified that practical benchmark indicators to assist managers for human resources planning, monitoring and measurement purposes were still under development. In the view of the Board, such benchmark indicators could broadly guide UNHCR country operations to quantify staffing needs and make the staffing requirements among the operations comparable and more transparent.

Key recommendations

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

Reform initiatives

(a) **Follow up on the impact and costs of the decentralization and regionalization reform through completing a comprehensive evaluation to establish if intended results of decentralization and regionalization have been achieved;**

(b) **Summarize existing documents into one formal accountability framework that defines roles, authorities and accountabilities in the organization in a compulsory manner and interlinks existing guidance;**

(c) **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;**

(d) **Complement the COMPASS tool with enhanced reporting functionalities based on identified user needs;**

(e) **Carefully review the interdependencies of upcoming projects and intended go-live dates in the business transformation programme to avoid additional, unnecessary integration and realignment costs and report on the cost-efficiency to its governing bodies in case of further delays and changes;**

(f) **Ensure that the requirements of the Committee on Contracts for upfront and complete supporting documentation are fulfilled in cases of extension of frame agreements that are outdated in terms of content or age when procuring additional services without going through tendering;**

Budget and finance

(g) **Incorporate an explicit confirmation request in the year-end closure reporting by which private sector partnership offices that carry out local fundraising are requested to confirm to the Division of External Relations the existence or non-existence of donor contribution agreements and pledges signed at the local level;**

(h) **Update its financial risk management guidelines and specify therein how UNHCR assesses, monitors and mitigates the credit, liquidity and market risks;**

(i) **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;**

Implementing partnership management

(j) **Strengthen the link between performance review and the release of additional instalment payments and enable the documentation of the review in the upcoming software solution;**

(k) **Review the nature of agreements with implementing partners to identify those agreements that do not fit into the category of implementing partner expenditures;**

Cash assistance to beneficiaries

(l) **Expand its guidance on designing field presences by including recommended benchmarks and parameters for determining minimum required staffing levels of cash-based intervention programmes;**

Human resources management

(m) **Establish an overarching strategy for workforce planning and outline therein how trends could be assessed;**

(n) **Examine whether to establish sample performance indicators that could be used for monitoring purposes and adapted to the staffing needs of each operation.**

Previous recommendations

As at 30 May 2022, out of the 80 recommendations made for 2020 and previous years, 43 (54 per cent) had been implemented, 23 (29 per cent) remained under implementation and 13 (16 per cent) had been overtaken by events (see annex). The Board welcomes the overall progress made in implementing its recommendations from previous years.

Key facts

\$9.25 billion	Final budget based on a global needs assessment
\$5.25 billion	Revenue reported (including \$1.77 billion for future years)
\$4.69 billion	Expenses incurred in 2021
94.7 million	Persons of concern to UNHCR
18,881	UNHCR global workforce (including 4,785 affiliates)
135	Countries and territories of operation, with offices in 523 locations

A. Mandate, scope and methodology

1. In 2021, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to approximately 94 million persons forcibly displaced within or outside their countries of origin. It is a devolved organization with more than 18,800 staff working in 523 offices located in 135 countries and territories. Its mandate encompasses delivering support to long-term and protracted situations and responding to humanitarian emergencies. The year 2021 has been characterized by protracted displacement and new crises responding to 40 new emergencies in 29 countries. There were 24 million people inside Afghanistan and 5.7 million Afghans and host communities in five neighbouring countries in need of support. Conflict in northern Ethiopia sent millions of people fleeing for safety within their country and almost 60,000 into the Sudan. UNHCR facilitated the deployment of security personnel to numerous emergency missions, notably in the Democratic Republic of the Congo, Ethiopia, the Sudan and the Sahel region.

2. UNHCR is funded almost entirely by voluntary contributions, representing \$5.19 billion of total revenues of \$5.25 billion. Recognized revenue from donor agreements included \$1.77 billion relating to future years. Total expenses were \$4.69 billion in 2021.

3. The Board audited the financial statements of UNHCR and reviewed its operations for the financial year ended 31 December 2021 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 Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. 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 2021 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 the voluntary funds administered by the High Commissioner for Refugees

(A/AC.96/503/Rev.10). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. 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; the reform initiatives, including the decentralization and regionalization reform, the new results-based management approach and the business transformation programme; cash assistance to beneficiaries; implementing partnership management; and human resources management.

6. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the offices in Budapest. The Board examined virtually the multi-country offices in Italy and Sweden. The Sweden multi-country office is in charge of the Nordic and Baltic countries (including Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden). The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) to provide coordinated coverage. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with UNHCR management, whose views have been appropriately reflected.

B. Findings and recommendations

1. Previous recommendations

7. The Board noted that, out of 80 outstanding recommendations up to the financial year ended 31 December 2020, 43 recommendations (54 per cent) had been implemented, 23 recommendations (29 per cent) were considered to be under implementation and 14 (17 per cent) had been overtaken by events or had not been implemented. Details of the status of implementation of the 80 recommendations are shown in table II.1 and the annex to the present chapter.

Table II.1
Status of implementation of previous recommendations

<i>Year</i>	<i>Total</i>	<i>Fully implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2017	2	2	–	–	–
2018	7	2	2	1	2
2019	27	10	11	–	6
2020	44	29	10	–	5
Total	80	43	23	1	13
Percentage	100	54	29	1	16

8. Out of the 23 recommendations under implementation, 10 relate to 2020, 11 relate to 2019 and 2 relate to 2018. The Board sees continuing progress in the implementation of recommendations that are pending. The Board welcomes the overall progress made in implementing and closing older recommendations. Some recommendations under implementation relate to projects and initiatives that are still

being rolled out or developed, such as the implementation of the revised results-based management system and a new enterprise resource planning system.

2. Financial overview

9. Net assets increased by 13.8 per cent, to \$2.82 billion, in 2021. Accumulated fund balances and reserves amounted to \$3.36 billion (2020: \$3.08 billion) and included cash and investments of \$1.84 billion (2020: \$1.66 billion).

10. Overall, the key financial indicators remain at a comparably robust level. In its financial report, UNHCR management indicates that liquidity is positively affected by the inclusion of \$1.77 billion in donor agreements made for future years (see chap. IV, para. 26). 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 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Current ratio ^a (current assets: current liabilities)	8.0	9.0	7.9	9.5	9.9
Total assets: total liabilities ^b	2.6	2.6	2.7	3.4	3.0
Cash ratio ^c (cash + investments: current liabilities)	4.2	4.3	3.7	4.0	4.3
Quick ratio ^d (cash + investments + short-term accounts receivable: current liabilities)	6.7	7.6	6.7	8.1	8.4

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.

11. In 2021, total revenues increased by \$362.6 million. Voluntary contributions represented 98.7 per cent of the total revenues of UNHCR (2020: 98.7 per cent). Voluntary contributions increased by 7.4 per cent, to \$5,187.2 million (2020: \$4,827.8 million).

12. Expenses (excluding foreign exchange gains/losses) slightly increased, by 5.9 per cent, or \$259.9 million, and amounted to \$4,692.4 million (2020: \$4,432.5 million). The result from foreign exchange decreased by \$192.6 million to foreign exchange losses of \$97.4 million (2020: foreign exchange gains of \$95.2 million), resulting in a surplus of \$464.5 million, compared with a surplus of \$554.4 million in 2020.

13. Main expense increases pertained to supplies and consumables to beneficiaries (\$93.2 million), salaries and employee benefits (\$92.8 million), contractual services (\$43.1 million) and equipment and supplies (\$39.9 million). At the same time, expenses for cash assistance to beneficiaries decreased by \$34.5 million. The increase in supplies and consumables to beneficiaries was still attributable to the impacts of the COVID-19 pandemic, which led to increased distribution of medical, hygiene and

personal protective equipment. The increase in salaries and employee benefits was mainly attributable to an increase in the number of staff, salary increases and increased pension and after-service health insurance costs. The increase was offset by a decrease in the annual leave accrual. The increase in contractual services mainly related to professional services (\$11.7 million), software development services (\$10.9 million), construction contracts (\$9.2 million) and transportation costs (\$6.2 million). Equipment and supplies mainly increased as a result of the purchase of computer equipment (\$24.1 million) and increased software licence fees (\$8.3 million).

14. Similar to prior years, about 70 per cent of the voluntary contributions is derived from a limited number of top donors. One of those top donors accounted for 36 per cent of all contribution revenues as at 31 December 2021.

15. Nearly 80 per cent of contributions to UNHCR are earmarked (see table II.3). In 2021, the proportion of tightly earmarked contributions decreased significantly (12 percentage points), while at the same time the proportion of unearmarked contributions increased significantly (10 percentage points). Earmarked contributions place constraints on management's ability to deploy resources flexibly and to meet demand across all areas of activity. Governments and intergovernmental organizations continued to be the major donors of UNHCR.

Table II.3

Monetary contributions by type of earmarking in 2021 and 2020

(Millions of United States dollars)

<i>Type of earmarking</i>	<i>2021</i>	<i>2020</i>	<i>2021 (percentage)</i>	<i>2020 (percentage)</i>
Earmarked	2 250	2 237	45	47
Tightly earmarked ^a	777	1 257	15	27
Softly earmarked ^b	953	719	19	15
Unearmarked	1 068	532	21	11
Total monetary contributions	5 049	4 745	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. Reform initiatives

Decentralization and regionalization

16. In 2016, the High Commissioner launched a headquarters review and commissioned a diagnosis and high-level assessment to be carried out by an external consulting company. In essence, the external consultants found that headquarters had become too slow, heavy and burdened with processes, initiatives and structures. Driven by that assessment, UNHCR embarked on a broader “journey of transformation”, also referred to as a transformation or change process.

17. The process intensified in 2018 and at that time mainly comprised the work streams of decentralization and regionalization, results-based management renewal, people management and human resources, data digitization, and enterprise risk management. In 2020, UNHCR launched the business transformation programme, which entails the transformation of business processes and the implementation of new

tools, mainly for results-based management, human resources management, data and digitization and overall business processes and systems.

18. In terms of decentralization and regionalization, the Board focused on the main goals of the reform. These were:

- (a) To enhance the effectiveness of country operations in the field;
- (b) To improve the speed and responsiveness of service delivery by shifting personnel and decision-making authorities closer to the field and persons of concern;
- (c) To enable country representatives and their teams to make faster decisions on the ground;
- (d) To simplify the processes of decision-making and make them more efficient.

(i) *The evaluation of the reform*

19. The Board commented in its report for the year ended 31 December 2019 on decentralization and regionalization and recommended, inter alia, that UNHCR measure, track and evaluate the intended results and the costs of decentralization and regionalization ([A/75/5/Add.6](#), chap. II, para. 168).

20. With regard to that recommendation, UNHCR stated that it planned to evaluate the reform in 2023 when it had been in effect for a longer period of time and would thus accommodate a more meaningful evaluation. UNHCR also stated that it had commissioned a management advisory from OIOS as an interim stock-taking action. The report of the internal audit service was finalized in October 2021 and was shared with the Board.

21. UNHCR stated that the fundamental action of the decentralization and regionalization reform had been completed by 2021. UNHCR informed the Board that the consolidation of the new structures and the progressive adjustment of working relations with country operations and UNHCR headquarters continued, including a systematic process of consultations between headquarters divisions and the regional bureaux, consultation and advice through an active field reference group and the review and updating of roles, accountabilities and authorities. UNHCR stated that it was in the process of developing an updated framework, called “Our transformation”, which was undergoing final validation. The High Commissioner had tasked the Director for Change with developing this initiative for managing and communicating on the transformation process. UNHCR stated that the initiative brought together all transformative actions in a detailed plan and allowed UNHCR management to track and guide progress. The new Director for Change presented the initiative to the Senior Management Committee on 30 May 2022 as a step towards validation, approval and the launch of implementation by July 2022.

22. The Board took note of the newly launched initiative. However, when the Board issued the above-mentioned recommendation, it was aimed at the implementation of a results or benefits framework with indicators to monitor the results and costs of the reform. In the view of the Board, this would have required UNHCR to define a basis to assess changes to practice, culture and behaviour in the organization and to be accountable for it. The Board would have welcomed an integrated, real-time evaluation that could have informed the change process, rather than a purely ex post evaluation. UNHCR stated that a real-time evaluation was not the choice of UNHCR to monitor the implementation. UNHCR stated that indicators had been developed to measure different aspects of the reform, for example, the shift of authorities. The Board holds that the indicators are a first step to track the process. However, currently the indicators lack any form of interpretation, clear interlinkage with intended goals

and weighting. The Board noted that UNHCR did not apply a systematic approach for monitoring and evaluating not only the process but also the impact of the reform on the organization as a whole.

23. The advisory review of the internal audit service confirmed that UNHCR was still in the process of developing indicators to measure the performance of the change processes. In line with the Board, the internal auditors found that UNHCR primarily measured the process and insufficiently measured the intended impact of the reform. The internal audit service confirmed the findings of the Board that there were no set targets against indicators or linkages to milestones listed in a process road map.

24. In terms of the analysis of the costs of the reform, the Board had commented that an evaluation should include a cost-benefit analysis to show that the real and tangible benefits could be clearly measured and that they outweighed the costs. UNHCR stated that costs had been tracked in specially designed dashboards showing a comparison of staff and administrative budget figures and positions before and after the reform. This comparison covered the regional bureaux before and after the transition and also all regional platforms affected by the reform, but not headquarters. In the view of the Board, headquarters costs are important to measure the goal of a lean and less heavy headquarters structure. In 2021, UNHCR requested closure of the recommendation with reference to the results of the internal audit advisory report. The Board found that the advisory report contained substantial comments on the cost-efficiency of the reform, that it questioned, *inter alia*, the effectiveness of newly created and outposted positions and that it advised UNHCR to review and adjust positions. UNHCR commented that it was focusing on the outposting of headquarters positions to the regional bureaux during the ongoing review of strategies and plans for the period 2023–2024, including a critical review of the value added of the positions and, in some cases, reporting relationships to ensure managerial coherence.

25. In its report for the year ended 31 December 2019, the Board also recommended that UNHCR review the capacity of the country offices as the first line of defence and explore cost-efficient options to bridge possible gaps (*ibid.*, para. 150). With regard to that recommendation, UNHCR stated that in the regionalized UNHCR structure, it was the role of the regional bureaux to oversee the capacity of country offices and that the bureaux had received additional capacity in 2021 to help them discharge that role. UNHCR stated that strengthening the capacity of country operations was a process diligently pursued through various means in the organization, starting from the needs-based planning and budgeting and continuing with a systematic assessment by bureaux, but noted that it was also dependent on availability and prioritization of funding to be able to actually make the necessary changes.

26. The Board holds that strengthening the capacity of country operations and establishing an empowered presence in the field were the central elements of the reform. The internal audit advisory report confirmed a continued lack of a needs assessment to identify critical gaps at the country level. UNHCR commented that the strategic workforce planning methodology that had been launched by the Division of Human Resources in 2021 assisted pilot operations to identify not only staffing gaps, but also partial solutions through a careful review and reprioritization of staffing needs. UNHCR stated that the Division planned to expand the use of this methodology to all operations under the leadership of regional bureaux, with the Division providing necessary support. UNHCR stressed that the regional bureaux had the responsibility to reprioritize resources within the region to respond to most urgent staffing gaps in the country operations. The Board considers it important that UNHCR carry out such a comprehensive review of the capacity of country offices and use the information and analysis to scrutinize the success of the reform and to prepare the organization for course corrections and adjustments.

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 intended results foreseen in 2019 framework decisions on decentralization and regionalization have been achieved.**

28. **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.**

29. UNHCR agreed with the recommendations.

(ii) *The framework of roles, authorities and accountabilities*

30. Already at an early planning stage in the regionalization and decentralization process, UNHCR had noted that a clearer definition of roles, accountabilities and authorities at all levels was necessary to achieve the intended change. In October 2019, UNHCR released three documents that outlined the roles, accountabilities and authorities for country offices, regional bureaux and divisions. The Board found that those documents were not sufficient to define the organization-wide roles, authorities and accountabilities in a comprehensive manner. The Board, inter alia, made recommendations:

(a) To prioritize and align the redefinition of roles and responsibilities at the regional bureaux and at headquarters entities (A/76/5/Add.6, chap. II, para. 74);

(b) To ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures (A/74/5/Add.6, chap. II, para. 64).

31. In response to those recommendations, UNHCR stated that an upcoming revision of the roles, accountabilities and authorities would address the issue of the clarity of roles and responsibilities and was nearing completion. Specific roles, accountabilities and authorities for country operations, regional bureaux and each headquarters division and entity were under development. UNHCR also stated that specific information on roles would be included in the future official guidance.

32. It is stated in the July 2018 edition of the UNHCR organizational structure manual (last updated in March 2019) that UNHCR was in the midst of a period of substantial and potentially transformative change and that it was re-examining and redesigning fundamental concepts of decentralization, regionalization, resource allocation and accountability. It indicated that the next update of the manual – or a successor document in another format – would reflect changes being discussed and considered. As at May 2022, such an update has not been promulgated.

33. In April 2022, the Board was provided with 16 separate draft documents of roles, accountabilities and authorities for headquarters divisions and entities, as well as country offices and regional bureaux. Those documents have not yet been officially promulgated. The Board was also provided with a document that outlined the new three lines model in comparison with the outdated three-lines-of-defence model. The document states that it could be used as a complementary guide to design and clarify risk management and oversight arrangements within a country, a region, a division or an entity. The Board holds that the documents are helpful to understand the background and changed approach under the new model compared with the old one, yet they lack practical and binding instructions and institutionalization.

34. Good practice across other international organizations suggests a comprehensive accountability framework with overarching principles, concepts and reporting lines

and the aims of institutionalizing accountabilities and of informing and enabling staff and the underlying technical systems. Clarity of responsibilities and delegation of authority, transparency and a culture of accountability are fundamental preconditions for an effective accountability framework to move from paper to implementation. Making a policy document available on a dedicated website enhances the transparency of the organization to its staff and public stakeholders and enforces a culture of accountability.

35. In view of the ongoing results-based management renewal project, the Board points at the interplay of an accountability framework and results-based management. In its 2006 report on results-based management in the context of the reform process (JIU/REP/2006/6 and JIU/REP/2006/6/Corr.1), the Joint Inspection Unit found that another major methodological shortfall in the implementation of results-based management was that the objectives set at the top of the organization were not linked to those at lower levels. The Joint Inspection Unit stated that coherence should be established from the highest objective down to those in individual staff workplans, otherwise there could be no personal accountability. UNHCR commented that coherence between corporate results and local results was achieved by linking country results to the global results framework. UNHCR stated that the responsibilities and accountabilities for achieving results at the country level in line with global directions was with the country representatives and that for specific outputs, there were results managers. UNHCR stated that in this way, there was coherence between global and local, and there was accountability.

36. The Board found that UNHCR was about to conclude the final step to consolidate the various documents into a comprehensive accountability framework. In the past 18 months, UNHCR had revised the draft documents of roles, accountabilities and authorities for country offices and regional bureaux that had been issued in 2019 and had developed specific documents for headquarters divisions and entities, but had not yet aggregated them in a comprehensive document. A comprehensive framework should comprise overarching principles, interlink the separate layers of roles, accountabilities and authorities at country offices, regional bureaux and headquarters, and aim to institutionalize accountabilities throughout the organization. It should provide guidance and enable staff and the underlying technical systems in the practical implementation of delegated authorities. When taking the final step, UNHCR should ensure that the new results-based management system is coherent and cascades down into individual workplans aligned with the accountability framework.

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.

38. UNHCR agreed with the recommendation.

(iii) Advisories in the context of decentralization and regionalization

39. The Board noted in general that UNHCR had commissioned an increased number of advisory reports from the internal audit service over the past six years. Advisory reports are not published and the implementation of recommendations from those reports is tracked only internally among senior management in a way that is not visible to the oversight community. In response to recommendations of the Board, UNHCR more frequently referenced such advisory reports. For advisory reports, the Board noted a delay in the implementation of recommendations.

40. For example, the internal audit service had identified six areas of improvement in its advisory report dated May 2018. The improvement areas, inter alia, referred to

the communication of the three-lines-of-defence model, the update of the organizational structure manual and the formalization of functional reporting lines. The Board had recommended in its report for the year ended 31 December 2019 that UNHCR use an implementation road map that included milestones to transparently steer and guide all upcoming steps of the decentralization and regionalization process and take that as a basis for the measurement of achievements (A/75/5/Add.6, chap. II, para. 118). In June 2020, during its audit work, the Board noted that a draft road map had in principle been endorsed, but that the due dates and steps had not been achieved as indicated and that the main task of the alignment of headquarters divisions had not been included in the road map (A/76/5/Add.6, chap. II, para. 70). The internal audit service had supported the recommendation in its latest advisory report. In May 2022, UNHCR requested closure of the recommendation because many elements of the road map had now been overtaken by events, notably the implementation of the business transformation programme, which had a significant impact on the organization, including headquarters.

41. In the context of decentralization and regionalization, the Board found that recommendations from the internal audit service and from the Board remained under implementation for between two and four years. The respective recommendations pointed at core elements of the reform and their implementation would have supported the reform in a significant manner.

42. The Joint Inspection Unit found that the tracking of recommendations of oversight bodies and internal audits and evaluations was a crucial part of accountability frameworks. If recommendations were not implemented, clear justification should be provided. In 2022, UNHCR has established an automated overall tracking tool for recommendations from internal and external auditors, evaluation services and the Joint Inspection Unit. The sophisticated tool will, inter alia, provide an overview of the implementation status and ratios and allow for filtering by country operation and region.

43. The Board noted a delay in the implementation of critical audit recommendations around the decentralization and regionalization process. The internal and external audit recommendations could have been seen as an opportunity to support the reform processes.

44. The Board recommends that UNHCR strengthen the tracking and transparent follow-up of recommendations from advisory reports as well by including them in the existing internal tracking tools.

45. UNHCR accepted the recommendation and stated that, moving forward, it would capture the recommendations from internal audit advisory reports in its internal tracking tool.

Results-based management

46. Over several years, UNHCR had been asked by its stakeholders, donors and oversight committees to provide more information on its outcomes and impact. In 2016, against the backdrop of reforms of the United Nations development system and the global compact on refugees, UNHCR started to review in more detail the way it reported impact at the global level.

47. The previous results-based management system, FOCUS, which ran between 2010 and 2021, had over 600 fixed outputs and over 700 predetermined output indicators and was seen as too complex and outdated. As a result and in line with recommendations emerging from reports by the Joint Inspection Unit on results-based management in the United Nations system and an analysis of how sister agencies were measuring results, and in consultation with donors, the revision of the results-based

management system was launched. In 2017, UNHCR decided on a new approach for its results-based management, which represents an important step for the Office, with member States of the Executive Committee of the Programme of the United Nations High Commissioner for Refugees having assured UNHCR that it was a much-needed transformation.

48. The new results structure and global results areas were developed during 2018 and 2019. The new approach shifted the focus from outputs and activities to results (impact and outcomes), gave flexibility in developing results statements at the country level and introduced multi-year planning in line with the global compact on refugees. The new structure was approved by the senior executive team in July 2019.

49. In January 2021, COMPASS had its go-live date. COMPASS is a cloud-based software solution that was developed for planning, budgeting, monitoring and reporting using the new results-based management approach. In more detail, the main features and key elements of COMPASS can be seen in the areas of introducing:

(a) A multi-year strategic planning cycle, determined by the operations, that allows a medium- to long-term strategic vision and is based on a comprehensive analysis of the situation of the displaced, stateless persons and host communities;

(b) A results framework defined by the operations and providing for the global and regional aggregation of results measured through global results areas and a set of core indicators;

(c) A budget structure and process based on the multi-year planning cycle and the global results framework, in which programme and budget submissions to the governing body are structured by results areas (impact and outcome) on an annual basis;

(d) Results-based management software that supports the planning, budgeting, results monitoring and reporting and is available to operations, bureaux, headquarters divisions and entities to submit their multi-year or interim strategies.

50. In January 2021, UNHCR released the new global results framework. Former categories of goals and objectives were replaced. The new framework now comprises four impact areas, 16 outcome areas and five enabling areas. The development of the global impact and outcome areas is meant to translate the mandate of UNHCR into programmatic terms, including the Sustainable Development Goals and the global compact on refugees. The four impact areas are:

- (a) Attaining favourable protection environments;
- (b) Realizing basic rights in safe environments;
- (c) Empowering communities and achieving gender equality;
- (d) Securing solutions.

51. The new UNHCR global reporting is now based on impact and outcome areas and results measured through core indicators, which are mandatory at the corporate level and which are intended for aggregation. Additionally, country operations are free to create and use context-specific output indicators, which are not aggregated globally. The new approach comprises planning, managing and showing concrete results and positive changes in the lives of the forcibly displaced and stateless. Accordingly, the implementation of the programme cycle is now structured into three phases: the “plan”, the “get” and the “show” phases.

52. With the new approach, UNHCR has the goal of achieving a simplified and contextualized results chain and a global results framework that allows for the transparent measurement of results. UNHCR intends to simplify its business

processes, reduce bureaucracy, save time and resources and change the way UNHCR manages its operations. The aim is to have a system in place that enables UNHCR to make decisions based on evidence, be accountable for results and deliver and report on the protection and results achieved.

(i) *Audit approach of the Board*

53. In January and February 2022, when the Board conducted its audit work, UNHCR operations, bureaux, headquarters divisions and entities had had their first experiences with the new results framework and the COMPASS tool. For the budget year 2022, field operations had submitted their first interim and multi-year strategies in COMPASS and the Executive Committee had approved the programme budget in October 2021. In other words, the detailed budget had been entered into COMPASS and the “plan” phase had been completed. The operations had entered into the “get” phase, in which they would use the tool to add implementation details to the results framework and complete the indicators and the monitoring and evaluation plan. The Board was well aware that UNHCR had not entered the “show” phase and acknowledges that observations are derived from the first year of implementation, where some initial difficulties were to be expected.

54. The Board used questionnaires, interviews and discussions with UNHCR and implementing partners to analyse the practical implications of the new approach at the level of two multi-country offices and the regional bureau concerned. The Board conducted interviews with the Division of Strategic Planning and Results at headquarters. Headquarters also organized a presentation of the COMPASS tool to demonstrate what the system looks like and to explain key elements of the tool.

55. One of the two multi-country offices visited by the Board developed an interim (one-year) strategy owing to an ongoing office restructuring. The other office developed a multi-year (five-year) strategy. Consequently, the Board had the comparison of an interim and a multi-year strategy. The Board acknowledges that the work of multi-country offices is only a part of UNHCR operations. The size and nature of plans and strategies are not representative of the majority of the work of UNHCR, and observations cannot always be generalized to all operations, given the non-representative nature of any sample work. The Board sought answers mainly to audit questions on: (a) the extent to which the new approach already made a (practical) difference compared with the previous one; (b) whether the system provided the same quality of information to users as the previous one; (c) whether processes had been simplified; (d) whether the system was user-friendly; and (e) whether there was a strategic impact on the planning of operations.

(ii) *New approach of results-based management: comparative advantages of the COMPASS implementation*

56. Under the new approach, strategic planning entails several steps and is aimed at a strategic vision of results and progress measurement. The steps comprise the situation analysis, the strategic direction, the results framework, the monitoring and evaluation plan and the resource and management plan. The results framework is one of the core elements, comprising the impact statements, the outcome statements contributing to their parent impact statement and the output statements contributing to those outcome statements. Output statements are associated with budgetary requirements for different pillars and situations. The resource and management plan is to present a realistic, implementable and defensible picture of the expected evolution of resource needs across the duration of an operation’s strategy. It comprises the following elements: the budget amounts, the operation’s presence on the ground, office structure, management narratives to justify the resource requirements and office structure, and adjustments needed.

57. The aforementioned results statements are linked to the overall UNHCR impact and outcome areas of the global results framework. Several indicators are mapped to the impact and outcome areas. All these elements together form the strategy of the UNHCR country operations, headquarters divisions and entities.

58. Under the previous tool, FOCUS, country operations used “country operations plans” to translate their goals and objectives into narratives and to provide a summary of their strategic goals, objectives, intended achievements, budgets allocated to goals and objectives, and office structure in a given operational context.

59. The Board compared the COMPASS strategies of the two multi-country offices with the preceding FOCUS country operations plans. Furthermore, the Board considered two additional documents of the two offices. Prior to the new COMPASS strategies, the first office had in place a multi-year, multi-partner protections and solutions strategy for the period 2018–2022. The other office had in place strategic priorities for the period 2021–2024. The Board noted that the wording in the country operations plans and the COMPASS strategies was identical to a certain extent. The COMPASS chapters on situation analysis, population trends, protection and solutions were structured very similarly to the previous FOCUS chapters.

60. The Board compared the resource and management plans in COMPASS with the corresponding information in FOCUS. The Board noted that the resource and management plans only presented the needs-based budget figures for the duration of the strategy. Narrative explanations were not included in the plans reviewed. The information provided was even reduced compared with the information in FOCUS.

61. Comparing the previous strategy papers and new COMPASS strategies, the Board also recognized sections where the wording was identical. The first office informed the Board that the preceding strategic goals and objectives had informed the development of the new strategy decisively. The Board asked whether the country strategies had changed as a result of the new situation analysis and whether the operations had realigned their objectives compared with the FOCUS planning. Under the circumstances of the two country operations visited, only a small number of changes were noted and basically the old strategy was still valid and continued. Therefore, the Board noted that major differences in the situation analysis and the strategic directions were not to be expected in all cases compared with the previous planning in FOCUS. UNHCR commented that it was currently in the process of conducting a similar analysis with a more representative sample of 10 case studies, where the results might be more conclusive.

62. The Board noted that certain new chapters had been added to the strategies: for example, the new strategies comprised chapters on risk management, the theory of change, the UNHCR contribution and priorities, and partner contributions to certain outcome statements. The Board found that this was an improvement and provided the opportunity to discuss strategic elements in more detail in the country strategies. In particular, the risk assessment and the theory of change could support operations to consider how to strategically move from the problems identified to a vision of solutions. However, in the two cases reviewed, the Board noted that the new elements were barely used. Frequently the chapters only indicated “no narrative found”. For example, when asked for its understanding of the new theory of change element, the one country operation, which had been requested to provide the theory of change, was not even aware that the chapter was blank in its strategy. The operations were not clear on the overall relevance of the theory of change within the new results framework.

63. One central new element in the results-based approach is the orientation towards a multi-year strategic programming cycle. The new approach is to provide flexibility

to country operations in developing context-appropriate strategic plans, enabling them to do so over a multi-year horizon.

64. The Board compared the multi-year strategy of the first country office with the interim strategy of the other one. The Board noted that the content of both strategies was similar, and the narratives of the multi-year strategy were no more detailed than those of the interim strategy. Apart from the presentation of the budget, no further-reaching information was provided. In particular, the multi-year strategy did not provide details of how the country operation intended to achieve its results broken down over the next five years. While the budget figures were split into separate years, this was not the case for the strategic goals. There were no milestones to indicate sub-goals that were to be achieved at a point during the validity of the strategy or the means of implementation. Furthermore, there was no narrative linkage between the intended results and the budget.

65. While noting that this was the first planning cycle under the new approach, the Board concluded that the informative value of the multi-year strategies could be further expanded and enriched in the next planning cycles, in particular in the areas of strategic analysis, development of strategic directions and development of the results framework. Although a core element of the new approach was the multi-year cycle, the Board noted that operations had not yet focused on multi-year visions and strategies. A mind-shift from a multi-year plan to a multi-year strategy has not yet been accomplished, in the view of the Board, possibly owing to the fact that the budget was still prepared for an annual cycle, donors usually only committed for one year and annual implementation plans covered one year.

66. Another key element to achieving a strategic reorientation was the facilitated engagement with stakeholders, such as persons of concern, donors, partners, Governments and other humanitarian actors, to define and implement the strategic vision. This element will ensure that the resources are prioritized to go to the areas with most relevance and expertise and best possible results.

67. The Board analysed the strategies of the two country offices with regard to the inclusion and input of stakeholders. The strategy of the first country office provided information on stakeholders such as implementing partners. The strategy of the other operation provided only little information on stakeholders and implementing partners. The Board asked the country offices how they involved the stakeholders during the planning phase. Against the backdrop of the COVID-19 situation, one operation stated that it had not been able to organize large events. Such consultations were seen as complex and time-consuming. However, the operation intended to conduct consultations in the future. The other operation stated that participatory online meetings with persons of concern and key partners had been held. In the strategies of the two country offices, the Board found rather limited information on stakeholders and partners' contributions towards an intended change in the lives of persons of concern.

68. From the Board's point of view, the COMPASS tool could facilitate the inclusion of stakeholders and persons of concern better. For example, the tool could require the users to provide certain stakeholder-related inputs. Detailed information on the collaboration, the expertise and experience of the stakeholders and their contribution to the results is crucial to meet the goals of the new approach.

69. The new approach entailed significant technical changes in the Managing Systems, Resources and People (MSRP) applications. For example, the MSRP chartfield structure had to be realigned with COMPASS, a new coding system of the results framework was introduced, and implementing partnership agreements needed to be reconfigured. The previous concept of goals, objectives and performance

indicators needed to be replaced with the new impact, outcome and output areas and indicators. These changes had to be communicated to the implementing partners.

70. From a procedural perspective, the Board found that the timing of the roll-out and the almost immediate real-time use of the software was challenging for staff concerned. An understanding of the software and its actual use had to take place simultaneously. The new tool was soft-launched at the beginning of 2021 and trainings on both the new approach and the tool itself were delivered in parallel. It was a steep learning curve for the operations to develop a better understanding of functionalities of the software in advance of the first real data inputs.

71. The staff considered the trainings as time-consuming and the training material as not very well structured and too extensive. The first country operation stated that the training was often too detailed, that there was too much training content in too little time and that a manual of several hundred pages was too much to deal with. The Board noted that the UNHCR intranet listed 54 links to training materials in the COMPASS section. For example, the Division of Strategic Planning and Results released – among others – the COMPASS guidance on metadata for core indicators, amounting to 164 pages, and the guidance on managing indicators, amounting to 40 pages. The regional bureau stated that in this first year, it was challenging to support the field at the same time as delivering reviews and inputs to the budgeting process. The bureau stated that it had very little time to adopt the new tool.

72. Key elements of the new approach comprised multi-year planning, a changed results framework and more emphasis on stakeholders and persons of concern. From the documents reviewed and the interviews conducted, the Board concludes that the new approach and strategic reorientation has not yet been communicated in a way that allows for implementation and adoption by the country operations. The Board sees a need for further communication of the intended reorientation and an emphasis on the differences in the new approach. The Board holds that a mind-shift in meaning of a new orientation, in particular the multi-year horizon, and a changed results-based management approach has not yet been achieved. UNHCR stated that the full roll-out of the new approach had been scheduled over four years (2021–2024) and that a gradual mind-shift was expected.

73. The Board holds that the users should have been better involved and taken along this path from the beginning of the implementation. The Board advises that, on the basis of lessons learned in 2021, UNHCR pay more attention to users' concerns and feedback to further improve the tool. The Board holds that the training material must be restructured, reduced and focused on the most important elements.

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.

75. UNHCR agreed with this recommendation and stated that implementation of the full transformation envisioned with COMPASS, including the orientation towards multi-year strategic planning, had been designed as a multi-year process and had already started. The staggered roll-out plans were in place, and UNHCR had already put in place several improvements to streamline the guidance for 2022, improve the processes and approach and further support country operations to strengthen the quality of their plans, including by improving the training.

(iii) Reporting functionalities and technical issues

76. The software application that supports the new results framework is used online by the users and consists of several input screens and entry fields, some of which are free text or use dropdown menus to guide data entry.

77. The Board asked for any kind of reports that could be generated from the system to show the information that had been inserted. The country operations and the regional bureau stated that reporting functionalities were limited in the tool. Users extracted pieces of information one by one and created their own reports.

78. UNHCR started to develop corresponding reports in the business intelligence tool. The reports that will be available in the business intelligence tool are still under development. The users found the COMPASS reporting functionalities rather insufficient. All raw-data reports, which cannot be produced in COMPASS owing to technical limitations, are channelled through the business intelligence tool, for which additional training is required. When comparing the reporting functions with the FOCUS system, the other country operation noted that the COMPASS reporting was still under development. The regional bureau agreed that the reporting functionalities were perceived as almost non-existent in COMPASS and that information had to be copied to offline records to enable the bureau to perform its tasks. In essence, the Board concluded that reports provided so far did not meet the users' requirements and forced them to create self-tailored solutions.

79. The Board reviewed the strategy reports that had been generated from COMPASS. In particular, in the section related to the results chain, the reports were insufficiently filled. The Board frequently found the indication "no narrative found". The Board holds that the system can support users to indicate information that is needed for an understanding of the strategy. If mandatory information is not entered, the system should block further processing. UNHCR commented that it had been working to improve the full strategy report after the audit work of the Board was completed.

80. In terms of input screens, the two country operations stated that they formulated the narratives offline outside the software and then copied them into the system. The system itself did not guide users from one step to another. The users positively noted that the character limitation from FOCUS had been lifted. Sometimes, however, the performance of the system was perceived as rather slow. Although it was possible for several users to work online on a strategy at the same time, the respective inputs were not immediately visible to the other users.

81. In respect of the technical functionalities of the software tool, the country operations stated that the software did not provide sufficient guidance and did not facilitate the input of data into the system. The operations perceived that the lack of guidance was in order to achieve the maximum flexibility. However, staff concerned mentioned that a supportive and logical routing through the software and more integrated plausibility checks would be appreciated. Frequently, the users felt that the same data had to be entered again and again in the several input screens, and that the capabilities of the tool were not leveraged in supporting the data entry. For example, the users interviewed found that the number of persons of concern was not automatically propagated in the results chains. Users found that the system processing functionalities were rather limited.

82. The Board enquired about the traceability of system records. The budget of one of the operations was updated as a result of additional funding. After the approval of the budget increase, the operation had to adjust the budget figures offline and subsequently enter them into COMPASS. The Board noted that after entering a budget

adjustment, the former budget is overwritten and no longer visible. The COMPASS tool does not store historical developments of the budget.

83. The Board holds that the handling and user-friendliness of the COMPASS software has not yet reached its optimum level. In particular, the reporting functionalities, logical guidance and cascading functions in the system and the continuous need for separate offline records show room for enhancement.

84. For accountability reasons and oversight purposes, transparent and comprehensive reports are a minimum requirement of any system. An audit trail of inserted information is crucial. Furthermore, benchmarking or comparing operations is not possible if those operations are relying on individual, self-tailored reports. The Board believes that UNHCR should make efforts to further develop the potential and capacity of the software to ensure optimized usage.

85. The Board recommends that UNHCR complement the COMPASS tool with enhanced reporting functionalities based on identified user needs.

86. UNHCR accepts this recommendation. UNHCR stated that the business intelligence tool that accompanies COMPASS (Power BI) has more advanced reporting capabilities and allowed both global and detailed COMPASS data analysis and the creation of custom connected reports for specific needs. UNHCR further notes that the reporting functionalities are under development for the 2022 reporting cycle under the “show” phase. Several steps have been taken and it is expected that the functionalities will be available in early 2023.

87. The Board recommends that UNHCR further enhance the user-friendliness, functionalities and operational capabilities of the COMPASS tool.

88. UNHCR accepts this recommendation and notes that many of the observations and findings about functionalities have already been addressed for the “plan” phase 2023, which took place in 2022. From a COMPASS tool standpoint, the global lessons learned survey and workshops held in 2021 enabled end-user feedback to be captured and areas of improvement to be identified, mainly focused on performance, stability, user experience and reporting capabilities. UNHCR confirmed that, as a result, many improvements and enhancements have already been introduced in 2022, for both the “get” phase 2022 and the “plan” phase 2023.

(iv) Monitoring and evaluation plans

89. Monitoring and evaluation plans form a key part of the results-based management implementation cycle. In the plan, operations define how and when they will monitor and evaluate the results described in their strategy. The indicators of the results framework are the centrepiece of the plan. Already during the planning phase, operations are required to further refine how they intend to measure longer-term impact and outcomes, and are required to track the implementation of results throughout the next year. Operations should ensure that the prioritized monitoring and evaluation plan activities are clearly described, and costs identified for the monitoring activities are to be included in their detailed budgets. As stated in section 5.6 of the UNHCR administrative instruction entitled “COMPASS get results: implementation planning for 2022” (UNHCR/AI/2021/8), the refinement of monitoring and evaluation plans should be part of the approved strategy and completed by 31 December. A crucial and decisive part of the monitoring and evaluation plans are the means of verification, which comprise additional data sources, monitoring and evaluation plan activities and data collection frequency and responsibility and determine how to monitor indicators.

90. With regard to the monitoring and evaluation plans, the Board observed that the country operations visited were in the phase of completing their indicators and

monitoring and evaluation plans. The “show” phase had not yet been reached. Nevertheless, the Board expected the plans to be completed and part of the strategies submitted for approval.

91. The Board holds that all measures on how to monitor and evaluate the progress of implementation have to be clearly determined and well communicated from the beginning of the budget year in order to readjust the implementation if needed. The Board found that the strategies of both country operations had been approved without the monitoring and evaluation plans. In both operations, the development of the plans was delayed and only spreadsheets showing the monitoring and evaluation priorities and means of verification were provided. One of the offices also provided the costed monitoring and evaluation plan.

92. During the interviews, the Board noted a degree of uncertainty in the understanding of the monitoring and evaluation plans. For example, the Board asked the country operations how the monitoring and evaluation priorities had been determined. The first office responded that they were somehow guided by the indicators, but that the background was not completely clear. When asked about the sources of baseline figures in the monitoring and evaluation plan, the other operation stated that it was unclear where the figures originated from. The Board holds that the overall communication of the monitoring and evaluation plan was still in a developing phase.

93. During the interviews, the Board noted that the country operations were missing a functionality to monitor the continuous progress of implementation. COMPASS is available for indicator inputs on a quarterly basis at the earliest. The country operations developed separate offline spreadsheets to obtain a more updated overview of their current implementation status.

94. The Board asked the country operations how they monitored the utilization of earmarked funding in COMPASS. The country operations stated that there was no tracking option for such funding in COMPASS, and that it was tracked outside of COMPASS through the enterprise resource planning system and the donor reporting. UNHCR stated that this reflected the decision to invest in a more comprehensive tracking capability in Cloud ERP and Synergy instead of a solution in COMPASS.

95. Furthermore, the Board noted that the monitoring and evaluation plan covered implementation through partners only. The operations stated that they intended to monitor the direct implementation separately outside the system. UNHCR stated that this was a misunderstanding of the operations and that the monitoring and evaluation plan was not linked to a specific implementation modality.

96. The Board holds that monitoring and evaluation are key operational functions and are decisive for providing evidence of results achievement. The Board noted uncertainties in the starting phase of the monitoring and evaluation plans despite its mention in the administrative instruction. The Board is concerned in particular that the monitoring concept was not comprehensively communicated and clear to users. Furthermore, the Board noted that the importance of the costing element was not emphasized enough. Monitoring and evaluation tie up resources and should be cost-efficient. In summary, the Board holds that only if the underlying principles and intended outcomes are well communicated and understood consistently in the whole organization can the required culture and awareness be achieved.

97. The Board recommends that UNHCR enhance the communication and strengthen the capacities related to the monitoring and evaluation concept under the new results-based management approach and ensure organization-wide coherence.

98. UNHCR accepted the recommendation and stated that implementation had already started to strengthen monitoring and evaluation capacities, including through work on streamlined monitoring and evaluation content for the future programme manual, training webinars on monitoring implementation during May 2022 and an expansion of the monitoring community of practice, which includes colleagues from field operations, regional bureaux and headquarters divisions and entities, to provide an easily accessible platform for the exchange of good practices and useful resources.

99. The Board reviewed the indicator “number of persons of concern receiving cash transfers” in more detail as part of its cash-based transaction sample review. Such information is collected as part of the programme implementation in the specific programmatic application CashAssist, the Profile Global Registration System (proGres) and other tools. In the area of in-kind assistance, such detailed data on, for example, the number of shelters or medical aid provided are available in the respective applications, such as the global distribution tool. UNHCR is currently in the process of establishing a partner monitoring tool, the Project Reporting, Oversight and Monitoring Solution (PROMS), which will facilitate the financial and performance monitoring of implementing partner activities. The tool will also include performance indicators.

100. The Board holds that the sectoral applications, such as CashAssist and PROMS, should be interfaced with COMPASS to ensure consistent data collection as well as monitoring of identical indicators. Streamlined reporting could be achieved by using the available sectoral information. Cash transfer data and other available data should be fed directly and consistently by means of interfaces between COMPASS and other systems, such as CashAssist and PROMS.

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.

102. UNHCR accepted this recommendation and stated that it had started implementing the recommendation.

(v) *Aggregation of indicators and reporting of programme results*

103. UNHCR has decided to enable operations to define their own outputs, outcomes and impact. This is a key authority delegated to operations and is part of the transformation towards more accountable and empowered country operations. With such a delegation, operations have the freedom to select indicators that they believe are most suitable to measure progress.

104. Through the new approach, UNHCR intended to achieve better global aggregation of indicators and reporting on programme results, in particular on impact and outcomes, linked with financial allocations and implementation. All UNHCR operations have to apply the global impact areas and their indicators if the operations have activities in these areas. If an impact area or the respective indicator is not applicable for an operation, the operation has to indicate so.

105. One of the goals of the new results-based management approach was to achieve better reporting on programme results linked with financial allocations and implementation. The Board noted that under the current approach, programme results are allocated to impact and outcome areas and not to activities. UNHCR stated that the activities and budgets were different and were captured at the country level in the form of outputs. Since activities and budgets varied from context to context, they were not aggregated. UNHCR stated that it would be misleading to assign a budget to an indicator, as it would not represent activities.

106. Monitoring and evaluation has a long tradition within UNHCR. In the former FOCUS tool, UNHCR used indicator achievement reports to measure and track the implementation of certain indicators. The Board compared the informative value of the indicator achievement reports and the new monitoring and evaluation plans. The Board found that the number of indicators had been reduced significantly. The first country operation mainly used core impact and outcome indicators. The other operation did not use any core impact indicators. The operation stated that those indicators were not applicable to reflect its work and strategy, and it opted for user-defined indicators. The operation also stated that the available core impact indicators had been created with a view to big and emergency operations whereas the operation itself was rather small and mainly engaged in the area of advocacy. The Board holds that reduced requirements could be required for small-scale or pure advocacy operations.

107. The Board noted that in cases where operations did not choose a core impact indicator, their budgets were still aggregated under the selected impact areas. If an operation did not use the core impact indicators but good practice and user-defined indicators, it was more challenging to measure the operations' contribution to this impact area under the current approach of the overall results reporting.

108. Sixteen outcome areas with 38 core outcome indicators are available to be selected by operations according to their operational priorities. These indicators are mandatory for all operations engaged in respective areas. If the core indicators are not sufficient to measure the operations' activities, the operations can choose from a set of good practice indicators or create their own user-defined indicators. The good practice indicators are standard indicators identified by technical divisions that are well accepted and utilized and have proven to be feasible, measurable and useful to enable operations to capture meaningful data. User-defined indicators are suitable to measure operation-specific results for impact, outcome and output statements and are specific to the context in the country or region. Such user-defined or good practice indicators are currently not aggregated owing to a lack of comparability.

109. The aggregation of indicators becomes less meaningful if operations tend to choose a number of good practice or user-defined indicators besides the core indicators. Since user-defined and good practice indicators are not aggregated, this information cannot be used at the corporate level. UNHCR should closely monitor the excessive application of user-defined and good practice indicators. Moreover, UNHCR should identify those good practice indicators that are more frequently selected by operations and decide on a potential aggregation.

110. At the output level, core indicators have not been developed. For this level, operations can use the good practice indicators or develop their own user-defined indicators. The Board questions whether value could be added if those indicators were aggregated, at least in a regional or operational context.

111. The Board recommends that UNHCR prioritize the use of core impact and outcome indicators and encourage the appropriate use of good practice and user-defined indicators to ensure coherent and aggregable reporting.

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.

113. UNHCR agreed with the recommendations and stated that it was currently in the process of reviewing the use of good practice and user-defined indicators to understand how this flexibility, which was a key ask from field operations, had been utilized as well as exploring options for aggregating a small set of output indicators, which would feed into efforts to encourage more streamlining in the future.

(vi) *Comparability of indicators*

114. The Board reviewed an example of core outcome indicators in the outcome area “well-being and basic needs”. The Board focused on whether country operations were able to align their results to the relevant global outcome areas based on the updated COMPASS guidance on managing indicators and whether the outcome indicators described allowed for meaningful aggregate reporting.

115. The Board has analysed the data comparability and data aggregability of the core outcome indicators “Proportion of persons of concern receive cash transfer or in-kind assistance” and “Proportion of persons of concern with primary reliance on clean (cooking) fuels and technology”. According to the COMPASS guidance, UNHCR reports in 2022 on the proportion of affected persons receiving cash transfers or in-kind assistance rather than the actual number of people assisted. The concept of “in need” to determine the total number of persons in need of assistance in the operation and to calculate the outcome indicator is defined individually for each context. According to the guidance, no data were available at UNHCR for the second core outcome indicator, “Proportion of persons of concern with primary reliance on clean (cooking) fuels and technology”, and therefore UNHCR was developing a standardized household survey module for that indicator.

116. The Board holds that the number of individuals receiving cash transfers or in-kind assistance would be aggregable, but the indicator selected by UNHCR, which measures the percentage of assisted people in need, is not comparable and does not allow for meaningful aggregated reporting. A key element of the new results-based management approach is aligned and aggregated reporting. In the view of the Board, with a context-specific core outcome indicator this key element is undermined. Furthermore, the Board holds that the second indicator, “Proportion of persons of concern with primary reliance on clean (cooking) fuels and technology”, cannot be measured in 2022 owing to the lack of baseline data that country operations should have collected at the beginning of the year using a standardized household survey module.

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.

118. UNHCR accepted the recommendation but noted that data availability varied across operations, depending on a variety of factors. UNHCR stated that some operations undertook household surveys themselves and other operations were part of inter-agency or government surveys. As part of the “show” phase, UNHCR was reviewing the availability of baseline data for the core indicators with the understanding that while core indicators came with a defined methodology, each operation specified the means of verification in the monitoring and evaluation plan.

Business transformation programme

119. At the beginning of 2020, UNHCR launched the business transformation programme, an initiative to solve key business problems and to introduce new ways of working. UNHCR intends to use modern tools and cloud technology to support a variety of processes. The business transformation programme is part of the larger UNHCR transformation strategy.

120. The business transformation programme has a multi-year time horizon and will entail the transformation of business processes and the implementation of new tools, both in the field and at headquarters. UNHCR has defined pillars of transformation that will be addressed through the programme as results-based management, people

management and human resources management, data and digitization and business processes and systems.

121. UNHCR defined the following main objectives for the business transformation programme:

- (a) Modernize systems and transform ways of working by simplifying and standardizing business processes;
- (b) Drive successful business adoption through effective change management;
- (c) Deliver user-centric, multichannel self-service capabilities;
- (d) Improve decision-making and reporting through access to reliable information.

122. For the business transformation programme, UNHCR intends to replace most of its previously used software applications and to introduce new software solutions. The six most important new projects, whose progress is described in the paragraphs below, are:

- (a) COMPASS;
- (b) Digital HR;
- (c) Cloud ERP;
- (d) PROMS;
- (e) Link;
- (f) Synergy.

123. In January 2019, UNHCR initiated the “RBM renewal” project. The purpose of the project was to provide the organization with an updated results-based management framework. The supporting software that was developed in that project is known as COMPASS, a cloud-based solution for planning, budgeting, monitoring and reporting using the new results-based management approach. The software went live in January 2021.

124. In November 2020, as part of the Digital HR project, UNHCR started aligning its business requirements for human resources management and payroll in a human resources software application. UNHCR intended to use the cloud-based solution for human resources management and payroll from March 2022. In April 2022, UNHCR delayed the launch of the human resources application until October 2022.

125. In June 2020, UNHCR started the Cloud ERP project in the areas of budget, contributions, finance and supply chain management. UNHCR stated that the purpose of the project was to introduce new ways of working to improve its capabilities. UNHCR intends to replace the current financial and supply chain management system with the new financial management, contribution management and supply chain management Cloud ERP application in 2023.

126. In October 2020, UNHCR started the Project Reporting, Oversight and Monitoring Solution (PROMS) project. PROMS is intended to complement other tools used to manage partner project-related processes, such as COMPASS, Cloud ERP, the United Nations Partner Portal and other specialized tools (such as those for health and protection). PROMS is designed to allow improved management and oversight of all phases of project execution, including:

- (a) Partner selection;
- (b) Project preparation;

- (c) Implementation, monitoring and reporting;
- (d) Project closure and archiving.

127. In April 2021, the Link project was launched to address integrations in the business transformation programme. The Link project is designed to ensure that the business transformation programme systems and tools work together seamlessly. UNHCR budgeted funds of \$8.5 million for the Link project. One of the main tasks of the new project is to connect COMPASS to Cloud ERP and the people management and human resources management application for data exchange, as well as to PROMS and Synergy for data needs.

128. In September 2021, UNHCR launched the Synergy project, which is part of the business transformation programme. The project aims to review and improve existing processes and ways of working across the different areas of the organization responsible for external engagement and relationship management. The aim is to manage all engagement and relationship information and data for, for example, public, non-governmental, intergovernmental and private donors in a central cloud-based repository.

(i) *Integration and realignment activities in the business transformation programme*

129. In April 2022, when UNHCR recognized that design decisions made in the other business transformation programme projects would require adjustments to COMPASS, it launched the “COMPASS realignment” project. The scope of the changes and integrations would become known during the design and build phases of the other projects, which would take place in the course of 2022 and 2023. UNHCR stated that it was impossible to definitively assess the changes required to COMPASS during the design of the other projects. Already in March 2022, the project steering committee had decided that some software components that were formerly included in the RBM renewal project had to be moved to a new project, COMPASS realignment. The project steering committee meeting minutes dated 23 March 2022 also revealed that the transition plans and implications for migration were unclear and that this posed a risk to the COMPASS realignment project.

130. UNHCR stated that COMPASS was the first business transformation programme application to be connected with other software applications through the Azure cloud. In 2021, UNHCR created application programming interfaces to connect COMPASS with the Azure cloud as part of the multi-cloud strategy. The development of the initial integrations cost \$2.5 million. UNHCR has meanwhile chosen a different cloud provider, which is to provide the integration platform for the business transformation programme ecosystem, meaning that COMPASS will be connected in future with other software applications through the new cloud platform.

131. In April 2022, UNHCR reported internally that amounts spent or committed on the business transformation programme totalled \$63.3 million out of the budgeted \$96.8 million. UNHCR also reported that \$80.6 million of the funding for the budgeted \$96.8 million was currently allocated. Thus, \$16.3 million of funding had not yet been allocated for the business transformation programme. Originally, UNHCR had budgeted \$17.5 million for the RBM renewal project. In April 2022, UNHCR indicated the total funding requirements for the project to be \$13.3 million. The reduction was based on the actual amounts for 2021, as well as a reduction of the project duration from 6 months to 3 months in 2022. UNHCR reported that it had \$2.7 million in remaining funds from previous years.

132. A breakdown of the expenses and budget of the business transformation programme projects as at April 2022 is shown in table II.4.

Table II.4
Business transformation programme expenses and budget

(Thousands of United States dollars)

<i>Project</i>	<i>2019 (expenses)</i>	<i>2020 (expenses)</i>	<i>2021 (expenses)</i>	<i>2022 (budget)</i>	<i>2023 (budget)</i>	<i>Total</i>
RBM renewal project (COMPASS)	950	6 680	5 000	693	–	13 323
MSRP realignment project for RBM	–	163	1 120	270	–	1 553
Programme governance and change management	–	675	1 980	2 556	771	5 982
Link	–	–	2 812	3 994	1 657	8 463
COMPASS realignment	–	–	–	3 073	2 049	5 122
Digital HR	–	2 891	8 608	2 103	–	13 602
Cloud ERP	–	63	12 267	17 957	7 025	37 312
PROMS	–	–	2 165	3 000	606	5 771
Synergy	–	–	1 303	3 073	1 316	5 692
Subtotal	950	10 472	35 255	36 719	13 424	96 820
Budget remaining from previous years						2 661
Total	950	10 472	35 255	36 719	13 424	99 481

Source: UNHCR.

Abbreviations: ERP, enterprise resource planning; HR, human resources; MSRP, Managing Systems, Resources and People; PROMS, Project Reporting, Oversight and Monitoring Solution; RBM, results-based management.

133. UNHCR stated in April 2022 that it had spent \$10.7 million to date on the development, integration and interconnection of software applications as part of the RBM renewal, MSRP realignment and Link projects and had currently budgeted \$5.0 million for 2022. Additionally, UNHCR has budgeted \$5.1 million for the COMPASS realignment project.

134. In a document on the project management review of the business transformation programme dated 28 April 2022, UNHCR identified risks associated with budget, timing and dependencies, including potential shifts in the Digital HR, Cloud ERP and PROMS project schedules. UNHCR identified that resource requirements needed to be analysed under the direction of the Programme Management Office to consolidate resource requirements across the programme, identify potential overlaps and enable better planning. As a result, UNHCR changed the overall status of the business transformation programme from green to yellow, which means a negative development. The project schedule status of the Digital HR, Cloud ERP and PROMS projects changed from yellow to red, which indicates significant concerns. In the light of expected delays, the Board requested documents of the conducted analysis that showed that the project schedule was still cost-efficient. The documents provided by UNHCR show details of the project process for some of the individual projects of the business transformation programme. An overall analysis of the interdependencies of the business transformation programme software projects and their potential impact on the budget was not available at the time of the audit.

135. The programme management review confirmed the Board's view that the large number of software projects, in conjunction with their interdependencies, posed a major challenge for UNHCR. The interdependencies between the business transformation programme projects, particularly process alignment and decisions related to cross-platform dependencies, could significantly delay the successful completion of the programme as a whole in the event of delays in decision-making

and/or decisions that are not aligned with other impacted processes. In addition, there is a risk that the budget originally planned by UNHCR could be exceeded as a result of additional integration and/or realignment costs. Therefore, the intended sequence of go-live dates needs to be reviewed with regard to avoidable costs of the integration and interdependencies within the business transformation programme.

136. The Board recommends that UNHCR carefully review the interdependencies of upcoming projects and intended go-live dates to avoid additional, unnecessary integration and realignment costs and report on the cost-efficiency to its governing bodies in case of further delays and changes.

137. UNHCR accepted the recommendation and stated that the organization regularly looked at the budget performance of the programme and the various elements. UNHCR stated that the go-live dates were discussed meaningfully, as well as interdependencies between systems.

(ii) *Accounting policy for intangible assets associated with the business transformation programme*

138. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. IPSAS require that management develop accounting policies to ensure that the financial statements provide reliable information, to present faithfully the financial position, financial performance and cash flows of the entity and to ensure that the financial statements are prudent and complete in all material respects.

139. An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions. The same accounting policies are applied within each period and from one period to the next unless a change in accounting policy is required by IPSAS or results in the financial statements providing reliable and more relevant information.

140. The new UNHCR cloud-based technologies are part of the business transformation programme and entail the transformation of entire business processes. They affect the information and communications technology landscape and the computer software applications of UNHCR. The new software applications involve transactions and conditions that are substantively different from those that occurred previously. UNHCR presents its intangible assets and software-related expenses in its financial statements. The business transformation programme currently has a budget of around \$100 million over a five-year period. Information on the programme is relevant to the readers of the financial statements. The latest UNHCR policy on intangible assets dates from December 2011 and does not mention cloud-based technologies. The UNHCR cloud technologies are complex in nature owing to the best-of-breed approach and the various work streams and suppliers involved.

141. In October 2021, the Board asked UNHCR whether a new policy was under development. In March 2022, UNHCR stated in response to an audit observation that it was in the process of establishing a policy and that it had developed a decision tree to assist in the identification of cases where capitalization might be required. The Board holds that a decision tree is a good tool for visualizing the results of thematic discussions on issues that require accounting judgment and decisions that are elaborated elsewhere in a policy. However, a decision tree cannot replace the policy itself.

142. Given the volume, complexity and timing of the programme, the Board holds that, at the beginning of the programme, UNHCR should have updated its accounting policy and guidance on how to account for the related costs of cloud technologies. Reliable accounting and cost controlling start with clear accounting principles,

guidance on how to apply the principles and reconcilable identifiers, such as item identifiers and cost centres or a similar identifier.

143. UNHCR should establish a clear position on items that allow a degree of decision-making and contain accounting judgments. In the view of the Board, in a comprehensive accounting policy, UNHCR should at least discuss the criteria when:

(a) Customization of the underlying hosted software would create an intangible asset;

(b) Contracts with third-party suppliers (unrelated to the software service supplier) would be expensed, recognized as prepaid assets or capitalized, depending on the specific services that are provided;

(c) Configuration and customization services would be treated as distinct or not distinct (because those services are not separately identifiable from the customer's right to receive access to the supplier's application software) and recognized as an expense when the supplier provides access to the application software over the contract term;

(d) Integration of the cloud computing applications with existing software or improvements or modifications to the current retained legacy software (for example, bridging modules or application programming interfaces) would result in an intangible asset;

(e) Testing of the cloud computing applications would be expensed or would need to be capitalized as a result of controlled software components;

(f) Purchase of training materials, e-learning courses and user manuals would fulfil the requirements of intangible assets.

144. UNHCR responded that the accounting for the financial transactions of the business transformation programme was guided by provisions and clauses that were in several UNHCR policies and guidance documents and that the programme costs were reviewed as part of year-end closing procedures. In summary, it was stated in the guidance documents that the development cost of cloud-based software as a service was to be expensed as incurred when the solutions implemented did not meet the criteria to be considered controlled assets.

145. On the basis of discussions during the audit, UNHCR further extended the disclosures in the notes to the 2021 financial statements in a separate paragraph on "software as a service". UNHCR also stated that it would assess capitalization requirements in respect of legacy system enhancements developed in the business transformation programme as well as the potential for capitalization of any controlled system integration solutions to be developed as part of the programme.

146. The Board recommends that UNHCR establish a comprehensive accounting policy and guidance on the accounting treatment of its cloud-based technologies and business transformation programme-related transactions that consider the above-mentioned criteria.

147. UNHCR concurred with the recommendation and stated that it was in the process of establishing the policy.

(iii) Accounting for business transformation programme

148. In the absence of guiding principles on the accounting judgments and treatments of the business transformation programme and an accounting policy on cloud technologies, the Board undertook a comprehensive analysis of potentially related transactions. The exercise was also conducted to gain audit assurance on the correct cost capitalization and expense recognition in the correct period.

149. The Board selected samples from various expense accounts with potential correlation to the business transformation programme. The Board raised questions as to the required capitalization of system integrator fees in the amount of \$2.2 million. In a first round of responses, UNHCR stated that this work was to define the business processes, implement the configuration of the system and send integration work to other systems through the software provider's integration cloud. UNHCR stated that this work represented costs for software as a service on uncontrolled cloud platforms and that capitalization was not appropriate. In a second round, UNHCR stated that it owned the code. On the basis of this information and in the absence of a policy, the Board questions whether in such a case capitalization should have been considered.

150. Furthermore, the Board raised questions on results-based management system integration services. Under the COMPASS implementation contract, a third-party supplier was to develop and perform unit and integration testing, prepare and enhance short explanatory "how-to" documents, and deliver for testing in non-production environments then coordinate migration to other environments, including production and training instances. The respective frame agreement has a maximum ceiling amount of \$7.7 million. According to the agreement, UNHCR owns the right, title and interest (including intellectual property rights) in custom software or other custom deliverables. In the first round of responses, UNHCR stated that the services represented software as a service on an uncontrolled cloud platform and that capitalization was not appropriate. From the provided documents the Board was unable to verify the exact content and timing of services delivered and invoiced in 2021. UNHCR subsequently stated that the interim integration layer was controlled by UNHCR but could not be reused in any other cloud system. UNHCR stated that capitalization of a succeeding integration layer would be considered in the presentation of the 2022 financial statements.

151. In another case, the Board questioned the need to capitalize services of a software supplier related to the results-based management integration and interoperability framework. Pursuant to the agreement, the supplier was to provide the architectural development of cloud technologies, the further development of the results-based management data integration layer on the integration platform connecting several identified UNHCR information technology systems, including finance business information applications, MSRP and other systems, and the further development and support of software artefacts. The services also included the task to write the new web application to perform one-way synchronization of the Quick Response Code records.

152. In the first round of responses, UNHCR stated that parts of the purchase orders concerned related to costs for software as a service on an uncontrolled cloud platform, for which capitalization was not appropriate. UNHCR subsequently stated that the integration layer was controlled by UNHCR and that capitalization would be considered in the presentation of the 2022 financial statements.

153. UNHCR further stated that other parts of these services were related to the building and development of COMPASS integrations to PeopleSoft. UNHCR stated that PeopleSoft would be decommissioned and the cost would not provide ongoing system value beyond one year, and therefore costs were not capitalized. UNHCR confirmed in the second round of responses that it owned the code built for this integration, and stated that the code could not be reutilized if it switched the cloud platforms. If UNHCR moved to any other cloud services provider, it would have to rebuild the integration using the features and tool set provided by the new provider.

154. The Board holds that there are still many uncertainties with regard to the design of the final cloud architecture and the final integration layer structures. As long as there are no certain dates for the decommissioning of MSRP and its human resources

module, the Board holds that the systems are up and running and under the control and use of UNHCR, and would therefore require recognition as intangible assets pursuant to IPSAS. The Board was unable to assess the facts and circumstances on the basis of which UNHCR decided not to capitalize certain software development services, notably in the absence of a structured policy or position paper.

155. The Board reviewed the tracking system dashboard in the UNHCR business information system. The dashboard comprises nine pages of expenses and budget on the following:

- (a) Business transformation programme summary;
- (b) Programme Management Office for the business transformation programme;
- (c) COMPASS (RBM renewal);
- (d) MSRP realignment;
- (e) Digital HR;
- (f) Cloud ERP;
- (g) PROMS;
- (h) Link;
- (i) Synergy.

156. While UNHCR had launched the new COMPASS realignment project in April 2022, it had not included information on the corresponding budget and expenses under the correct label in its dashboard by May 2022.

157. The Board noted discrepancies in the numbers reported in the dashboard. As at 5 May 2022, the dashboard pages listed in paragraph 155 (b) to (i) above resulted in a total of \$65.8 million for 17 cost centres. The summary report (para. 155 (a)) showed a total amount of \$68.6 million for 16 cost centres. The cost centre entitled “96603 – DSPR RBM Project Global”, which was part of the COMPASS (RBM renewal) dashboard page, was not part of the summary report at that time. UNHCR reported an amount of \$1.1 million for that cost centre. UNHCR stated that the cost centre had been reassigned to record costs for the new COMPASS realignment project. The remaining difference of \$1.7 million remained unclear to the Board.

158. For 2021, UNHCR reported expenses of \$26.3 million on the business transformation programme summary page of its dashboard. UNHCR, on the other hand, provided the Board with a file that showed expenses of \$35.4 million for 2021. UNHCR stated that this figure included a combination of expenses and encumbrances (actual amounts in the programme reporting). The Board holds that the numbers are difficult to reconcile for an independent external observer within a reasonable period of time.

159. The review of the samples and the business transformation programme tracking system dashboard revealed that the overview of the content of business transformation programme-related expenses was not intuitive for external observers in an appropriate time and manner.

160. UNHCR agreed on the importance of cost monitoring and cost controlling and stated that it had taken a number of actions over the past year to ensure that sufficient processes and resources were in place. UNHCR had loaned a dedicated finance officer to the business transformation programme from mid-September 2021. The Board welcomes these steps but holds that they were taken at an advanced stage of the programme. The Board noted that UNHCR did not use unique identifiers as a means

of identification and verification of business transformation programme-related costs right from the start of the programme. The Board found that for the samples reviewed, besides several cost centres, three different item identifiers had been used for programme-related purchase orders. A consistent use and application of unique identifiers from the start of the programme would have fostered the prudent cost controlling of the business transformation programme.

161. The Board recommends that UNHCR enhance and strengthen its cost controlling of the business transformation programme-related expenditures by ensuring clear instructions and criteria for the use of unique identifiers in the enterprise resource planning system.

162. The Board recommends that UNHCR review its business transformation programme-related expenses against the newly established policy and guidance and ensure that items that meet the definition of an intangible asset are capitalized in future accounting cycles.

163. UNHCR agreed with the recommendations and stated that it had in place mechanisms for properly tracking and monitoring all programme-related costs for each cost centre and project, while the item identifiers were not the means of uniquely identifying the costs. UNHCR was of the opinion that the item identifiers had been used correctly. Nevertheless, UNHCR agreed on the importance of consistently and correctly using item identifiers and would continue to ensure that this was done.

(iv) Procurement process of the business transformation programme

164. For the provision of cloud technologies, UNHCR contracted a well-known information technology service supplier. The contractual relationship is based on a master agreement that became effective in 2014 with a duration of five years. The primary agreement set out the general conditions and terms of the contractual relationship and governed the use of the products and services UNHCR could order from the information technology service supplier. A range of products and services offered by the service supplier was listed in the master agreement without specification of the deliverables. It was outlined in the master agreement that deliverables were set out in ordering documents – so called “schedules” – in the master agreement. One day before the master agreement became effective, UNHCR had already ordered consulting and advanced customer support service by signing the first schedule.

165. In 2017, UNHCR ordered cloud services and extended the services to be awarded under the master agreement to 10 years, until November 2024. In addition, the maximum ceiling amount of the master agreement was increased by \$33,227,000, from the initial \$3,721,000 to \$36,948,000, following a request by the Division of Financial and Administrative Management and Division of Information Systems and Telecommunications of UNHCR.

166. The UNHCR Committee on Contracts at headquarters discussed with the two above-mentioned Divisions the shift by UNHCR to the new cloud services and the increased maximum ceiling amount of the master agreement. The Committee noted that the new cloud component entailed a multi-year commitment from UNHCR that may potentially exceed the expiry date of the original master agreement. The Supply Management Service of UNHCR stated that the master agreement did not hamper the issuance of the purchase order for the new cloud services with an amount of \$17.8 million.

167. The Supply Management Service explained that the major legal framework for the master agreement would remain the same, with no impact on termination rights, with an extension envisaged after the expiration in November 2024 unless the parties

agreed otherwise. Any ordering documents or purchase orders stemming from a master agreement remained valid until their final delivery had been made, even if the master agreement had expired in the meantime. A further review by the Committee on Contracts or a resubmission to it would be required if the frame agreement were extended. The Service stressed that the master agreement allowed UNHCR to support its shift from an on-premises enterprise resource planning solution to a cloud-based solution, thus continuing to allow for the procurement of other products owing to the fact that the business transformation programme had been initially endorsed by the top management level of UNHCR. As a result, the Committee approved the request on 9 February 2021 and authorized the contract ceiling increase for the provision of cloud services.

168. On 24 February 2021, UNHCR ordered cloud services for an amount of \$17.8 million. In July 2021, UNHCR further increased the provision for cloud services from \$17.8 million to \$18.5 million by adding a new service called “integrations”.

169. Six months later, in August 2021, the Division of Information Systems and Telecommunications asked the Committee on Contracts again to increase the maximum ceiling amount of the master agreement by a further \$9.6 million, bringing the maximum ceiling amount from \$36,948,000 up to \$46,554,813. The Division stated that after the Cloud ERP and Digital HR project implementation had started, two additional modules were needed, one for project reporting, oversight and monitoring and the other for processing health insurance claims. The cost for the modules included the implementation and a five-year licence duration. Owing to the specific scope of application of the two modules, the Committee asked the Division to confirm that the new modules remained within the logic of the standardized cloud solution. The amount for cloud services increased by an additional \$2.4 million to a total of \$20.9 million.

170. Pursuant to the UNHCR policy on procurement (UNHCR/HCP/2021/01), a frame agreement is to be concluded for the delivery of specific goods or services under clearly defined terms and conditions. The Board noted that the general terms and conditions of the original master agreement from 2014 offered many possibilities for ordering services in general, but the specific terms and conditions for ordering cloud services were not mentioned. UNHCR stated that the actual process and exact services were negotiated under the original master agreement when the actual requirements were identified.

171. With the several amendments made by adding additional services, the maximum ceiling amount of the master agreement increased from \$3.7 million to \$46.6 million. A contract amount more than 12 times its original amount can be seen as an indication that the contract has changed significantly. The Board faced difficulties in gathering comprehensive information on the documentation that formed the basis for the decision-making process. The Committee itself had to request additional supporting documents from the Divisions involved during several meetings.

172. UNHCR should explore options to provide additional clarity to the Committee’s decision-making process in cases where the content and/or duration of frame agreements is significantly extended and which have a fundamental impact on the organization as a whole and are not day-to-day business.

173. The Board recommends that UNHCR ensure that the requirements of the Committee on Contracts for upfront and complete supporting documentation are fulfilled in cases of extension of frame agreements that are outdated in terms of content or age when procuring additional services without going through tendering.

174. UNHCR agreed with the recommendation and confirmed that requirements for justification in such cases had been in place. UNHCR further stated that it had in place the practice where frame agreements were not extended beyond five years but that in situations in which extensions were justified, such as monopoly situations, frame agreements tended to be consistently renewed.

4. Budget and finance

Inventory processes

175. In its report for the year ended 31 December 2020, on the basis of a variety of findings, the Board reiterated its recommendation that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process and recommended that UNHCR consider the measures in the design of the new enterprise resource planning system (A/76/5/Add.6, chap. II, para. 132). UNHCR accepted the recommendation.

176. In 2021, UNHCR distributed inventory items in the amount of \$354.1 million, compared with \$269.8 million in 2020. The increase of \$84.3 million was mainly attributable to medical and hygienic supplies and apparel. The Board reviewed the related processes on the basis of sample tests and selected various samples from the “inventory on hand” asset category, from “stocktake results” and from the “supplies and consumables to beneficiaries” expense category to obtain evidence of whether the processing of inventory and supplies and consumables had improved.

(i) Warehouse management and stock counts

177. According to the standard operating procedures for warehouse and inventory management, each country operation must conduct a full physical verification of its inventories at least once a year as at year-end. The stocktake results are reported to the Division of Emergency, Security and Supply, which summarizes the reported results in a traffic light dashboard. On the basis of the parameters of timely submission, quality of reports and completeness of inventory counts, each warehouse business unit receives a rating from zero to 10. Zero represents the lowest and 10 the highest rating. Warehouse business units with a rating of zero to 3 are marked red. On the basis of the results of the preceding year’s verification activities and operational constraints, the Division decides on the extent of verification activities for the current year. Non-performing warehouses are requested to complete all verification exercises.

178. The Board found that over the past four years, each year between 13 and 16 per cent of warehouse business units received a red rating. In 2021, 41 out of 298 warehouse business units (14 per cent) received a red rating. Of those 41 warehouse business units, 28 (almost 70 per cent) had shown a red rating repeatedly over the past four years.

179. The Board reviewed a sample of three warehouse business units with a red rating, meaning that physical verification exercises conducted by UNHCR revealed discrepancies between actual and system quantity. The Division stated that it shared during each verification activity the list of low-performing business units with the regional supply officers to coordinate with the country operations and identify and implement corrective measures. The Board, however, noted that those activities did not result in consequences to improve warehouse management. Furthermore, as part of the sample review, the Board found that, for example:

(a) In one case, the recorded quantity of items on hand was not in line with the actual quantity. In the system records, 644,986 items were on hand, whereas the actual quantity was 364,070 items. Consequently, inventory on hand was overstated

by \$402,907 as at 30 September 2021. The physical stock count at that date did not reveal the discrepancy and it was not adjusted;

(b) In another case, the quantity of inventory on hand was slightly overstated. UNHCR stated that this was due to the delayed “pick and ship” process in the enterprise resource planning system. Notwithstanding smaller discrepancies, in view of the processes, the Board holds that physical stock counts should result in a correction of the actual quantities.

180. The Board welcomes the existence and improvements of the traffic light dashboard over the years. However, in the view of the Board, UNHCR should enhance its use of the assessment to improve the orderliness and performance of warehouse management and to achieve an improvement in the performance of the underperforming warehouses.

181. The Board recommends that UNHCR enhance its centralized warehouse processes by including a standardized escalation process in cases where warehouses receive repeated red ratings for their overall warehouse management.

182. UNHCR accepted the recommendation and stated that actions were being taken to pursue various escalation mechanisms for those countries flagged through the dashboards.

(ii) *Inventory item identifiers*

183. As part of the review of the “equipment and supplies” expense category, the Board noted items that should have been recorded as inventories and expensed upon distribution to beneficiaries. Instead, the items were immediately expensed upon acquisition. In 2020, UNHCR procured 21,500 tablets intended for distribution to refugee students. Until distribution, the tablets were kept in a UNHCR warehouse. Inventories were understated in the amount of \$3.7 million and the tablets were expensed immediately. In 2021, when the Board identified the error and informed UNHCR about it, UNHCR agreed to correct it by choosing the correct item identifier. An item identifier is a unique number created for each procurable item from a catalogue. Each item identifier is mapped to a specific item group. The error had not been adjusted until year-end. As the procurement was initiated in 2020, the Board is concerned that no controls are in place to detect such incorrect item identifiers that have an impact on the presentation of physical stock.

184. The Board found another accounting error related to the procurement of 1,661 portable solar home lighting systems, which are intended to be distributed to persons of concern. The selection of an inaccurate item identifier led to the classification of the portable lights as generators. Hence, the related expenses were allocated to the equipment and supplies category and not to inventories with expense recognition upon distribution. From the total quantity procured, 1,324 items were distributed to beneficiaries until year-end. For the 337 undistributed items, an amount of \$202,200 should have been capitalized as inventory on hand and was included in the schedule of unadjusted audit differences.

185. In 2021, UNHCR procured 19 video laryngoscopes, and 40 physiological monitors plus four central monitoring stations. The physiological monitoring equipment was delivered directly to a hospital. The items of both procurements were first accounted in the category of supplies and consumables for beneficiaries. The laryngoscopes had an item group that characterized them as inventory, whereas the physiological monitoring equipment carried an item identifier in the supplies and consumables expense category. The laryngoscopes were later transferred to a clearing account and finally capitalized. The physiological monitoring equipment was

recorded as expense. The Board found that both procurements should have been treated in the same manner and as inventories. The different treatment in respect of the item group was inconsistent.

186. The Board found that UNHCR used one generic item identifier to procure two different types of inventory items in the same category of medical equipment: UNHCR procured mobile negative pressure machines and fibro-bronchoscopes with one purchase order and used the same item identifier for the two items. The unit costs of the two items differed significantly. Because of the first-in-first-out method applied for inventory distribution, the system automatically issued the items in the order of receipt, without any possibility of manually selecting the item actually distributed, in other words, if the more expensive item was received first but distributed later, the value of inventory on hand and the inventory distribution expenses were inaccurate because of the default system settings.

187. UNHCR procured 2,300 items of various construction materials under the same item identifier. The unit costs of the items ranged between \$0.92 and \$1,102.64. When 2,070 of the 2,300 items were transferred from one UNHCR warehouse to another, the use of the first-in-first-out method led to an overstatement of the value of the transferred items. UNHCR adjusted the wrong values in the system in the amount of \$2.2 million. However, the wrong values had an impact on the disclosures in table 6.5 of the notes to the 2021 financial statements. In that table, the amount shown in the “other supplies and consumables distributed” line should have been lower and the “other changes in inventory (not yet distributed)” line should have been higher by the same amount.

188. In the samples reviewed, while the quantity of items distributed was accurate, the value of the items on hand and the distribution expenses were inaccurate by approximately \$6.1 million.

189. The Board holds that the combination of generic item identifiers and the first-in-first-out method poses a systemic risk of inaccurate inventory pricing and expense recognition. Therefore, UNHCR should ensure that unique item identifiers are chosen for inventory items of the same categories with different specifications.

190. The Board recommends that UNHCR improve the item catalogue for operations and enable them to select appropriate item identifiers for different types of inventory to reflect the accurate value of inventory on hand and of distribution expenses.

191. UNHCR accepted the recommendation and stated that it would address the recommendation by configuring its new cloud enterprise resource planning system to align the categorization of materially different items and to minimize the use of generic items. UNHCR stated that pending the implementation of the new system, as an interim measure, UNHCR would issue an official internal communication requesting buyers to select correct item identifiers.

(iii) Transfer of ownership

192. In its report for the year ended 31 December 2018, the Board recommended that UNHCR establish a consistent accounting process and guidance for items that were procured for direct transfer of ownership (A/74/5/Add.6, chap. II, para. 50). UNHCR accepted the recommendation. In order to implement the recommendation, UNHCR enhanced its systems to allow for a tracking of property, plant and equipment, serially tracked items, inventory and consumables that were procured for transfer of ownership. On the basis of the process improvements and additional disclosures, the Board considered the recommendation to be implemented.

193. During the 2021 sample review, the Board again found inconsistencies and irregularities in the transfer of ownership process. The Board noted the lack of transfer documentation, understatement of inventories, overstatement of property, plant and equipment and inaccurate expenses in the categories of depreciation, equipment and supplies, and supplies and consumables to beneficiaries.

194. In several cases, UNHCR could not provide the issued transfer of ownership agreements in a timely manner. Some items were transferred completely without valid transfer agreements in place or with the transfer of ownership agreement issued retrospectively. Furthermore, the treatment of the items was inconsistent in terms of the categorization as property, plant and equipment, inventory, depreciation and distribution expenses. In more detail, the Board found that:

(a) UNHCR procured 375 desktop personal computers with a total purchase price of \$176,130 and handed the items to a partner for distribution to public schools. The respective transfer of ownership documents were not finalized at the time of the audit owing to administrative and logistical challenges with the authorities;

(b) UNHCR procured 1,500 tablets valued at \$589,500 to be handed over to a labour agency. The respective signed transfer of ownership agreement was presented to the Board one year after the expenses had been recognized. It had been signed, upon the preference of the agency, in connection with other equipment that was later on additionally handed over to that agency;

(c) A total of 99 intensive care unit ventilators were procured in 2020 for direct transfer of ownership to hospitals. Of those items, 50 have been depreciated since 2020. The other 49 ventilators were not depreciated. All items were transferred to multiple hospitals in 2021. The items were disclosed as property, plant and equipment as at 31 December 2020 with a net book value of \$3.0 million, some with a depreciated value and some with the original acquisition costs. The Board found that the disclosure as property, plant and equipment was incorrect. The items should have been recorded as inventory. The Board considered it to be inconsistent to treat half of the items as depreciable and half as non-depreciable;

(d) Five vehicles were assembled as ambulances by UNHCR and were designated for direct transfer of ownership. The items were transferred to the Government of a country operation. The items were put into service, capitalized as property, plant and equipment and depreciated. The Board found that the items were not on hand anymore and were erroneously still recorded in the asset register with a net book value of \$157,208. A transfer of ownership document was not available, only an expression of interest;

(e) UNHCR purchased 1,945 desktop personal computers for direct distribution to 114 public schools in the amount of approximately \$1.5 million. UNHCR provided evidence of delivery of the equipment to the schools by way of a letter of understanding. In this case, UNHCR decided that the standard transfer of ownership template was not needed. The letter did not contain an explicit indication as to whether the ownership of the computers had been transferred;

(f) Six servers with a total purchase price of \$0.9 million were handed over to the ministry of internal affairs of another country. In this case as well, UNHCR could not present an official transfer of ownership agreement. Instead, UNHCR provided an agreement “through exchange of letters” and a blank draft version of a transfer of ownership agreement. UNHCR commented that the exchange of letters served as a transfer of ownership agreement in this case.

195. Assets that are initially designated for a transfer of ownership or that, because of their specific quality, are never meant to serve UNHCR do not fulfil the IPSAS definition of property, plant and equipment. For example, the use of ambulances or

ventilators is not the expertise of UNHCR. Such items are clearly meant to be transferred to partners with the relevant skills and expertise. Therefore, the Board holds that it is not the ideal solution to record these items in the UNHCR register of property, plant and equipment and start depreciation.

196. Such items qualify as inventories. There should be a consistent approach to recording the items in the enterprise resource planning system, accompanied by proper transfer of ownership documentation. UNHCR responded that it was planning to implement a solution in the new enterprise resource planning system to create a consistent approach for such cases. UNHCR further stated that assets held for transfer of ownership were reclassified from property, plant and equipment to inventories as part of the year-end closing process. The Board welcomes this reclassification for accounting purposes and points at the importance of a consistent automated solution in the new enterprise resource planning system.

197. The Board recommends that UNHCR issue official corporate guidance to clarify the accounting approach for items with the initial intention of transfer of ownership and the types of documents considered sufficient and necessary to evidence a transfer of ownership in various situations.

198. UNHCR concurred with the recommendation and stated that it would further clarify in the transfer of ownership instructions the alternative forms of documents required to evidence transfer of ownership, including exchanges of letters and letters of understanding.

Information and communications technology equipment and supplies

199. The Board selected samples of equipment and supplies and requested the register of serially tracked items for the category of computer equipment, such as notebooks and network components.

200. Pursuant to the UNHCR financial management manual, UNHCR captures individual items for its own use for more than one reporting period and with acquisition costs below \$10,000 in the register of serially tracked items. The items are expensed when “consumed”. Serially tracked items must be barcoded upon acquisition and recorded in MSRP, and MSRP records must be kept up-to-date. UNHCR stated that the barcode was the ultimate proof of control and ownership of the items.

201. The Board reviewed the category of computer equipment in the provided verification file of serially tracked items. The expense category of computer equipment increased by \$24.1 million in 2021. The increase was due mainly to the purchase of computer equipment by headquarters and three field operations. The review showed that UNHCR stored a significant quantity of the purchased computers and network components, valued at \$8.5 million, and that those computers and network components were not in use (with the asset status “received (not in service)”).

202. The Board noted that a large number of items were stored at suppliers’ warehouses. Nevertheless, the items were included in the verification file and were expensed. With regard to the transfer of ownership, UNHCR stated that it had agreed with the suppliers that they would tag the items with barcodes provided and verified by UNHCR. Virtual delivery was to be completed once the suppliers had confirmed that the tagging process was complete and they had provided UNHCR with the serial number of each item and its corresponding barcode. The Board requested pictures of the barcodes of two of those items, but they were not provided. The Board noted that the verification file provided was not up to date as at 25 March 2022. UNHCR clarified that the delays in updating the records were due to technical aspects related to access of external parties to MSRP. UNHCR stated, however, that the records were

progressively updated through inputs made by a staff member, pending resolution of the technical issues.

203. The Board evaluated the updated verification file and noted that UNHCR still stored a significant quantity of purchased computers and network components, valued at \$2.6 million, with the suppliers and other purchased computers and network components, valued at \$2.2 million, at various storage locations. Those computers and network components were not in use (with the asset status “received (not in service)”). UNHCR provided evidence of shipments of the equipment indicating that as at 3 May 2022, 248 computers and accessories were still held at the vendor locations waiting for customs approval for shipment to the destined field locations. In addition, the Board noted that UNHCR reported the asset status “in transit” for a significant number of computers and network components worth \$8.3 million in the updated verification file. All of those items were procured in 2021.

204. In the view of the Board, a significant quantity of procured computers and network components, valued at \$13.1 million, with both the asset status “in transit” and the asset status “received (not in service)” were still not available to users according to the updated verification file. UNHCR stated that the field operations were responsible for updating the status of the equipment received in their operation. UNHCR further stated that the equipment could already be in use but the responsible office had not yet updated the status in MSRP. The Board holds that the whereabouts of those items were unclear and the tracking was delayed.

205. In addition, the Board found that a significant portion of the computer and network equipment had been stored for up to 15 months and had not yet been distributed to users or country operations. In addition, the Board found 1,031 computers worth \$1.8 million in the verification file with asset status “in transit” or “received (not in service)” and 737 computers worth \$1.0 million that UNHCR purchased in 2020 and as early as 2019.

206. The Board holds that computers and network components should be procured and delivered as promptly as possible. In the view of the Board, UNHCR is lacking a demand-driven reconcilable process. The Board holds that on the one hand, this approach may result in UNHCR unnecessarily tying up budgetary resources that are more urgently needed elsewhere. On the other hand, the Board sees a risk that stored computers and network components could become obsolete, outdated or damaged during storage.

207. The Board questions whether the accounting treatment was in accordance with IPSAS principles. The expense recognition and recording as serially tracked items implies that such equipment was delivered to UNHCR and available for use. However, in the above cases, the items were not available for use and remained at a storage point or in transit for a considerable time. As UNHCR is in the process of implementing a new enterprise resource planning system, which is to replace MSRP, the Board holds that the mechanisms for serially tracked items can be improved in the new system.

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.

209. UNHCR accepted the recommendation and stated that – in particular for the case under review – a large amount of equipment had been procured in response to the teleworking needs during the COVID-19 pandemic. The impact of the pandemic on the global supply chain and restrictions imposed by various countries contributed to the delays in receiving items from the manufacturers and distributing those items

to various field locations. Because of the remote working mode, the availability of receiving staff in field locations was also limited. UNHCR stated that it would use the implementation of enhanced tracking of serially tracked items under the new Cloud ERP system to review the administrative instruction on serially tracked items and optimize it for future large orders.

Capitalization of software applications

210. In 2020, the useful life of the three intangible assets was shortened to 31 December 2021 (MSRP human resources and payroll upgrade project phase 1 and MSRP human resources and payroll upgrade project) and to 31 December 2022 (MSRP finance lot 3). According to UNHCR, this shortening was based on the previous decisions of UNHCR to implement new replacement systems (Digital HR and Cloud ERP) in 2022 and 2023. UNHCR stated that this was done to ensure that no end-of-life impairment/write-off would occur. As at 31 December 2020, the three items had a net book value of \$3.4 million.

211. At year-end 2021, the MSRP human resources and finance modules were still active. The go-live date of Digital HR, the new human resources software, and the new Cloud ERP system were planned for March 2022 and April 2023, respectively. However, the schedule for Digital HR was set as “yellow”, which UNHCR defines as a negative trend in project timelines. Therefore, the Board holds that the status was not reliable to base the decision of a shortened useful life and accelerated amortization. The go-live dates were subject to postponements in the past few months. The Board holds that the assumption to shorten the useful life of the three assets in 2020 needed to be reviewed at year-end 2021.

212. Currently, Digital HR is planned to go live in mid-2022 and Cloud ERP in mid-2023. For the purpose of calculating retroactive payments for employees existing in MSRP, UNHCR will keep the MSRP human resources module active for 12 months after the go-live date of Digital HR. The MSRP finance modules will be in standby mode for data queries as long as UNHCR needs them. The Board holds that the old MSRP system should be carried on as an intangible asset and amortized over its useful life until the asset is disposed of or no future economic benefit is generated from it. On that basis, the current estimated earliest go-live date of the new system and retirement of the old system would lead to a reduction of amortization expense of at least \$0.6 million in the 2021 financial statements.

213. In 2020, UNHCR capitalized the Population Registration and Identity Management EcoSystem (PRIMES), an internally developed intangible asset, at \$17.7 million. PRIMES is a single sign-on business suite to manage access to a group of software applications. In its report for 2020, the Board recommended that UNHCR ensure that the cost components of intangible assets would be separately identifiable in the future to enable the separate capitalization of intangible assets (A/76/5/Add.6, chap. II, para. 163). UNHCR concurred with the recommendation.

214. In 2021, UNHCR capitalized an internally developed intangible asset called “Primes 2021” at \$4.4 million. UNHCR stated that three newly developed applications were capitalized under Primes 2021, and that one application did not pass all of the necessary tests by year-end. Therefore, UNHCR decided to deploy the application to production in 2022.

215. UNHCR stated that the information on individual components of the Primes 2021 software development was still not detailed enough for separate accounting of all PRIMES-related intangible assets. UNHCR is still not able to separate the expenses incurred for each application. During the 2021 audit and on the basis of the queries of the Board, UNHCR identified an amount of \$0.8 million of erroneously not capitalized software development costs.

216. IPSAS requires that intangible assets that can be separated or divided from the entity and sold, transferred, licensed, rented or exchanged be capitalized separately. The Board holds that having the PRIMES asset (from 2020) and a new asset, Primes 2021, with different applications is confusing and potentially prone to error. For the Board, it remained unclear to which Primes 2021 applications the expenses of \$4.4 million related. Furthermore, the Board is of the view that expenses for one application were erroneously capitalized in 2021 as the final intangible asset instead of work in progress as the application did not pass all of the necessary tests by year-end and because of the decision made by UNHCR to deploy the application to production in 2022. The Board holds that UNHCR should capitalize the PRIMES applications separately when they meet the capitalization criteria.

217. The Board reiterates its recommendation that UNHCR ensure that the cost components of intangible assets are separately identifiable to enable the separate capitalization of intangibles where appropriate and feasible and as required by IPSAS (A/76/5/Add.6, chap. II, para. 163).

218. UNHCR accepted the recommendation.

Voluntary contribution revenue

219. UNHCR regulates the acceptance and formalization of voluntary contributions (cash and in kind) in its administrative instruction UNHCR/AI/2021/03, which became effective as of 30 March 2021. According to paragraph 3.2 of the administrative instruction, the instruction confirms the oversight role of the Division of External Relations and, in particular, the Donor Relations and Resource Mobilization Service and the Private Sector Partnerships Service, in the acceptance and formalization of donor contributions. Pursuant to paragraph 5.10, all proposed contribution agreements must be cleared by the Division prior to the signature. It is stipulated in paragraph 5.11 that whenever offices are engaged in the negotiation of a contribution agreement, such offices shall:

(a) Immediately contact the donor focal point in the Donor Relations and Resource Mobilization Service and the Private Sector Partnerships Service when being approached by a donor or engaging with a donor to accept a potential contribution;

(b) Share the proposed contribution agreement with the Donor Relations and Resource Mobilization Service or the Private Sector Partnerships Service.

220. Further instructions are regulated in administrative instruction UNHCR/AI/2021/10 on the closure of UNHCR accounts for the year ended 31 December 2021. Pursuant to paragraph 4.10.3 of UNHCR/AI/2021/10, all offices are reminded to comply with administrative instruction UNHCR/AI/2021/03. Pursuant to paragraph 4.10.4, all agreements being negotiated for cash contributions must be immediately reported to the Division of External Relations.

221. With regard to the financial years 2020 and 2021, UNHCR retroactively detected nine cases in which contribution agreements were not recorded in a timely manner. Four of the cases, in the amount of \$1.1 million, related to contribution revenue that concerned 2020 but was recorded in 2021 (overstatement of 2021 revenue). Five of the cases, in the amount of \$1.1 million, concerned contribution revenue for 2021 that was recorded in 2022 (understatement of 2021 revenue).

222. The cases related to contribution agreements that were negotiated by various field offices. UNHCR stated that the cut-off errors occurred as a result of delays in the information reaching the Division of External Relations from the donor relationship unit at the country offices. Apparently, the offices may not have been aware of the aforementioned instruction to inform the Division immediately.

223. The Board is of the opinion that, as a result of the regionalization and decentralization reform, country offices will be more involved in acquiring voluntary contributions. The Board holds that headquarters and in particular the Division of External Relations must make further efforts to draw the attention of country offices to their roles and responsibilities in the process of negotiating and accepting voluntary contributions. Although the net effect was coincidentally balanced out, the Board is pointing at the procedural weaknesses. The existing administrative instructions clearly stipulate the responsibilities and required actions of country offices with regard to the information flow of donor contributions. However, a number of private sector partnership offices at the country level did not follow the instructions. From the Board's perspective, the donor relations service – in particular the private sector partnership offices – are not primarily addressed by the year-end closure instruction and may not be aware of the detailed instructions. The Board therefore holds that UNHCR should seek additional confirmation from the private sector partnership service at country offices that all existing contribution agreements or pledges were forwarded to respective donor relation focal points in accordance with the UNHCR rules.

224. The Board recommends that UNHCR incorporate an explicit confirmation request in the year-end closure reporting by which private sector partnership offices that carry out local fundraising are requested to confirm to the Division of External Relations the existence or non-existence of donor contribution agreements and pledges signed at the local level.

225. UNHCR accepted the recommendation.

Salaries and employee benefits

226. In 2021, salaries and employee benefits amounted to \$1,260.7 million (2020: \$1,167.9 million). Of that amount, \$689.2 million (2020: \$637.5 million) constituted salaries. Salaries and employee benefits increased by \$92.8 million, or 7.9 per cent, and were equivalent to 26.9 per cent of total expenses in 2021.

227. The Board reviewed salaries and employee benefits with a focus on processes, supplemented by substantive audit procedures. The major findings of the Board concerned the recognition of salary expenses in the correct accounting period, the automated computation of retroactive payroll costs and the future use of automated controls in the payroll process.

(i) New danger pay accrual

228. Danger pay amounted to \$21.4 million in 2021 (2020: \$17.2 million) and made up 1.7 per cent of total salaries and employee benefits. As part of the sample review, the Board found cases where employees were entitled to danger payments for periods in 2020 but the amounts were expensed and paid out in the course of the financial year 2021.

229. In conformity with the findings of the Board, UNHCR set up a new accrual for danger pay amounting to \$2.5 million for those cases where employees were entitled to danger pay for periods within the financial year but did not reclaim them before the end of the financial year. The Board welcomes the set-up of the new accrual.

(ii) Expense recognition in the correct accounting period

230. For a set of 20 samples from the payroll subledger, the Board requested the respective supporting documents for the salary components. The Board reviewed the samples with a focus on whether all of the various salary components were considered in the financial year in which they originated or when the issue became known.

231. IPSAS require that “transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.” Pursuant to section 4.4.3 of the United Nations corporate guidance for IPSAS on the delivery principle, payments to staff members upon relocation should be recognized as expenses in the period in which the related services are delivered, and not when the cash advance is paid to the staff member.

232. The Board noted various cases where the expense recognition was not reflected in a timely manner and in the correct accounting period. In detail, the Board found the following in 11 of the 20 cases:

(a) In five cases, the employment contract was terminated and expired within the financial year 2020. However, all payments that related to the contract termination, such as termination indemnity, payment in lieu of notice, annual leave and repatriation grant, were expensed in 2021;

(b) In two cases, employees fulfilled a higher function for a limited period of time in 2020. The employees received their former salaries until their supervisors requested a special post allowance resulting from the successful fulfilment of the higher function. The special post allowance describes the difference between the former regular salary and the salary of the higher function. In both cases, that amount, which covered the full duration of the interim engagement, was expensed and paid out in 2021;

(c) In two further cases, retroactive payments were recorded in 2021 owing to incorrect entries in the human resources module of MSRP in prior years, which had led to reduced payments to the employees;

(d) In one case, the employee handed in the receipts for the tuition fees of his children in 2019. Since the receipts were not sufficient, the employee was asked to obtain detailed invoices, which took until March 2021. UNHCR expensed and reimbursed the amount in May 2021;

(e) In one further sample, a UNHCR employee was assigned to the United Nations Development Programme for a year as a staff loan and therefore moved to another city in 2020. The rental subsidy from November 2020 onwards was expensed and paid out in June 2021.

233. On the basis of the findings, the Board holds that termination cases tend to overlap into the next financial year if the separation process is not executed in a timely manner. The Board stresses the need to set clear deadlines for the processing of separations: the faster the separation is processed, the easier the expenses can be recognized in the correct financial year. Furthermore, the Board holds that UNHCR needs to consider special post allowances and salary increases in a timelier manner in the expense accounts to ensure the allocation to the appropriate financial year.

234. The Board recommends that UNHCR accelerate its separation process to minimize the number of cases that last beyond the turn of the year.

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.

236. UNHCR accepted the recommendations and agreed that there was a need to improve the timeliness of the submission of termination documents in order to achieve a timely separation process and the recording of special post allowances and promotions. UNHCR stated that it would take the opportunity during the forthcoming

Digital HR trainings for human resources colleagues in UNHCR offices worldwide to highlight the areas where timeliness of human resources actions could be enhanced.

(iii) *Integration of other payroll costs into the payroll subledger*

237. In addition to the payroll subledger in MSRP, UNHCR posts a lot of personnel expenses on several general ledger accounts referred to as “other payroll costs”. For the sample selection of other payroll costs, the Board drew a sample of 20 journal entries from different payroll accounts and requested the voucher and further supporting documents. The Board reviewed the samples with a focus on whether the various payroll components were considered in the financial year in which they originated or when the issue became known. The Board noted the following:

(a) In one case, the employee was reassigned to a job position in a different country in September 2020 and started in the new position in January 2021. The employee was entitled to a relocation grant that was only paid out in 2021;

(b) In another case, the staff member was entitled to receive daily subsistence allowance payments for July and August 2020, but the expense was not posted until 2021.

238. Automated journal entries are less error-prone than manual entries: inconsistencies between the journal entry and the master data can be automatically excluded and no or less personal assessment by the accountant is required. The Board holds that preferably all “other payroll costs” currently posted manually on several general ledger accounts should be integrated into the new payroll subledger and automated as much as possible. The Board deems that this could also facilitate the accrual accounting at the end of the financial year through automated accruals for those cases where no expense was posted because no refund was claimed until year-end despite legitimate claims.

239. Once the automation is established, the journal entries could also accelerate the accounting procedures (during the monthly closing) and the time saved could be used to analyse the expenses and perform checks. The availability of preferably all payroll data in the subledger would additionally ease the assessment and analysis of the payroll data.

240. UNHCR is currently in the course of migrating to a new enterprise resource planning system, which offers the opportunity to integrate all payroll accounting procedures into the subledger and enhance the automation of the payroll journal entries that are currently posted manually. An automated process would further support the accuracy and completeness of the year-end accruals in connection with the payroll.

241. The Board recommends that UNHCR ensure the recording of salary payments in the appropriate financial period by integrating all other payroll elements into the global payroll subledger of the new enterprise resource planning system to avoid staff-related journal entries on general ledger accounts.

242. UNHCR accepted the recommendation.

(iv) *Automated computation of retroactive salary components*

243. Retroactive salary computations are necessary to adjust the salary to the appropriate amount if changes in the computation basis occurred. They apply for multiple reasons, for example, planned changes or unforeseeable circumstances caused by, among other things, mistakes or external delays. The most frequent cases of retroactive salary computations are changes of salary scales of a country. Such changes affect a large number of employees at a time. Other examples are the

assignment to a new position that entails a change in remuneration (new grade/step) and changes in further benefits such as rental subsidy, hardship allowance and non-family service allowance. Especially in those cases where an employee is promoted from a national to an international position, the granting of special post allowances can lead to retroactive salary amendments. Moreover, payments as a result of the separation process typically lead to retroactive salary amendments.

244. In those cases where a new salary scale is introduced retrospectively for Professional staff, this triggers a recalculation for every UNHCR Professional staff member worldwide, or for local staff in the respective country in case a national officer or general service salary scale is introduced retrospectively. Depending on the applicable salary scale, grade and step, the parameters for the salary recalculation may vary multiple times (e.g. the post adjustment rate) during the recalculated period, which adds further complexity to the recalculation.

245. In 2021, the Board noted that retroactive salary computations resulting from payment currency changes occurred for 24 staff members. Since 2010, solely those cases where the currency on the payslip changed have amounted to 1,774 cases. Owing to the described complexity of these recalculations, the manual performance is quite time-consuming and error-prone, with the risk of payout mistakes.

246. The Board holds that retroactive calculations are common practice in the monthly salary accounting process that occur frequently and require particular attention because of the complexity of the calculations. In the view of the Board, the volume of cases that need to be recomputed exceeds a limit that could be handled manually. The Board deems it crucial that retroactive computations continue to be accomplished automatically in the payroll subledger rather than manually to avoid this source of errors.

247. The Board recommends that UNHCR ensure that the automated feature to retroactively amend salary computations is also available in the new enterprise resource planning system to mitigate the risk of manual errors.

248. UNHCR accepted the recommendation.

(v) *Payroll controls in the new enterprise resource planning system*

249. In the past, the Board reviewed various manual and automated MSRP human resources and payroll reports that were run periodically to detect inconsistencies and errors in the payroll computations. The composition and accomplishment of these controls was steadily improved over the years in consultation with the Board to establish and maintain a solid functioning system of controls. Reports such as those on the standard assignment length and end date, contract expiry and staff on other payroll, to name only three, are run and reviewed frequently to ensure the quality of the data.

250. In the course of the sample testing, the Board noted two cases where lower payments were made to employees owing to incorrect entries in MSRP in prior years. However, those cases had already been detected through the above-mentioned internal control mechanism. The Board deems it necessary that this well-functioning system of controls that has proven to be efficient and detects errors be transferred into the new enterprise resource planning system.

251. Furthermore, to secure the successful transition to the new enterprise resource planning system, it is also regarded as crucial that payroll staff receive sufficient ongoing programme support after the go-live date of the system to ensure that the operational processes continue to run as smoothly as possible, to protect UNHCR from potential financial harm and to earn and maintain the employees' backing.

252. The Board expects that the same quality of internal controls will be achieved in the new enterprise resource planning system and that continuous external programme support will be ensured after the go-live date of the new enterprise resource planning system, for example, in the form of a helpline.

(vi) *Payslips*

253. The Board noted that the payslips (statements of earnings and deductions) issued by UNHCR only stated the month for which the calculation had been made, but not the exact date when the calculation had been made. Therefore, in cases with various payslips for the same month on account of recalculations (for example, because of a change of location or the granting of the special post allowance), the chronology was not evident.

254. The Board considers the date of issuance of the payslips to be important for the transparency of the calculations and recalculations.

255. The Board recommends that UNHCR ensure that payslips state the date of issuance to enhance transparency.

256. UNHCR accepted the recommendation and stated that it would display the date of issuance on the payslip designed in the new Cloud ERP system.

(vii) *Information in the Staff Administration and Management Manual*

257. On its intranet, UNHCR provides a Staff Administration and Management Manual developed to serve as a consolidated manual and reference handbook for personnel policies, procedures and practices in UNHCR based on the Staff Regulations and Rules of the United Nations.

258. The Board found that UNHCR stated outdated contribution percentages for the Medical Insurance Plan in the Staff Administration and Management Manual. Although an administrative instruction on the Medical Insurance Plan came into force in 2016 (UNHCR/AI/2016/3), which superseded the earlier provisions (inter-office memorandum No. 057/2007 and field office memorandum No. 060/2007), UNHCR had not updated the respective table in the Manual. At the Board's request, UNHCR amended the table and reflected the correct values. The Board appreciates that UNHCR has updated the respective table in the Manual, but notes that it happened more than six years after the new provision had come into force and, additionally, only at its request.

259. The Board recommends that UNHCR provide up-to-date information in its Staff Administration and Management Manual and future manuals or systems.

260. UNHCR stated that with the new cloud enterprise resource planning system for human resources management (Digital HR) scheduled to go live in the fourth quarter of 2022, the Staff Administration and Management Manual will cease to exist. Several standard operating procedures and job aids summarizing the new human resources policy and processes will be available in Digital HR from the go-live date and will replace the Manual. UNHCR/AI/2016/3 will be revised by UNHCR and an updated instruction will be issued in late 2022 or early 2023.

(viii) *Dependency allowances for children*

261. Pursuant to the Staff Regulations and Rules of the United Nations and administrative instruction [ST/AI/2018/6](#) on dependency status and dependency benefits, claims for dependency allowances are to be made on an annual basis. In addition, staff members are responsible for reporting any change in their status or that of a dependant that may affect the payment of the allowance. A child, for example,

under the age of 18 years or between the ages of 18 and 21 years and attending university or its equivalent full-time is a dependent child, if the staff member provides main and continuing support. Pursuant to the provisions, the staff member needs to certify the provision of main and continuing support. This certification must be supported by documentary evidence if a child, for example, does not reside with the staff member (or the spouse of the staff member) or is married.

262. The Board noted that UNHCR did not request proof for dependency allowances on an annual basis. Moreover, UNHCR stated that it requested the certification of main and continuing support by the staff member only in the case where the child resides in a different household. However, UNHCR did not regularly require information about the residence of the children.

263. The Board is of the opinion that UNHCR should require proof for dependency allowances on an annual basis to avoid overpayments. A certification by the staff member that the staff member provides main and continuing support to the child should always be requested – as stipulated in the provisions – since a waiver also bears the risk of overpayment. The same applies to a statement by the staff member that the child resides with the staff member (or the spouse of the staff member) and is not married. The Board considers it not to be appropriate just to rely on the responsibility of the staff member to report any relevant changes.

264. UNHCR decided to stop the systematic annual review of status reports of all staff as it represented a huge administrative workload and the proportion of changes discovered through such an exercise compared with those reported by the staff members did not justify the related administrative costs. This change was captured in the provisions of inter-office memorandum and field office memorandum No. 21/2011/Corrig.1 on submissions of claims of dependency benefits and for reporting changes in dependency entitlements (status report). This position will further be affirmed in the upcoming administrative instruction on dependency status and dependency allowances planned to be issued in August 2022. In addition, it is to be noted that UNHCR practice is aligned with the approach stipulated in [ST/AI/2018/6](#), where it is mentioned that the responsibility to duly report any changes related to family composition also lies with the staff member.

(ix) *Staff in between assignments*

265. Pursuant to UNHCR inter-office memorandum and field office memorandum No. 081/2010, staff in between assignments are on pay status but are not working pending a future assignment. For administrative purposes, they are considered to be on special leave with full pay since there is no position against which to charge their salaries. Special leave with full pay will be granted for a maximum period of nine cumulative months between two regular assignments.

266. The Board asked for the monthly statistics of staff in between assignments for 2021. The Board noted that the number of such staff given in the monthly staff in between assignments statistics did not match with the number according to the monthly payroll files, which show how many staff are paid under the separate cost centre for staff in between assignments. The number of staff in between assignments in the monthly payroll files was much higher. For example, for December 2021 the staff in between assignments statistics showed 23 staff, while the payroll file listed 51, and for November 2021 the staff in between assignments statistics showed 26 staff, while the payroll file listed 56. A comparison of the information in the two different data sources can be seen in table II.5.

Table II.5
Number of staff in between assignments according to the human resources statistics
and the payroll subledger, 2021

(Number of staff members)

<i>Number of staff in between assignments</i>	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
Statistical report	41	28	41	44	41	33	43	51	42	37	26	23
Payroll report	66	63	60	63	61	55	71	69	65	65	56	51
Difference	(25)	(35)	(19)	(19)	(20)	(22)	(28)	(18)	(23)	(28)	(30)	(28)

Source: UNHCR Division of Human Resources.

267. UNHCR stated that the number of staff in between assignments stated in the monthly staff in between assignments statistics was derived from a report run by the human resources staff on potential staff who should be considered to be in between assignments. The list of staff is sorted into several groups. Only one group – the group of staff for whom (from a human resources perspective) solutions for the future need to be found – is reflected in the monthly staff in between assignments statistics.

268. The Board considers the staff in between assignments statistics to be misleading since they do not show all staff paid as staff in between assignments. The Board found that salary payments to staff in between assignments amounted to \$7.3 million in 2021. This amount included \$2.5 million in post adjustments and \$0.4 million in hardship allowance. The monthly payments are shown in table II.6.

Table II.6
Amount of salary payments to staff in between assignments, 2021

(Thousands of United States dollars)

<i>Payments to staff in between assignments</i>	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
Total salaries	627	642	572	607	573	528	686	668	640	643	535	550
Thereof post adjustments	227	217	194	193	197	196	241	223	216	223	179	151
Thereof hardship allowance	38	46	35	32	30	30	35	38	39	30	26	21

Source: UNHCR Division of Human Resources.

269. The Board found the two different information systems misleading, in particular in view of the question of the total payments to staff in between assignments. There should be one clear data source to determine the number of such staff and the costs associated with those positions. The staff in between assignments cost centre should only be applied to staff who fulfil the definition of this category.

270. Moreover, the Board noted that there were 124 staff in between assignments according to the payroll file, who were recorded under the staff in between assignments cost centre for more than one month in 2021. Of those 124 staff, 29 were recorded as staff in between assignments for 6–12 months. The Board holds that a more accurate overview of the concerned staff, including in terms of the costs associated with them, could support the efforts to reduce the number of staff in between assignments and their duration with that status. The Board holds that the

payroll data could provide relevant information for monitoring the duration of staff in between assignments.

271. Moreover, the Board noted that UNHCR had decided to end the payment of hardship allowance and non-family service allowance during the period of special leave with full pay, both following assignment in high-risk duty stations and in a staff in between assignments situation, in March 2019, but revoked the decision regarding the hardship allowance in March 2020. UNHCR considered the hardship allowance – unlike the non-family service allowance – to be a part of the regular salary.

272. The Board holds that there is a need for adequate regulation of the salary parts that are to be paid to staff on special leave with full pay. In the light of the possible length of the special leave with full pay, the accompanying financial obligations and reputational risks for the organization should be taken into account.

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.

274. The Board recommends that UNHCR review its existing provisions and the current practice regarding the salary parts that are paid to staff on special leave with full pay.

275. UNHCR accepted the recommendations and stated that it would take measures to streamline the data sources and would present information in a manner that addresses the needs of several target audiences. With regard to the second recommendation, UNHCR noted that it was governed by rules applicable to salary and entitlements while on special leave with full pay.

Global fleet management: transfer of reserves to the Self-Financing Activities Fund

276. During the 2019 audit, the Board looked into the structures of the Global Fleet Management Unit, which was established in 2014 to facilitate and streamline the management of the UNHCR vehicle fleet. The Unit was intended to operate as a self-sustained fund with predictable and reliable financial resources. One of the central elements of the Unit was to directly assign the revenues from the monthly reimbursements (rental programme) received from operations. The Board found that the project was not operated as a fund and was managed as if it were a programme. The Board recommended that UNHCR simplify the budget process for the Unit and comply with the instruction according to which rental- and sales-generated revenues should be made available to the self-sustained global fleet management fund (A/75/5/Add.6, chap. II, para. 257). UNHCR concurred with the recommendation.

277. At the beginning of 2021, UNHCR established a special fund separate from the Annual Programme Fund to account for global fleet-related revenues, expenses and assets on a self-financing basis. The Self-Financing Activities Fund was provided with assets (mainly vehicles) and granted with a spending authority. Revenues are automatically allocated to the Fund. On that basis, the Board considered the recommendation implemented.

278. Nevertheless, it came to the Board's attention that net assets generated from the self-insurance activities (as part of the rental programme) during the previous global fleet management system remained in the Annual Programme Fund and were not transferred to the new fund.

279. According to UNHCR, the insurance-related reserves from previous years amounted to \$9.5 million and remained with the Annual Programme Fund. The rationale for the decision to retain those balances with the Annual Programme Fund was not clearly stipulated in a formal decision and was not decided by the resource

planning and management board. The Board is of the opinion that UNHCR should make a clear and transparent decision as to why the insurance-related reserves were not to be transferred to the new self-sustained fleet fund. The Board found that the insurance activities – except for one year – had resulted in profits since their start date. Against this background, the Board holds that ongoing surpluses could be a reason to reduce the insurance rates, which could increase the willingness of country operations to participate actively in the global fleet programme.

280. The Board recommends that UNHCR establish a clear decision on the transfer of legacy insurance reserves to the global fleet's Self-Financing Activities Fund and review the level of insurance rates levied by the Fund.

281. UNHCR accepted the recommendation.

Financial instruments: notes disclosures and risk management guidelines

282. The Board analysed the notes disclosures on financial instruments against the current IPSAS requirements. The Board proposed several additional and amended presentations. On the basis of the findings of the Board, UNHCR amended its notes disclosures, in particular by:

(a) Adding a sensitivity analysis to show the financial effects of currency fluctuations on its major cash and cash equivalents, investments, contributions receivable, accounts payable and accruals, as well as other monetary assets and liabilities, that are denominated in currencies other than the United States dollar;

(b) Including tabular disclosures of credit risk ratings for its contributions receivable;

(c) Presenting the credit ratings of cash and cash equivalents and investments;

(d) Indicating the amounts invested in currency swaps and in forward contracts to address currency risks;

(e) Expanding the disclosures on foreign exchange gains and losses to present separately unrealized and realized gains and losses by asset and liability categories;

(f) Presenting the effect of exchange rate changes on cash and cash equivalents in the cash flow statement.

283. The Board appreciates the amended notes disclosures. The Board is convinced that the disclosures can still be advanced by including further information on liquidity risk. IPSAS require a maturity analysis that should indicate the respective durations for settlement of payments for the financial liabilities. In terms of the interest rate risk, UNHCR is currently not discussing the risk of varying fair values of investments resulting from changes in the overall market interest rates.

284. Moreover, the Board reviewed the current cash management and risk management guidelines and procedures, which date from 2017. The Board found that the guidelines did not include an assessment of the UNHCR financial risk environment or a structured determination of major areas that required risk mitigation. The guidelines do not comment on the currency risk exposure, nor do they contain explanations of suitable risk mitigation measures. The current practices of the Treasury Section used for financial risk management, such as portfolio-matching of currency flows, short-term hedging activities, value-at-risk computations or the use of the cash flow forecasting tool, are neither mentioned nor described in the guidelines. The Board holds that the guidelines should be updated on the basis of the underlying strategy. When the notes disclosures refer to the underlying risk management strategy, such a strategy should be tailored and up to date. The Board

identified the following main items that should be discussed in the strategy and guidelines in more detail:

- (a) How the cash flow forecasting tool and other mitigation measures would be used to address the financial risk management;
- (b) How and whether the value at risk would be used to manage the currency risk;
- (c) The period within which a value at risk analysis would be commissioned, and the confidence level;
- (d) The consequences UNHCR wants to draw from a potential value at risk analysis and a definition of the acceptable amount of foreign exchange gains or losses over a defined period that would be deemed an acceptable threshold;
- (e) The rationale and reason for choosing these parameters.

285. In addition, UNHCR should establish a position if and when hedging would be a considerable option to mitigate the currency risk, or why and within which limits the natural hedging (portfolio diversification) is considered to be a sufficient mitigation measure.

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.

287. UNHCR agreed with the recommendation to update its financial risk management strategy and guidelines.

Statement of internal control

288. The statement of internal control describes the effectiveness of internal controls at UNHCR. It was first published to a smaller extent (without the involvement of the regional bureaux) in the financial report for the year ended 31 December 2019. A major part is currently being captured as a self-assessment questionnaire by the parties involved at UNHCR.

289. In 2021, the self-assessment questionnaire consisted of 128 questions and was divided into three different parts: 55 scale questions and 4 yes/no questions were addressed to each country operation; 14 scale questions and 1 yes/no question were addressed to each regional bureau; and 54 scale questions were split up and allocated to the respective divisions. The set of questions has only changed slightly over the past three years, with the intention of enabling comparability and observing trend evolution during this period.

290. The questionnaire is based in Excel and consolidated through the use of Excel macro functions. It was derived from the risk control matrix of UNHCR. The listed risks were first categorized into priority one and two. Those with priority one were included in the questionnaire. Of the 128 questions, 123 must be answered on a given scale according to the self-assessed level of compliance (strong, satisfactory, moderate or low). In case of low compliance, the respective entity must provide further information about the weakness and the mitigation measures and provide supporting documents.

291. The Board regards the statement of internal control as other information that is not part of the audited financial statements. The annual publication of the statement of internal control is appreciated by the Board since it provides further information and insights to assess and evaluate the control environment at UNHCR. The Board

encourages UNHCR to continuously improve and elaborate the statement of internal control.

292. The Board deems it necessary that the questionnaire be complemented by an objective assessment in the future. UNHCR could add information in the form of calculated key performance indicators automatically derived from the enterprise resource planning system. An equivalent approach has already been applied by comparable organizations within the United Nations environment.

293. UNHCR is currently in the course of implementing a new enterprise resource planning system. The Board holds that UNHCR should collect and use information available in the new system or that can be automatically generated from the system and use the information to better inform the statement of internal control. UNHCR should complement the self-assessment questionnaire through automatically calculated objective performance indicators and facilitate the automated consolidation.

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.

295. UNHCR accepted the recommendation.

5. Implementing partnership management

296. UNHCR implements a large share of its projects through implementing partners. Implementing partnership expenses decreased slightly, by \$11.5 million, or 0.8 per cent, and they are equivalent to 29 per cent of total expenses in 2021 (2020: 31 per cent). In 2021, implementing partnership expenses amounted to \$1,380.7 million (2020: \$1,392.2 million). For each project, UNHCR and the partners sign a project partnership agreement, generally for a duration of up to one year. In 2021, UNHCR concluded 1,659 agreements with implementing partners and 83 agreements with United Nations system agencies and the International Organization for Migration.

297. Of the total implementing partnership projects, an estimated budget value of \$1,051.4 million was subject to independent audits by third-party auditors. UNHCR selected the projects based on a risk assessment of each project and the implementing partner organization. As at 30 June 2022, of the total amount requiring audit certification, UNHCR had received 644 certificates, representing \$884.5 million or 84 per cent of the budget value. Thus, a high level of coverage, as in previous years (81 per cent in 2020), could again be achieved in 2021.

298. The pursued level of coverage of external verification of implementing partnership agreements is shown in table II.7.

Table II.7
Project partnership agreements subject to the external verification process

Type of partner	Total number of project partnership agreements ^a	Total budget value (millions of United States dollars)	Agreements subject to external verification			
			Number	Percentage of total number of agreements	Value (millions of United States dollars)	Percentage of total budget value
National non-governmental organizations	840	521	339	40	407	78
International non-governmental organizations	573	630	317	55	516	82
Governments	246	152	120	49	128	84
Total	1 659	1 303	776	47	1 051	81

Source: UNHCR, Implementation Management and Assurance Service, report on 2021 project audit certification, 30 June 2022.

^a Excluding agreements with United Nations agencies and the International Organization for Migration.

299. The number of unqualified and modified audit opinions in the years 2019–2021 is shown in table II.8.

Table II.8
Project partnership agreements with modified audit opinions, 2019–2021

Type of opinion	2021 ^a		2020 ^b		2019 ^c	
	Number	Percentage	Number	Percentage	Number	Percentage
Unqualified	632	98	720	95	645	95
Modified	12	2	35	5	31	5

Source: UNHCR, Implementation Management and Assurance Service, report on 2021 project audit certification, 30 June 2022.

^a Not fully complete, as 132 audit certificates remain pending as at 30 June 2022.

^b Status as at 5 October 2021.

^c Status as at 5 October 2020.

Finalization of partnership agreements

300. In general, UNHCR renews or steps into new partnership agreements on an annual basis with an implementation period of 12 months. Subsection 4 of section V, Expenses, of the UNHCR financial management manual sets out the management of partnership-related transactions. One central requirement is that heads of offices must ensure proper and timely negotiation as well as the preparation and signature of partnership agreements. Pursuant to the UNHCR administrative instruction on the management of UNHCR-funded partnership agreements (UNHCR/AI/2017/16), UNHCR and the respective partner should finalize the agreement before the start of the implementation.

301. The enterprise resource planning system of UNHCR offers a partnership agreement module, which facilitates the management of agreements. According to paragraph 5.35 of the UNHCR administrative instruction on detailed planning, budgeting, monitoring and implementation for 2021 (UNHCR/AI/2020/11), the partnership agreement module was opened on 2 November 2020, earlier than in previous years, to allow for budget submissions and the drafting and printing of

partnership agreements. Partnership agreement templates were available for approval and signature as from 8 December 2020.

302. The Board found that 8 of the 15 partnership agreements reviewed (more than 50 per cent) had been signed after the implementation period commenced, one of which by more than three months. All partners included in the sample check were already known to UNHCR and had been contracted in the past.

303. From the Board's point of view, a duly signed partnership agreement is the precondition for entering into the contractual relationship. The partnership agreement regulates rights and obligations for both parties. UNHCR has the obligation to transfer agreed instalments and other resources and the right to receive the agreed services. The implementing partner has the right to receive the agreed budget and other resources and the obligation to render agreed services and deliver results and outputs. The implementing partner is accountable to UNHCR for the effective use of resources. The partnership agreement provides clarity on expected results to be achieved under the terms of the agreement for allocated resources and sets out the time frame.

304. A duly signed partnership agreement is important since it is a legally binding and enforceable document between UNHCR and the implementing partner, stipulating the terms, conditions, responsibilities, obligations and accountabilities of the counterparts. The duly signed partnership agreement is the basis for both parties to take action or to step into legal action if they are convinced of the necessity. Therefore, the Board agrees with the UNHCR requirement stating that each partnership agreement must be signed before it comes into force. The Board is of the opinion that in cases in which UNHCR knows the implementing partner, the partner has already been contracted and there are no other reasons against a retention, there should be no delay in preparing and signing the contract in time.

305. With the earlier activation of the partnership agreement module, UNHCR extended the period to finalize such agreements. For the 2021 implementation period, signature was possible from early December 2020 and thus the time to finalize the partnership agreements was expanded. In the light of the fact that a signed partnership agreement is crucial, it is not comprehensible for the Board that in more than 50 per cent of the samples reviewed the partnership agreement was signed after the implementation period had begun. The Board is of the opinion that UNHCR should make efforts to prepare, negotiate and sign all partnership agreements in a timelier manner and thus comply with its regulations set out in the financial management manual.

306. The Board recommends that UNHCR ensure that country operations finalize partnership agreements prior to the project start.

307. UNHCR accepted the recommendation. UNHCR stated that it would continue to build the capacity of country operations. It recognized that some contexts would result in work starting before the partnership agreements had been finalized. UNHCR would include in the programme handbook and in the related guidance materials for the management of partnerships new risk-based procedures and mechanisms to allow for the collaboration to begin in special situations while the operations finalize the agreements for signature.

Accounting process of first instalment

308. Expense recognition and first instalment and accounts payable to partners are described in subsections 4.2 and 4.3 of section V, Expenses, of the UNHCR financial management manual. Upon signature of the partnership agreement by all the parties, UNHCR must recognize a liability and an expense for the first instalment, which

should be transferred by UNHCR within 10 days of signature of the partnership agreement. Instalments that relate to the subsequent year are reversed through manual mass journals that create a prepayment against the expenses.

309. The Board found that in three partnership agreements reviewed, the payment to the implementing partner was made more than 10 days after the partnership agreement had been signed by all parties. The agreements were signed before 1 January 2021. The current accounting process with manual mass journals at year-end is time-consuming and prone to errors. Therefore, UNHCR should consider a simplified and automated accounting process that ensures IPSAS-compliant accounting and makes manual intervention redundant. This measure should be implemented with the upcoming enterprise resource planning system.

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.

311. UNHCR accepted the recommendation and stated that the expected automation of the main partnership management processes within the PROMS project would reduce manual intervention in the posting of financial transactions.

Release of instalments other than the first

312. In its report for the year ended 31 December 2018, the Board reported on the allocation process of instalments to partners. The Board found cases in which an instalment was paid even though a small share of the previous instalment had been expensed. The Board recommended that UNHCR strengthen the link of performance review and resource requirements to additional instalment payments and document the review accordingly when initiating the payment of additional instalments (A/74/5/Add.6, chap. II, para. 262). UNHCR concurred with the recommendation and made changes to enhance the project finance report templates in annex E to the administrative instruction on detailed planning, budgeting, monitoring and implementation for 2021 (UNHCR/AI/2020/11). On the basis of the actions taken, the Board considered the recommendation implemented.

313. The Board included the size and number of instalments in the sample review. Annex E to UNHCR/AI/2020/11 provides comprehensive requirements for determining the number and size of instalments in the partnership agreement, as follows: The release of second, third and fourth instalments will be dependent on normal procedures – namely that the amount of instalment should be commensurate with the actual performance of the project (which should be documented in relevant project financial reports) and planned work for the next period in accordance with the agreement. When a request for a new instalment is made, UNHCR shall consider the amount of unused balance from the prior instalment. In the event that UNHCR decides to release the next instalment even though the unused balance of the prior instalment is more than one sixth of the total budget (i.e. approximately two months of running costs of the project), a written justification should be recorded on the project finance report. In considering such a release, the UNHCR country office may consider the risk rating of the partner, the progress being made against the project and any forecast of non-linear expenditure in the coming period.

314. The estimated number of instalments, as well as the size, is determined by the category resulting from the partner control assessment. According to the partner control assessment, five partners belonged to category C, four to category B and five to category A, and one partner was not categorized. The Board found that:

(a) In three partnership agreements reviewed, the amount of the (first) instalment exceeded the amount specified in the administrative instruction;

(b) One implementing partner did not request another instalment but nevertheless received the instalment;

(c) The remaining (unused) balance of the previous (mostly first) instalment was greater than 50 per cent of that instalment in five partnership agreements reviewed;

(d) In all samples, the reported partner expenses and next instalments were endorsed as requested, expenses recorded and instalments transferred accordingly.

315. UNHCR stated that deviations from the amount and number of instalments were due to liquidity challenges in unfavourable political and economic environments. In order to ensure liquidity and continuity, UNHCR had to deviate from the amount and number of instalments originally set. The modification of numbers of instalments (initially established) as a result of changing risk conditions in project implementation environments does not require a partnership amendment. According to UNHCR, those circumstances required the deviations. UNHCR stated that the process of requesting instalments would be automated as part of the PROMS project, which would significantly enhance the process.

316. The project finance reports are the basis for recognizing the partners' expenditure in the statement of financial performance of UNHCR and for deciding whether and in what amount the next instalment should be transferred. The Board found that UNHCR did not draw conclusions or comparisons related to the remaining unused balances of the previous instalments. The approval and transfer of a subsequent instalment as requested by the partner should be subject to a more diligent and deeper review in cases where the remaining unused balance exceeds 50 per cent of the previous instalment. From the Board's point of view, linking the transfer of the next instalment to one sixth of the budget is not appropriate in all cases. UNHCR should consider focusing more on unused balances and remaining (accumulated) liquidity with partners. Cash flows and resource requirements should be considered. Furthermore, a crucial instruction on how to handle the transfer of instalments should not be contained in an administrative instruction that relates to detailed planning, budgeting, monitoring and implementation for a specific year. The Board holds that it must be regulated in an instruction that typically deals with the handling of implementing partners.

317. On the basis of its findings during the current audit cycle, the Board still recognized weaknesses in the process of transferring subsequent instalments to partners. The Board appreciates the action taken to implement the recommendation disclosed in its report for the year ended 31 December 2018. The Board holds that there is still room to improve the overall process and implement measures in addition to the reference of one sixth of the budget as a basis for the decision to transfer subsequent instalments.

318. The Board recommends that UNHCR strengthen the link between performance review and the release of additional instalment payments and enable the documentation of the review in the upcoming software solution.

319. UNHCR accepted the recommendation and stated that it had improved the link between performance review and financial verification leading to requests for new instalments. The process for requesting instalments is intended to be automated as part of the PROMS project. This automation will significantly enhance partnership management in this area.

Submission of partner financial reports

320. The UNHCR financial management manual provides comprehensive guidance on managing implementing partners. Pursuant to subsection 4.4, Project financial reports, of section V, Expenses, implementing partners are required to submit periodic financial and performance reports to account for the use of funds received and delivery of the expected results. The dates when a report is due are stipulated in the partnership agreements. The standard deadline for submitting the final partner financial report is on 15 February of the subsequent year.

321. The Board found that five partners had submitted the final partner financial report after the deadline. The final partner financial report is, in the Board's view, of specific importance since it is the basis for calculating the unreported balances disclosed in the statement of financial position. Furthermore, the final partner financial report is decisive for determining whether the allocated budget has been used in accordance with the partnership agreement and in what amount. It therefore forms the basis for any reclaims by UNHCR for unspent or ineligibly spent funds. In the Board's view, it is not acceptable that one third of the final partner financial reports due were submitted after the deadline. The more reports that are finalized, the more precise is the amount of the unreported balance.

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.

323. UNHCR accepted the recommendation and stated that the process of submission of the partner financial reports would be automated as part of the PROMS project. The automation is expected to enhance the compliance with the requirements for the timely submission and revision of the partner financial reports.

Separate bank accounts

324. In accordance with the UNHCR financial management manual, with regard to bank accounts for partnership agreements, implementing partners are required to deposit all funds received from UNHCR into separately identifiable and preferably interest-bearing accounts. Implementing partners may use separate or pooled accounts provided that the contribution accounting is transparent, traceable and auditable for each transaction and accessible to UNHCR.

325. The Board found that one implementing partner, which was located in a country with a well-developed banking sector, used a pooled bank account for several projects from multiple donors. The general conditions of the partnership agreement allowed the partner to use pooled bank accounts. With two instalments, the partner received an amount of \$0.9 million and credited the amount to the pooled account. The partner did not share bank statements with UNHCR for checking and reconciliation purposes. UNHCR advised the partner to keep all the necessary documents related to the payments, since the bank account was not a separate bank account. According to UNHCR, the partner never opened a separate bank account for this project. The partner provided proof of payments, such as payment advice slips, as a substitute for lacking documentation. On the basis of that information, the relevant UNHCR field operation was able to identify the transactions to the bank account.

326. The Board is of the opinion that partnership agreements should not include the general condition of separate or pooled bank accounts. As in the case described above, the partner may be encouraged not to open separate bank accounts and instead see the condition as a precondition. The partner is based in a highly-developed industrialized country with a comprehensive banking infrastructure. The Board is of the opinion that, in such cases, UNHCR should not accept pooled bank accounts. Moreover,

UNHCR and the partner have long-term collaboration and thus the partner should be familiar with the requirements of UNHCR. Furthermore, the Board holds that it is unacceptable for UNHCR not to receive bank statements from a partner for reconciliation purposes, in particular when the issue had been communicated to the partner. The Board holds that the reasons for pooled bank accounts instead of separate accounts must be disclosed in the partnership agreement. Partners must be requested to take measures for separate bank accounts.

327. The Board recommends that UNHCR ensure that no partnership agreement is signed if a partner's separate bank account is non-existent or, in cases where pooled accounts are used, that partners are required to enable UNHCR access to the banking information in the same manner as is done for a separate project bank account and that affected transactions can be identified in a reasonable time.

328. UNHCR agreed with the recommendation, while emphasizing that partnership agreements stipulate that the use of pooled bank accounts (where the account receives funds from other, non-UNHCR sources) was possible in cases in which the partner ensures that contribution accounting is transparent, traceable and auditable for each transaction and accessible to UNHCR and any other entity duly authorized by UNHCR. Furthermore, UNHCR mentioned that the case described above was an exception. UNHCR was aware of few cases in which partners who used pooled bank accounts were unable or unwilling to initially provide access to the pooled bank statements. UNHCR assessed related risks as manageable.

329. The Board adheres to the recommendation. The Board holds that even if the cases may be limited, a separate bank account is of the utmost importance for compliance with the UNHCR financial management manual. The exceptional conditions for using a pooled bank account require the contribution accounting to be transparent, traceable and auditable for each transaction and accessible to UNHCR. Those conditions were not met by the partner up front. Therefore, UNHCR must insist on separate bank accounts in cases where the partner cannot provide evidence that the exceptional conditions are met up front.

Fundraising activities

330. It is stipulated in article 8.3 of the financial rules for voluntary funds administered by the High Commissioner for Refugees ([A/AC.96/503/Rev.10](#)) that whenever possible and appropriate, the implementation of programmes and projects will be entrusted to implementing partners, private firms or individual experts. According to article 1.6 (o) of the financial rules, "implementing partner" shall mean an entity to which UNHCR has entrusted the implementation of programmes and projects specified in a signed document, along with the assumption of full responsibility and accountability for the effective use of resources and the delivery of outputs as set forth in such a document. The entity could be a governmental, intergovernmental or non-governmental body, a United Nations organization, or another non-profit organization.

331. Among the samples reviewed, the Board identified an implementing partner with whom the collaboration comprised raising funds in the private sector and raising public awareness of the UNHCR mandate through, for example, social media appearances and public events. The Board noted that the implementing partner did not have the task of delivering any kind of support to persons of concern under the reviewed partnership agreement. The Board identified eight more partners active in the same area with funding of \$69 million.

332. Typical projects and programmes of UNHCR cover core activities, such as providing shelter, distributing relief items and advocating for persons of concern. In

general, these core activities are funded by donors through more or less earmarked contributions that UNHCR sometimes solicits through project proposals. UNHCR implements these activities directly or through partners. Considering the nature of fundraising and increasing public awareness, the Board is of the opinion that such an activity does not fit into the above-mentioned criteria. The Board holds that the nature of this activity represents advertising and donor relationships, typical activities carried out by the Division of External Relations and the regional bureaux. Therefore, the Board is of the opinion that in the case reviewed, the implementing partner should be categorized more as a service provider than an implementing partner. Expenses incurred with this agreement should therefore not be classified as implementing partner expenses but should be disclosed in the expense categories of “other expenses – advertising, marketing and public information” or “other contractual services – advertising, marketing and public information”. The Board is of the opinion that this also applies to the other eight partners acting in the same area.

333. The Board recommends that UNHCR review the nature of agreements with implementing partners to identify those agreements that do not fit into the category of implementing partner expenditures and recategorize those expenditures to categories that suit the substance of the services received.

334. UNHCR agreed with the recommendation. UNHCR has confirmed that it will assess the accounting for the expenses of the various types of implementing partners and suppliers once an applicable IPSAS standard that is currently in progress is issued. The Board is confident that UNHCR will undertake this assessment in the future.

6. Cash assistance to beneficiaries

335. In 2021, UNHCR slightly expanded the use of cash assistance programmes from 78 to 98 country operations. Despite the increase in programmes, the total amount of cash assistance decreased by \$26.6 million, or 3.8 per cent, to \$668.5 million. The amount allocated to direct programmes was \$573.2 million (\$607.7 million in 2020). Programmes implemented through partners accounted for \$95.3 million (\$87.4 million in 2020) of the expenses. In August 2021, UNHCR handed over one of its largest cash assistance programmes (\$122.2 million in 2020) to a Government.

336. The Board analysed cash assistance samples from 15 country operations that totalled \$74.5 million and conducted several interviews with the cash assistance unit at headquarters. The findings of the Board are presented below.

New cash-based intervention policy for the period 2022–2026

337. In March 2022, UNHCR published a new cash-based intervention policy for the period 2022–2026, the overall objectives of which are:

- (a) To use a “why not cash approach”, whereby operations must give cash-based intervention priority over in-kind assistance;
- (b) To increase the ownership of cash-based intervention among all staff, with an emphasis on senior management, and to fully mainstream it in the country operations and the regional bureaux;
- (c) To embed cash-based intervention in protection and solution strategies in accordance with the policy commitments of UNHCR;
- (d) To collaborate with stakeholders in cash-based intervention planning and implementation.

338. In the new cash-based intervention policy, UNHCR provides a description of the roles and responsibilities aimed at effective implementation of the policy by country operations, regional bureaux and headquarters entities.

339. The Board welcomes the new cash-based intervention policy, since the transparent definition of responsibilities is in line with the recommendations of the Board in the area of decentralization and regionalization (A/76/5/Add.6, chap. II, para. 66). The new policy closes a regulatory gap in the definition of responsibilities of the different organizational levels in the area of cash-based intervention. The articulated vision and commitment of UNHCR to further advance the systematic use of cash-based intervention while maximizing the quality and impact of its implementation in the new policy coincides with the Board's audit focus.

Country operations' cash-based intervention units: structure and staffing

340. For the interim and final financial audit cash-based intervention sample review, the Board compiled an overview of active cash-based intervention officers as at 31 January 2022. Pursuant to the job description, the programme officer in the area of cash-based intervention oversees the UNHCR cash assistance programme in a country operation. The officer is responsible for ensuring that cash-based intervention complies with the cash-based intervention policy and technical guidance and administrative instructions on cash-based intervention. The officer collaborates with the relevant multifunctional team members.

341. Table II.9 illustrates the different staffing capacities and volumes of expenses of cash-based intervention programmes included by the Board in its samples. The Board found no clear correlation between the volume of cash assistance expenses and staffing levels. For example, country operations 8, 10, 12 and 14 have not staffed an international P-3 position, while country operations 9, 11, 13 and 15, with similar volumes of expenses, have staffed such a position.

Table II.9
Staffing capacities and cash assistance expenses in 2021

<i>Sampled country operation^a</i>	<i>Affiliated workforce</i>	<i>National staff</i>	<i>International staff – P-3</i>	<i>International staff – P-4</i>	<i>Cash assistance expenses (millions of US dollars)</i>
Country 1	–	9	1	–	119.5
Country 2	4	2	1	1	106.4
Country 3	–	3	1	–	73.6
Country 4	–	8	–	1	71.8
Country 5 ^b	–	–	–	–	64.5
Country 6	–	4	1	–	34.7
Country 7	–	2	1	–	25.1
Country 8	–	1	–	–	15.7
Country 9	–	1	1	–	6.8
Country 10	–	1	–	–	6.0
Country 11	3	1	1	–	5.9
Country 12	–	–	–	–	2.3
Country 13	–	–	1	–	2.0
Country 14	–	1	–	–	1.1
Country 15	–	–	1	–	1.1

Source: UNHCR financial statements.

^a Positions actually filled as at January 2022.

^b Cash-based intervention programme closed in August 2021.

342. The Board is aware of the fact that the programmes differ significantly by operational context and complexity. The Board is of the opinion that, apart from the volume of cash-assistance expenses, other parameters should be considered by UNHCR to determine appropriate staffing capacities. Those parameters could be, for instance: the target group, the location of beneficiaries (camp, urban or field), the delivery mechanism (e.g. cash over the counter or mobile money) and the security situation in the country. In the Board's view, the mandatory risk assessment could serve as a further reference point and benchmark.

343. In the present paragraph, the Board uses an example to illustrate important parameters that should influence staffing. In one of the samples, the Board identified significant financial and organizational deficiencies in the cash-based intervention unit at the field level. The cash-based intervention programme was supposed to be scaled up in the country operation in 2021. However, the country operation stated that the scaling up was not successful. The operational context of the country operation is characterized by a tense security situation and by the programme's complexity as it covers three target groups: internally displaced persons, refugees and host communities in urban and rural locations. The cash distribution takes place with a cash-over-the-counter delivery mechanism. Especially in the field locations, UNHCR depends on partners and the financial service provider in the absence of its own staff. In general, cash over the counter as a delivery mechanism is more prone to fraud than other delivery mechanisms. In the present case, the situation was exacerbated by a lack of cooperation between different staff members in a multifunctional team, which was only constituted as a response to that year's audit procedures and had individual terms of reference, including roles, responsibilities, composition and reporting lines.

344. The Board asked how country operations decided on which grades and how many positions to establish to implement cash-based intervention programmes. UNHCR stated that it had developed a handbook for designing field presences in 2021, the purpose of which was to support UNHCR operations in setting up the structure of a field office by explaining the different types of UNHCR field offices. The office structure is regularly designed around five main pillars and the cash-based intervention officer is assigned to the Programme Section.

345. The Board holds that the handbook provides a good overview of possible office structures. However, the design and composition of the staff a country operation needs to responsibly set up a specific cash-based programme are not included in the handbook and are not explained in other organizational guidelines. For a representative, it is therefore not possible to seek guidance on the staff who are needed to set up specific cash-based programmes, for example, with a cash-over-the-counter delivery mechanism in a refugee setting where UNHCR is to chair cash coordination in the intersectoral/inter-cluster coordination group. The Board holds that UNHCR is lacking criteria for minimum staffing and related benchmarks and parameters for staffing cash-based intervention units of different sizes.

346. According to UNHCR, cash coordination is both a technical and a strategic issue that is high on the agenda of donors and partners. The Board therefore considers it necessary to provide detailed guidance on how country operations should be staffed and structured for cash-based intervention programmes of varying complexity and volume. The Board holds that such staffing guidance would help country operations set up or scale up cash-based programmes, giving UNHCR a higher assurance that the cash transfer will reach persons of concern and secure their needs.

347. The Board recommends that UNHCR expand its guidance on designing field presences by including recommended benchmarks and parameters for determining minimum required staffing levels of cash-based intervention programmes.

348. UNHCR accepted the recommendation and stated that the grade of a position was determined through the evaluation and classification of the job descriptions. UNHCR stated that it used the International Civil Service Commission Master Standard methodology for these purposes.

Exit strategies for cash-based intervention programmes

349. Exit strategies for cash-based intervention programmes are context-specific and can include a range of different responses. The strategy may involve resettlement activities, livelihood opportunities for persons of concern, self-reliance and advocacy to transform policies and services that affect persons of concern. The focus of UNHCR for exit strategies in the past few years has been on aligning cash-based programmes with national safety nets.

350. UNHCR has a four-year road map (2022–2025) for stepping up its engagement for the inclusion of refugees, internally displaced persons and other persons of concern to UNHCR in government social protection systems. The global compact on refugees emphasizes the support of refugees through cash-based transfers to meet their immediate food and nutritional needs. However, for the medium- to long-term perspective of persons of concern, the need for self-reliance in food security and the inclusion of refugees in social safety nets are highlighted in the global compact. Among other things, UNHCR has a repository catalogue of its tools and guidance for cash assistance from 2021 that highlights key considerations in aligning humanitarian cash assistance with national social safety nets in refugee settings.

351. The mapping of national social safety nets is the first step to analysing options to align UNHCR cash-based programmes and to integrate persons of concern in local social safety nets. Therefore, the Board requested the latest mappings of social safety nets at the headquarters or bureaux levels in the past few years (2019–2022). UNHCR provided two regional mappings of social safety nets for Europe, covering 45 countries, and for Africa, covering 8 countries. The Board holds that UNHCR should conduct mapping of social safety nets in all regions on a regular basis to support country operations in the aim of including refugees and other persons of concern in social safety nets.

352. The second step is to link cash assistance programmes to exit strategy opportunities for persons of concern to establish sustainable livelihoods. The administrative instruction on the financial procedures for cash-based interventions (UNHCR/AI/2017/15) provides no specific guidance on how to link cash-based intervention programmes with exit strategies for persons of concern. Only the standard operating procedures template in annex D to the administrative instruction includes a chapter entitled “Suspension” for country operations. Here, country operations should describe under which circumstances the cash-based programme would be suspended and which alternative assistance/service delivery arrangements have been considered instead.

353. During the interim and final financial audit sample review, the Board examined whether country operations described exit strategies or scenarios for cash-based intervention programmes in their country cash-based intervention standard operating procedures or other sources. Of the 15 countries reviewed, 5 described exit scenarios, 4 presented some options for exit scenarios without specifying them in detail and 6 did not present any or presented insufficient ideas for possible exit scenarios.

354. Among the exit scenarios for cash-based intervention programmes reviewed, the Board found detailed and comprehensive scenarios. For example, one country operation used key points to describe various options for phasing out cash-based intervention programmes in the standard operating procedure. On the other hand, country operations had not adapted the standard operating procedure template text in

the “Suspension” chapter. As a result, country operations often do not describe activities and backup measures on how to manage the process of exiting a cash-based programme, which the Board considers challenging but important for protecting persons of concern. UNHCR commented that any cash assistance should be linked to regulatory frameworks, rights and real opportunities for persons of concern to establish sustainable livelihoods. The Board encourages UNHCR to document this linkage in a more standardized way, for example, as part of country strategies, cash assistance standard operating procedures or similar planning documents.

355. Supporting people in need through cash assistance always means reinforcing dependencies on benefactors. Since durable solutions play an important role in the global compact on refugees, the Board believes it is important for UNHCR to consider appropriate linkages between cash assistance and sustainable livelihoods and durable solutions from the outset of the cash-based intervention programmes. With 6 out of 15 sample countries giving no or insufficient consideration to medium- and long-term solutions for persons of concern enrolled in cash-based programmes, the Board sees room for enhancement.

356. The Board recommends that UNHCR put a stronger emphasis on the documented inclusion of exit strategies with regard to cash-based intervention programming wherever feasible in view of the operational context.

357. UNHCR agrees with the recommendation to add a section on potential exit strategies in the cash-based-intervention-related standard operating procedures, noting, however, that cash-based interventions can be only a part of a larger protection and solutions context and thus exit strategies need to take into account the complexity and specificity of each such context.

Handover of cash-based intervention programmes

358. For country operations that focus on integrating persons of concern in national social safety nets in their exit strategies, the final step is to hand over the cash-based programme to the respective Government. In 2021, one country operation handed over its cash-based intervention programme to the Government of the country. The cash-based intervention expenses in this country operation decreased by \$63 million because of the discontinuation of the cash-based programme.

359. The Board asked the country operation for a checklist and lessons learned from the handover of the cash-based intervention programme. Specific tasks for closure of a cash-based intervention programme derive from the administrative instruction on the financial procedures for cash-based interventions (UNHCR/AI/2017/15), the cash-based intervention programme standard operating procedures, contracts with service providers, donor agreements and data protection regulations.

360. The country operation stated that in order to plan the various steps to be considered during the exit of a cash-based intervention programme, the operation developed a multifunctional team action plan. Furthermore, the country operation developed a checklist for field offices to facilitate smooth disengagement from the cash-based intervention activities.

361. The Board also asked whether UNHCR had specific training material for its staff to prepare a cash-based intervention programme handover. According to UNHCR, specific training material for cash-based intervention programme handovers is not yet available.

362. The Board is of the opinion that the country operation had to manage several challenges in the programme closure, such as a short-term extension for three months during which the majority of the staff had already been redeployed. The Board holds that the knowledge gained from that programme should be made available to all

country operations. The lessons learned should help to develop a common set of reference materials and tools outlining specifically how operations can align their existing assistance and work with government and development actors and, in a final step, how to hand over the programme to Governments where feasible. Relevant lessons learned and the evaluation of the cash-based intervention programme handover should be summarized, generalized and published on the cash-based interventions global intranet site.

363. The Board recommends that UNHCR summarize lessons learned from the exit of cash-based intervention programmes and the handover of such programmes to make best use for subsequent exit scenarios.

364. UNHCR agreed with the recommendation and stated that it would summarize the lessons learned from the recent experience, which was to date the only country where such a handover had occurred. UNHCR emphasized the extraordinary character of that handover and highlighted that such handovers would remain highly context-specific in that they would be tied to the host country's policies, regulatory frameworks and available resources, among other things.

Year-to-year trend analysis of post-distribution monitoring data

365. The Board discussed in detail how UNHCR analysed and aggregated data from post-distribution monitoring reports in previous years' audit reports, particularly the report for the year ended 31 December 2018 (A/74/5/Add.6, chap. II, paras. 202–214). Post-distribution monitoring is used to monitor and assess the effectiveness of cash assistance programmes and the outcome of cash assistance on the well-being of recipients. The monitoring provides quantitative and qualitative insights into trends among beneficiaries related to their experience with cash assistance.

366. In 2020, UNHCR summarized the main outcomes of post-distribution monitoring in a public report. In 2020, 73 per cent of persons of concern could only meet half or less of their basic needs and only 26 per cent reported that they could meet more than half of their basic needs with the support they received. Furthermore, 77 per cent of the households surveyed engaged in one or more negative coping mechanisms to meet their basic needs. For example, 59.3 per cent were reported to skip paying rent or debts and 17.4 per cent had to stop a child from attending school.

367. UNHCR has detailed user guidance for country operations explaining how to collect and assemble the data for post-distribution monitoring. UNHCR has a global dashboard in which all country operation results of the individual post-distribution monitoring are summarized and displayed numerically. UNHCR provides a post-distribution timeline and trend dashboard showing interview results for a total of 12 out of 98 cash-based intervention country operations. The Board's sample comprised four country operations that were included in the timeline dashboard. The Board acknowledges the intensive work that has been done in that area. The Board has re-examined the post-distribution monitoring, as the Board was then able to assess in more detail the application of the new guidance and post-distribution dashboards at the global and country levels.

368. The Board requested 12 country operations to provide post-distribution monitoring reports. Of those operations, nine conducted post-distribution monitoring in 2021. The review focused on the question of whether country operations compared the 2021 post-distribution outcomes with the previous year's data in the narrative report and interpreted the trend, for example, whether operations discussed the reasons for the trend when the percentage of households that reported stopping a child from attending school decreased from 40 per cent in 2020 to 20 per cent in 2021 or vice versa. The Board found that only one post-distribution monitoring report compared interview results from two quarters in a trend analysis. Among the reports

reviewed, the Board found none that included a year-to-year trend analysis. In five of the reports reviewed, only the data and facts from the 2021 survey were presented and the reports did not include any narratives or interpretations.

369. At the global level, the post-distribution figures can only be interpreted to a limited extent owing to the different programme focus and context. The Board holds that at the country level, operations can usually compare the results with the previous year's figures. The Board therefore considers it important to analyse the post-distribution monitoring results with the previous year's data. UNHCR should interpret the survey respondents' answers and identify trends in the well-being of persons of concern. Post-distribution is a monitoring system where UNHCR systematically collects data across programmes. UNHCR should therefore use this long-term study data to help country operations derive insights for programme design and adaptation.

370. The Board recommends that UNHCR continue to further expand the year-to-year trend analysis in post-distribution dashboards and reports where relevant.

371. UNHCR accepted the recommendation and stated that it would continue to analyse trends and that it had included the possibility of running year-to-year country comparisons in the post-distribution monitoring dashboard. UNHCR commented that it was important to underline that comparison was not always possible as the programme and contextual characteristics might significantly vary from year to year and from one geographical location to another.

7. Procurement

Guidance on procurement

372. In 2021, UNHCR issued its policy on procurement (UNHCR/HCP/2021/01) and an administrative instruction on procurement (UNHCR/AI/2021/05). Together with the Financial Regulations and Rules of the United Nations and the financial rules for voluntary funds administered by the High Commissioner, these documents form the UNHCR procurement rules and regulations. In accordance with paragraph 4.1.1 of the UNHCR policy on procurement, these documents should be read in conjunction with relevant parts of chapter 8 of the UNHCR manual. At the same time, the administrative instruction on procurement stipulates that it supersedes the procurement-related parts of chapter 8 of the UNHCR manual, such as roles and responsibilities, supply management in emergencies, sourcing infrastructure, assessing needs, purchasing plans, tendering, contracting goods and services and committees on contracts.

373. Chapter 8 of the UNHCR manual was published in 2013. It contains some outdated information and some parts deviate from the UNHCR procurement rules and regulations. For example, the current organization of headquarters and the regional bureaux is not reflected. UNHCR has been planning to update chapter 8 of the UNHCR manual since at least 2016 ([A/73/5/Add. 6](#), chap. II, para. 228).

374. UNHCR issued a new policy and administrative instruction on procurement in 2021 and planned to update the related chapter 8 of the UNHCR manual soon after. The Board considers it important that staff have clear and consistent guidance on procurement matters. Therefore, UNHCR should complete the update of chapter 8 of the UNHCR manual in a timely manner to ensure consistency with the UNHCR procurement rules and regulations.

375. The Board recommends that UNHCR finalize and publish the updated chapter 8 of the UNHCR manual, on supply management, to ensure consistency with the UNHCR procurement rules and regulations.

376. UNHCR accepted the recommendation. UNHCR stated that it was well advanced in the process of drafting an updated chapter 8: the procurement part of the chapter was expected to be released by the third quarter of 2022, the supply orchestration part by the end of 2022 and the logistics and inventory part by the end of the first quarter of 2023.

Guidance on construction projects

377. In 2021, UNHCR incurred expenses for construction works that mainly related to building projects to give shelter to persons of concern or to accommodate UNHCR administrative staff. The respective expenses for 2021 amounted to \$64.7 million (compared with \$55.5 million in 2020), resulting in an increase of 16.6 per cent compared with 2020. The construction projects are carried out in different country operations situated all around the world. Project realization normally takes longer than a period of 12 months and its satisfactory completion depends on the involvement and potential interference of different stakeholders, such as governments, construction companies and persons of concern. The Board reviewed the accounting processes for the most significant construction projects for 2021. The core areas of the examinations have been whether expense recognition happened in the same period as services were delivered, invoices were paid in reference to verification and construction works were confirmed as successfully delivered, as well as whether overall project monitoring was sufficient.

378. For those reviews, the Board performed some test of detail audit procedures for significant expense recognitions referring to construction projects. The respective country operations provided an abundance of varying supporting documents for the projects. The Board identified that operations used different documents to monitor and verify construction progress and project realization. In many cases, the operations concerned were not able to provide the necessary documents on time or at all to a complete extent. For a significant number of documents provided by UNHCR, distinct identifiers for reconciliation of contracted and ordered services with those services provided and invoiced have been missing. Parts of construction reports and other necessary documents have not been properly signed and dated. Moreover, the Board revealed that the job titles of the personnel in charge for project management and monitoring differed considerably between operations.

379. The Board holds that inconsistent documentation and monitoring hinders efficient and transparent project management, which is crucial especially regarding extensive construction projects. For stakeholders not directly involved in the construction processes, it is crucial to understand whether projects are realized in accordance with contracted stipulations and approved budgets. Payments should only be released if evidence of service provision is unquestionable and has been verified by personnel with the necessary knowledge and qualifications. Therefore, the personnel deployed for managing the construction projects on behalf of UNHCR should possess comparable professional backgrounds expressed in institutionalized job titles. Records to document and acknowledge the progress and delivery of construction works must be designed consistently. Their utilization should be incorporated in the respective courses of projects. Headquarters should regularly verify the performance of project management and provide consultations when deemed to be necessary.

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.

381. UNHCR accepted the recommendation and started to capture and consolidate the construction-related guidance that is currently available in various documents to incorporate it in a new programme handbook currently being developed. This handbook will contribute to improved consistency and use of harmonious (not necessarily identical) practices and procedures, ensuring compliance in field operations to the rules and regulations regarding construction projects.

Tracking of corporate consultancies

382. Since corporate consultancy contracts are subject to standard procurement and contract management procedures, the Board asked UNHCR to provide figures on corporate consultancies engaged in an advisory or consultative capacity providing professional advice, expertise and judgment. UNHCR stated that it did not have a categorization based on the exact requested details.

383. The corporate consultancies engaged in an advisory capacity were recorded within five item identifiers and were not separately identifiable. The item identifiers were set up to capture different types of consultancies, namely those related to human resources, advertising and marketing, as shown in table II.10.

Table II.10
Categorization of consultancies

<i>Item identifier</i>	<i>Item description</i>	<i>Account</i>
3012	Information technology consultancy	621050
7491	Corporate consultancy services	627050
9682	Information technology corporate consultancy services	627050
9683	Business corporate consultancy	625700
9684	Human resources management consultancy	625700

Source: UNHCR.

384. The item identifiers mentioned above comprised transactions covering various professional, technical and intellectual service contracts carried out by companies and institutions, such as information management, enterprise resource planning, training and human resources management. As the advisory consultancy contracts were part of these multiple item identifiers, UNHCR recorded and monitored those contracts in similar ways as it does for all other contracts but was unable to provide expenditures for this specific type of service.

385. In order to be able to consolidate, assess and report specifically on expenditures for corporate consultancies engaged in an advisory or consultative capacity, the Board holds that UNHCR needs to track those kinds of engagements separately.

386. The Board recommends that UNHCR track and consolidate the expenditures for consultancies engaged in an advisory or consultative capacity and stresses the need to review the categorization of its item identifiers and relevant item descriptions.

387. UNHCR agreed with the recommendation and accepted the need to review the categorization and description of item identifiers.

8. Human resources management

Overarching strategy for managing and planning human resources

388. As the Board highlighted in its previous report, human resources management is a fundamental element that enables management to align the workforce with the business plan, anticipate changes and address current and future workforce issues. The Board pointed out that workforce planning was not given sufficient strategic importance.

389. For its previous report, the Board analysed the steps taken by UNHCR to improve its workforce planning management. The Board discussed the status of the workforce planning process with the Division of Human Resources and reviewed and evaluated the documents provided. The Board took note of efforts by UNHCR to strengthen strategic and operational workforce planning.

390. On the basis of the Board's recommendation, UNHCR disseminated guidance and instructions to support its field operations in reviewing their staffing needs as part of the annual and multi-year planning. UNHCR promulgated the following guidance materials:

(a) The UNHCR handbook for designing field presences, the purpose of which is to assist UNHCR operations in setting up a field office by explaining the different types of UNHCR field offices and providing guidance on how to structure field offices;

(b) Annex D to the administrative instruction entitled "COMPASS get results: implementation planning for 2022" (UNHCR/AI/2021/8), which provides guidance on workforce planning and position management under COMPASS.

391. In addition to those guidelines and tutorials, UNHCR conducted short workforce planning courses for various target groups to introduce workforce planning exercises. In conjunction with the short workforce planning courses, UNHCR promulgated a workbook that gathered information from different internal and external sources to explain the meaning and methodology of workforce planning.

392. While UNHCR stated that annex D to administrative instruction UNHCR/AI/2021/8 introduced an "end-to-end strategic workforce planning approach" and also provided guidance prioritizing regional bureaux and operations through workshops and short courses, it acknowledged that further action would continue to be taken, particularly that related to global alignment with the overall UNHCR planning process.

393. The Board took note of the efforts made by UNHCR, but detailed workforce planning is of limited value if it is not embedded in an organization-wide strategic workforce framework that outlines the human resources management targets for the whole organization and how to align budget restrictions with staffing demand in the future. Strategic workforce planning involves more than just gathering information in one place and explaining why workforce planning is required as part of an overarching approach for UNHCR. The picture of an "end-to-end strategic workforce planning approach" in annex D to the administrative instruction is just an illustration of how workforce planning works by explaining in general the steps to be taken.

394. A framework includes an overarching strategic approach on how trends could be assessed and how to bridge possible gaps in the demand and supply of staff. Such an approach would facilitate prioritizing the strategic objectives of the operations and would enable operations to categorize staffing demand and budget allocation.

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.**

396. UNHCR accepted the recommendation and stated that its workforce planning approach would be piloted during the period 2021–2022 and adjusted and rolled out in 2023, and would then inform and constitute an important element of the larger workforce planning framework.

Benchmarks for facilitating workforce planning exercises

397. As part of its transformation process, UNHCR revised its functional group structure to align the functional areas with current and emerging work of the organization. The purpose of the functional group structure was to categorize and to list UNHCR job titles under eight functional areas, as follows:

- (a) Executive and management;
- (b) International protection and solutions;
- (c) Operational delivery;
- (d) External relations;
- (e) Administration and finance;
- (f) Supply;
- (g) Human resources;
- (h) Information technology.

398. The functional area of international protection and solutions covers, for example, a wide range of activities that correlate with the UNHCR protection mandate.

399. In its previous report, the Board stressed the need for staffing review toolkits to support operations in reviewing their staffing needs and to ensure that UNHCR operations could conduct staffing demand analyses. The Board acknowledged the efforts made by the Division of Human Resources to provide more valuable workforce planning tools. However, indicators for benchmarks or the grouping of operations are still being developed.

400. Given the fact that staffing levels have increased significantly (by 70 per cent) in some operations between 2017 and 2022, it is essential for UNHCR to develop a practical, principles-based approach that presents a set of practical benchmarks to assist managers in human resources planning. Even if increased staffing needs may be caused by extraordinary circumstances like emergencies, there should be clear guidance and verifiable criteria on how to determine and document such needs. These practical benchmarks should provide a framework for quantifying the minimum staffing level required for each functional area, considering the number of persons of concern and budget volume. In the view of the Board, such a framework could broadly guide UNHCR country operations to quantify staffing needs and to ensure the cost-effective use of staff. These indicators also help to compare the staffing requirements among the operations and improve transparency.

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.**

402. UNHCR accepted the recommendation, emphasizing that a number of functional areas in UNHCR had already designed and communicated widely their own functional benchmarks. UNHCR will work further to develop a comprehensive and holistic set of functional benchmarks that take into account different operation types and contexts.

Workforce planning approach prototype and COMPASS

403. Annex D to administrative instruction UNHCR/AI/2021/8, which entered into force on 16 July 2021, contains an end-to-end strategic workforce planning approach prototype that should enable UNHCR operations and bureaux to execute the strategic workforce planning cycle. The prototype is composed of five steps and should be carried out in the “plan” phase in COMPASS. In the first step, UNHCR operations, bureaux and divisions should obtain and understand the strategic priorities and assess changes in the function and structure of the workforce on the basis of the strategic priorities. In a second step, they should analyse the workforce, while the third step involves gap identification between the desired structure versus the current state. As the fourth step, during the COMPASS implementation phase, they should develop and implement a human resources action plan by considering the cost and effort versus the impact of each item listed in the human resources action plan. The fifth step is aimed at monitoring the implementation of the human resources action plan through the definition of three to five key performance indicators defined at the country office and bureau level and in divisions at headquarters. The indicators need to be defined and measured before and during the roll-out of the human resources action plan.

404. The virtual field visits of two multi-country offices and interviews with human resources authorities revealed that the management in the field could not translate the given end-to-end strategic workforce planning approach prototype into feasible workforce plans. The requested workforce plans had not yet been drafted by the operations and the one provided by UNHCR could not be considered to be a feasible workforce plan. Furthermore, in the Board’s view, it may be risky to leave it in the responsibility of country offices to define their own indicators for monitoring and measurement purposes. In addition, it is not suitable in the light of comparability and measurement studies. UNHCR should communicate to its operations which key performance indicators should be applicable for monitoring purposes. Therefore, UNHCR should determine and categorize key performance indicators that can be adapted to the unique circumstances and staffing needs of each operational area.

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.

406. UNHCR accepted the recommendation.

Distribution of staff of human resources management

407. At the Board’s request, UNHCR prepared a table showing the number of UNHCR staff and affiliates and how the human resources staff are distributed among the seven UNHCR regional bureaux (see table II.11).

Table II.11
Distribution of human resources staff among the seven regional bureaux

<i>Regional bureau</i>	<i>Americas</i>	<i>Asia and Pacific</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Europe</i>	<i>Middle East and North Africa</i>	<i>Southern Africa</i>	<i>West and Central Africa</i>
UNHCR staff	1 334	1 514	3 231	1 251	2 385	839	1 714
Affiliates	1 013	630	772	274	1 061	183	239
Total workforce	2 347	2 144	4 003	1 525	3 446	1 022	1 953
Human resources staff	53	47	116	45	68	37	42
Number of locations with human resources presence	101	71	113	91	58	40	85
Human resources staff as a percentage of UNHCR staff	3.97	3.10	3.59	3.60	2.85	4.41	2.45
Human resources staff as a percentage of total workforce	2.26	2.19	2.90	2.95	1.97	3.62	2.15

Source: MSRP as at 31 December 2021.

408. The Board noted that the number of human resources staff did not seem to be related to the total number of staff or to the total workforce, including affiliates. UNHCR stated that the size of the workforce (staff and affiliates) is not the only important criterion for determining the size of human resources staffing in a given location. The standard assignment length of positions, as well as the number of locations in the country or region, also have an impact on the size of human resources teams in operations.

409. Considering, for example, that one of the regional bureaux with the lowest number of staff has the highest proportion of human resources staff but also the lowest number of locations with a human resources presence, the Board deems it necessary that UNHCR reconsider the methodology for determining the right size of the human resources teams in operations. UNHCR should take into consideration that an appropriate human resources staffing strength is important for the whole organization, which could also lead to the conclusion that the total number of human resources employees should be increased.

410. The Board recommends that UNHCR reconsider the methodology for determining the right size of the human resources teams in operations.

411. UNHCR accepted the recommendation.

Role of the senior human resources partner

412. With the establishment of COMPASS, the new results-based management tool, UNHCR outlines the roles and responsibilities related to planning, managing, monitoring and reporting on results and held by UNHCR colleagues in each area of budgetary control. The plan access control introduces a number of new system roles assigned to existing functional roles to enhance the engagement of colleagues in the ownership of the new operations management process. Depending on the size of an operation, a person may hold multiple system roles in a given operation, for example, results manager and planning coordinator; or resource preparer and results manager. However, they may not be assigned to roles that breach the segregation of duties, for example, resource preparer, planning coordinator and plan owner.

413. Pursuant to annex J.1 to the administrative instruction entitled “COMPASS: new approach to results-based management and planning for results for 2022 and beyond” (UNHCR/AI/2021/01), the system role of a planning coordinator should not be combined with the role of a resource preparer. The Board observed that the described combination was given to a senior administrative officer in one regional bureau.

414. Furthermore, with the new COMPASS tool, new roles will be held by regional bureaux and headquarters colleagues as the system role of Plan Quality Assurer, which is assigned to the bureaux and relevant headquarters units. According to the plan access control, this role is given at headquarters level to the Division of Human Resources, the Division of External Relations and the Division of Strategic Planning and Results. At the bureau level, the Plan Quality Assurer role is given to the human resources partner or to external engagement and strategic planning staff. The permission associated with the role is to review and perform quality assurance on submitted multi-year or interim strategies, including feedback on the proposed budget and resource levels as well as staffing and structural changes.

415. Through its workforce planning approach, the Division of Human Resources plays a key role in staffing and structural proposals in conjunction with the operations strategies. A major role to fulfil these requirements is given to the senior human resources partners who are located in the seven regional bureaux. The newly established standardized job descriptions underscore the importance of the role in the timely, effective and efficient delivery of all human resources services in the bureau and in strategic workforce planning.

416. On the basis of the review of the plan access control template, there is an opportunity for UNHCR to strengthen governance by clarifying roles and responsibilities. The Board holds that UNHCR should review the permission associated with the functional roles of the plan access control. In the Board’s view, there is an opportunity for UNHCR to strengthen the role of its Division of Human Resources, especially that of the senior human resources partners and human resources teams, and to make their participation in the budget and annual programme review process more prominent and more meaningful, thus enhancing and facilitating the development of multi-year or interim strategies, particularly for the operations. Furthermore, UNHCR could consider establishing workforce planning focal points in the Division of Human Resources who provide strategic direction on workforce planning concepts and activities across all operations and who serve as an interface between finance and strategic objectives.

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.

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.

419. UNHCR accepted the recommendations.

C. Disclosures by management

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

420. UNHCR reported that it had formally written off assets of \$9.4 million (2020: \$5.4 million). The write-offs refer primarily to donation reductions and aged implementing partner receivables.

2. Ex gratia payments

421. UNHCR reported that it had made ex gratia payments in eight cases for a total amount of \$216,035, which mainly related to medical evacuation after a road accident. For 2020, UNHCR approved 19 ex gratia payments in the amount of \$44,835. That information corresponds with the review of the Board of the financial and management records of UNHCR.

3. Cases of fraud and presumptive fraud

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

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

424. UNHCR reported 66 cases of substantiated or presumptive fraud during 2021 resulting in financial losses of \$1.3 million (2020: 31 cases of \$0.11 million). Of those fraud cases, 32 were committed by staff members, 21 by implementing partners and 13 by concerned members of the affiliate workforce. The staff and affiliate workforce cases involved entitlement/benefit fraud, procurement fraud, embezzlement, medical insurance programme and other medical fraud, registration/refugee status determination/resettlement fraud, recruitment/academic fraud and other fraud.

D. Acknowledgement

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

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

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

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

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

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
1	2020	A/76/5/Add.6 , chap. II, para. 63	The Board recommends that the Office of the United Nations High Commissioner for Refugees (UNHCR) further improve the concerted support that headquarters and regional bureaux provide to country operations with respect to the needs-based procurement and distribution of inventory items, in particular during emergency situations such as the coronavirus disease (COVID-19) pandemic.	<p>UNHCR headquarters and regional bureaux provide systematic support to country operations. Examples of such support include the following.</p> <p>UNHCR has made available a global supply demand forecasting tool to support the forecasting of procurement and distribution requirements.</p> <p>UNHCR issued document UNHCR/OG/2021/04/Rev.01, entitled "Operational guidelines on non-food item management" in mid-September 2021, which includes guidance on needs-based procurement and the distribution of inventory items, including in emergencies. This guidance clarifies the roles and responsibilities of each office within the organization with respect to establishing needs-based procurement plans and distribution plans and giving consideration to possibilities of consolidating non-food item management. It also includes a standard operating procedure template, a non-food item release request form, a non-food item distribution report form and non-food item distribution reconciliation forms.</p> <p>UNHCR headquarters is exploring the opportunities offered by its new enterprise resource planning system to improve inventory tracking and accountability during its design.</p>	The Board appreciates the measures taken by UNHCR to implement the recommendation. UNHCR has issued document UNHCR/OG/2021/04/Rev.01, entitled "Operational guidelines on non-food item management", which provides clear and unambiguous guidance on the management of non-food items throughout the entire cycle. Roles and responsibilities are defined. The guidelines refer to the newly introduced results-based management system, COMPASS, and focuses on situational analysis. On this basis, the Board considers the recommendation to be 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
2	2020	A/76/5/Add.6 , chap. II, para. 64	The Board recommends that UNHCR support country operations by establishing comprehensive distribution plans for items on stock.	<p>To support country operations in establishing comprehensive distribution plans for items on stock, UNHCR took the following steps:</p> <p>As mentioned in the response to the recommendation immediately above, UNHCR has issued the document UNHCR/OG/2021/04/Rev.01, entitled "Operational guidelines on non-food item management", which includes detailed procedures and guidance on the distribution plans for non-food items on stock. It also includes annexes on roles and responsibilities, a non-food item risk matrix, a template for standard operating procedures, a non-food item distribution checklist and other templates. This guidance highlights the importance of the development of periodic distribution plans, based on an annual distribution plan, which then accompany the material stock release request for approval in the Managing Systems, Resources and People (MSRP) system (as emphasized in annex A on roles and responsibilities). The guidance encourages partners not to maintain stock in excess of a total value of \$50,000 for any period of 10 working days and gives examples of reporting tools in appendix 3 for distribution and non-food item stock reconciliation.</p> <p>With the aim of contributing towards optimizing the level of stock held in warehouses, UNHCR is generating a monthly report on surplus inventories which is shared with the country operations through the regional bureaux. The Supply Management Service is following up on a quarterly basis with the regional bureaux on progress made with regard to reducing surplus stock, while taking into consideration</p>	The Board refers to its statement for the recommendation immediately above and considers the recommendation to be 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
3	2020	A/76/5/Add.6 , chap. II, para. 74	The Board recommends that UNHCR prioritize and align the redefinition of roles and responsibilities at the regional bureaux and at headquarters entities and that it ensures that the roles of the redefined structures are reflected in the regulatory framework, as applicable.	<p>emergency declarations and contingency stocks. Such analysis may cover purchasing patterns, inventory issue patterns and recommendations regarding the minimum and maximum inventory to be held on hand.</p> <p>To further strengthen distribution planning, version 4 of the Profile Global Registration System (proGres v4) includes an assistance monitoring module, which generates a distribution plan as a manifest for a subset of registered persons of concern.</p> <p>The revision of the roles, accountabilities and authorities originally issued in October 2019 and informed by the updated "three-lines" model will address the issue of the clarity of roles and responsibilities. Revision of the roles of country operations, regional bureaux and headquarters divisions has been largely completed and will inform the revision of the accountabilities and authorities. UNHCR has adopted a standardized approach to reflecting roles within the regulatory framework by systematically including a specific description of roles within administrative instructions. This is aligned with the functions of the respective entities throughout the organization.</p> <p>Please also refer to the progress reported on the three-lines model and the roles, accountabilities and authorities document mentioned in relation to the recommendations in paragraphs 118 and 126 of A/75/5/Add.6.</p>	The Board commented on the status of the revision of roles, accountabilities and authorities in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been 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
4	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>UNHCR will continue to examine its amended budget structure over the coming budget cycles, with a view to reporting to the Executive Committee as required by the relevant decision in the report of the seventy-first session of the Executive Committee of the High Commissioner's Programme (A/AC.96/1209). In section III.B, "Decision on a revision of the financial rules for voluntary funds administered by the High Commissioner for Refugees", the Executive Committee stated, <i>inter alia</i>, that it had endorsed a review on the impact of the changes to budgetary structure and periods on management efficiencies and on the ability of UNHCR to deliver on its mandate, with a view to any revisions if needed, and requested that the review be presented to it no later than 2025, with preliminary reviews as needed.</p> <p>In October 2021, the Executive Committee approved the annual programme budget for 2022 of UNHCR (A/AC.96/1213/Rev.1), which was the first budget to reflect the new global results framework of UNHCR. The programme budget proposal was approved as presented. No modifications to the budgetary structure or to the results-based management tabular information or narratives were requested. No concerns on the transparency and quality of the entity's new global results framework were raised, as shown in the report of the Executive Committee of the High Commissioner's Programme on its seventy-second session (4–8 October 2021) (A/AC.96/1220).</p>	The Board takes note of the approved annual programme budget 2022 and the fact that no modifications to the budgetary structure or to the results-based management tabular information or narratives were requested. In view of the timeline of the endorsed review (2025), the Board considers the recommendation to be 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
5	2020	A/76/5/Add.6 , chap. II, para. 97	The Board recommends that UNHCR present the same quality of information in the segment reporting for 2021 as in the reporting for 2020 and as long as the future results-based management structure is not yet finalized and fully operational.	UNHCR will continue to provide, at a minimum, the same segment information it provided in 2020 in its financial statements for 2021, until a new results-based management structure is formally adopted and fully operationalized.	Since the same quality of segment reporting is provided in the 2021 notes as in 2020, the Board considers the recommendation to be implemented.	X			
6	2020	A/76/5/Add.6 , chap. II, para. 102	The Board recommends that UNHCR complement its internal preventive and detection controls to identify erroneous expense postings resulting from attempts to roll over budgetary funds to the following financial year, review the drivers of incorrect International Public Sector Accounting Standards (IPSAS) accounting and address them accordingly, such as by improving communication and reporting requirements in UNHCR closing instructions and by reviewing expense postings on the basis of timing, materiality and descriptions.	UNHCR updated the closing process for 2021, modifying it as appropriate to further improve the quality and integrity of the process with respect to the utilization of budgets reserved through purchase orders. Please refer to administrative instruction UNHCR/AI/2021/10 on the closure of UNHCR accounts for the year ending 31 December 2021 (particularly sect. 4.2).	The Board took note of the additional year-end closure instructions and considers the recommendation to be implemented.	X			

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7	2020	A/76/5/Add.6 , chap. II, para. 107	The Board recommends that UNHCR perform an organizational variance analysis for both the statement of financial performance and the statement of financial position, complemented by inputs from the regional bureaux and relevant benchmarks for identified significant variances, where applicable.	UNHCR performed the required variance analysis and sought input from the regional bureaux as applicable. This analysis has been shared with the Board of Auditors.	The Board took note of the conducted variance analysis. However, in the view of the Board, systematic input from the regional bureaux, relevant benchmarks and monitoring measures to make best use of such a variance analysis were still missing. In the view of the Board, an automated variance analysis could be included in the design of a new enterprise resource planning system. Considering that UNHCR indicated it would continue to enhance the automated variance analysis in the new system, the Board considers the recommendation to be implemented.	X			
8	2020	A/76/5/Add.6 , chap. II, para. 116	The Board recommends that UNHCR enhance the property, plant and equipment information in the country financial reports to display such information, including by location as well as by ownership.	UNHCR has enhanced the country financial reports to include additional lines relating to property, plant and equipment, and the reports now show such data based on ownership and asset location.	The Board appreciates the measures taken by UNHCR to implement the recommendation. The country financial reports now provide the option to present property, plant and equipment by cost centre or by location. On this basis, the Board considers the recommendation to be implemented.	X			
9	2020	A/76/5/Add.6 , chap. II, para. 117	The Board recommends that UNHCR continue to expand cash assistance information in the country financial reports and to develop other dashboards providing cash assistance-related information.	UNHCR has expanded the cash assistance information in the country financial reports by including additional lines relating to cash-based interventions. The reports now show four new areas relating to cash-based interventions, including data on expenses (IPSAS), budget versus expenditure, open items and financial service provider fees.	The Board reviewed the draft administrative instruction on the financial management and related risks for cash-based interventions. The Board does not see an explanation in the draft administrative instruction on how the information related to cash-based interventions in the country financial reports	X			

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10	2020	A/76/5/Add.6 , chap. II, para. 132	The Board reiterates its recommendation that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process (A/75/5/Add.6 , chap. II, para. 56) and recommends that UNHCR consider the measures in the design of the new enterprise resource planning system.	<p>UNHCR aims at further improving the controls over inventory process by embedding enhanced key controls starting from the early stages of the design of the upcoming new Cloud ERP. During the period of transition to the new enterprise resource planning system, UNHCR is using the mechanisms already in place to ensure that there are no material misstatements in the inventory process, particularly in relation to the year-end reporting.</p> <p>As part of the implementation of Cloud ERP, UNHCR is introducing the centralized management of inventory items and categories, a shipment tracking system and a new inventory organization model to improve both the efficiency of inventory management and the effectiveness of key controls.</p>	<p>will be monitored, nor an explanation regarding who should monitor such information. The Board assumes that the Treasury Section has released or intends to release some guidance for the cash-based intervention dashboard, and considers this recommendation to be implemented.</p> <p>The Board appreciates the steps being taken to improve the controls over inventory process by embedding enhanced key controls starting from the early stages of the design of the upcoming new enterprise resource planning system. On this basis, the Board considers this recommendation to be implemented.</p> <p>Nevertheless, the Board's review of the inventory process again identified several shortcomings that are very similar to its findings in the past. The existing mechanisms do not function to the extent necessary.</p> <p>The Board has issued a more specific recommendation in the present report.</p>			X	

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11	2020	A/76/5/Add.6, chap. II, para. 137	The Board recommends that UNHCR monitor and capitalize significant quantities of pharmaceuticals and medical supplies at year-end.	UNHCR identified all operations with significant quantities of medical supplies as part of the year-end physical stocktaking as at 31 December 2021. The quantities and values on hand were identified and a journal voucher to capitalize the amount was created. UNHCR will continue to monitor and ensure that material quantities of medical supplies that are under its control at year-end will be capitalized as applicable.	On the basis of the identification and capitalization of significant quantities of pharmaceutical supplies, the Board considers the recommendation to be implemented.	X			
12	2020	A/76/5/Add.6, chap. II, para. 142	The Board recommends that UNHCR clean up and match open item balances and corresponding write-offs that currently show small rounding differences and derecognize open items that were approved for write-off.	The Implementation Management and Assurance Service of the Division of Strategic Planning and Results, in collaboration with the Accounts and Financial Service of the Division of Financial and Administrative Management and the regional bureaux, identified open items related to partnerships where the recovery efforts by the country operations had not been successful and where it was no longer reasonable to expect a refund. Consequently, the requests approved by the regional bureaux directors or the headquarters divisions directors as applicable were submitted to a committee on monetary asset write-offs, and decisions from this process have now been implemented by clearing the related open items.	The Board reviewed the actions taken by UNHCR and acknowledged the clean-up work. The Board considers the recommendation to be implemented.	X			
13	2020	A/76/5/Add.6, chap. II, para. 143	The Board recommends that UNHCR summarize cases that qualify for write-offs and present the cases to the competent decision-making body on a regular basis.	UNHCR will continue efforts to bring cases which qualify for write-off to the competent authorities on a regular basis. The actions mentioned in response to the recommendation immediately above also address the present recommendation.	The Board took note of the actions taken and considers the recommendation to be implemented.	X			

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14	2020	A/76/5/Add.6 , chap. II, para. 154	The Board recommends that UNHCR design its new enterprise resource planning system and finance and supply chain management systems to simplify the recording of United Nations Office for Project Services (UNOPS) transactions, facilitate timely open item reconciliations and minimize the need for significant pre-financing of UNOPS agreements.	The exchange of letters between UNHCR and UNOPS for 2021 now includes a change in approach to the management of project pre-financing and is expected to ensure that such levels of pre-financing are regularly adjusted to maintain an adequate funding balance at the global level, in line with UNOPS financial rules, while minimizing pre-financing for UNHCR globally. The pre-financing balances were consolidated at the headquarters level at the end of 2021 and regular global modifications are planned for 2022 as transaction volumes change over time. Further enhancements to the process of management of contract employees, including UNOPS contracts, are being designed for the new enterprise resource planning system.	The Board took note of the actions taken and the consolidation of pre-financing balances at the headquarters level at the end of 2021 and the global modifications planned for 2022. The Board considers the recommendation to be implemented.	X			
15	2020	A/76/5/Add.6 , chap. II, para. 163	The Board recommends that UNHCR ensure that the cost components of intangible assets will be separately identifiable in the future to enable the separate capitalization of intangibles where required by IPSAS.	UNHCR assessed whether the cost of intangible asset development activities could be reliably identified and recorded, where applicable, as separate intangible assets in the financial statements of 2021, in line with the requirements of IPSAS. UNHCR will continue to do this in future years as part of the process of preparation of financial statements.	The Board commented on the IPSAS requirement to separately identify the cost components of intangible assets in its 2021 audit report and reiterated this recommendation. Therefore, the Board considers the recommendation as having been overtaken by events.				X
16	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 standard operating procedures for fuel management on the basis of guiding principles.	In 2021, UNHCR conducted a desk review of fuel management in 21 operations. The report confirmed the need for the harmonization and standardization of fuel management structures in UNHCR. A standardized tendering package for fuel procurement is already in place (with the Procurement Service). Terms of reference for contracting a Fuel Management Consultant and two supporting staff were to be advertised in April 2022. The administrative instruction on fuel management is currently being prepared.	The Board acknowledges efforts to create an administrative instruction for the management of fuel. After the publication of this specific administrative instruction, regular assessments regarding the measurement of improvement of fuel management processes are expected to be performed, led by the Global Fleet Management Unit in collaboration with regional		X		

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17	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.	The findings and recommendations of the fuel consultant will also be captured in the instruction. UNHCR will draft an administrative instruction on fuel management (as mentioned in response to the recommendation immediately above). This new instruction will clarify roles and responsibilities regarding the monitoring of fuel management at the local, regional and headquarters levels. The role and responsibilities of the bureaux in this regard will be particularly emphasized, building upon the conclusions of the fuel survey conducted in 2021. Actions regarding this recommendation should be considered in conjunction with those in response to the recommendation immediately above.	bureaux. The Board considers this recommendation to be under implementation. The Board acknowledges efforts to create an administrative instruction for the management of fuel. After the publication of this specific administrative instruction, regular assessments regarding the measurement of improvement of fuel management processes are expected to be performed, led by the Global Fleet Management Unit and in collaboration with regional bureaux. The Board considers this recommendation to be under implementation.		X		
18	2020	A/76/5/Add.6, chap. II, para. 186	The Board recommends that UNHCR encourage vendors to register with the United Nations Global Marketplace and that the organization review the costs and benefits of an interface between the Global Marketplace and the new enterprise resource management system to enable synchronization of vendor master data.	UNHCR already encourages vendors to register with the United Nations Global Marketplace platform through the invitations to bid issued by the organization and through the brochure on doing business with UNHCR. UNHCR assessed the possibility of establishing an interface with the Global Marketplace and did not consider it beneficial to pursue a synchronization of vendor master data with the Marketplace. UNHCR holds that vendor registration should continue to be done solely through its enterprise resource planning systems. The Global Marketplace presents its benefits from the point of view of the publication and dissemination of tenders across the United Nations family in the spirit of One UN, benefits that UNHCR will continue to take full advantage of, even if integration of master data is not pursued.	The Board took note of the amendments and considers the recommendation to be implemented.	X			

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19	2020	A/76/5/Add.6, chap. II, para. 187	The Board recommends that UNHCR review the current supplier data and the process for supplier registration and subsequent changes to the data in order to centralize at least the approval steps to improve the quality of activated supplier data in the systems.	UNHCR is in the process of reviewing its current processes for vendor data management and assessing which service-delivery model will produce a more efficient, better-controlled process. As part of the implementation of the new enterprise resource planning system, UNHCR will also determine criteria for migrating valid vendors to the new enterprise resource planning system.	The Board noted that UNHCR is working on the recommendation. Therefore, the Board considers it to be under implementation.		X		
20	2020	A/76/5/Add.6, chap. II, para. 193	The Board recommends that UNHCR use unique identifiers in payment lists and improve the quality control of the underlying data of persons of concern to enhance the clarity of the lists and to avoid duplication.	To improve the internal quality control process over the data obtained from external host Governments and other partner registration databases, the following actions will be taken by UNHCR: (a) Develop identity management guidance for operations; (b) Develop an additional feature in CashAssist to generate notifications to specific users or teams, alerting them of potential duplications detected by the system. The UNHCR registration database (proGres) already uses unique identifiers for individuals; (c) Update the training package on CashAssist and include further guidance on data verification. The Global Data Service is currently drafting guidance on how to reduce the risk of duplication of individuals in various scenarios where data is received from external sources, including at both the individual or household level.	On the recommendation of the Board, UNHCR has drafted a new administrative instruction on the financial management and related risks of cash-based interventions. UNHCR is in the last phase of reviewing and obtaining formal clearance for this draft administrative instruction. The draft administrative instructions comprise a new chapter entitled "6.5 Cash-based intervention data quality check of persons of concern". The Board assumes that this draft administrative instruction will be cleared in the next quarter, and considers this recommendation to be implemented.	X			

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21	2020	A/76/5/Add.6, chap. II, para. 195	The Board recommends that UNHCR include a clear reference to the need for verification and quality checks of the data of persons of concern collected by third parties (governments, implementing partners or others) in administrative instruction UNHCR/AI/2017/15.	<p>UNHCR has prepared a revised draft of the administrative instruction on the management of cash-based interventions. In this administrative instruction, UNHCR has included a section on checking the quality of data on beneficiaries of cash-based interventions, including a clear requirement to verify and perform quality checks on data related to persons of concern, and on the registration and/or enrolment data taken from the UNHCR digital Population Registration and Identity Management EcoSystem (PRIMES) or from a third-party hosting database. All operations implementing cash-based interventions are required to conduct reasonable data quality checks on data of persons of concern prior to the release of cash payment lists to the financial service providers.</p> <p>The revised administrative instruction on cash-based interventions is in the final stage of review and clearance and is expected to be issued in the third quarter of 2022.</p>	The Board welcomes the revision of the administrative instruction on cash-based interventions. As the reference to the need for verification and quality checks of the data of persons of concern collected by third parties is addressed in chapter 6.5 of the draft administrative instruction, the Board considers this recommendation to be implemented.	X			
22	2020	A/76/5/Add.6, chap. II, para. 203	The Board recommends that UNHCR promote the use of the full spectrum of CashAssist functions in its further roll-out to reduce manual interventions and to use the automated workflows of CashAssist for the end-to-end processing of data.	The CashAssist training materials and user guide have been updated to include the additional documentation and guidance on additional features and functionality. UNHCR will continue updating this material to clarify existing functionalities and document those newly added. Furthermore, the revised administrative instruction on the management of cash-based interventions (mentioned in response to the recommendation immediately above) includes provisions requesting the use of the full spectrum of Cash Assist functions whenever applicable.	The Board welcomes the updated training material and user guide. Assuming that this draft administrative instruction on the financial management and related risks of cash-based interventions will be adopted in the third quarter of 2022, and that subsequently country operations will implement digitized end-to-end processes for cash-based programming, the Board considers this recommendation to be implemented.	X			

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23	2020	A/76/5/Add.6 , chap. II, para. 205	The Board recommends that UNHCR develop a technical support solution to improve connectivity between financial service providers and CashAssist and to ensure that significant systematic errors in the application programming interface for CashAssist can be detected earlier and fixed more easily.	UNHCR acquired a bank connectivity platform which has been rolled out through a succession of waves, each delivering a specific scope. Phase 1 was completed in February 2022 and involved the configuration and establishment of baseline functionalities for payment and statement workflows, and connection to the current enterprise resource planning system and the banks to import payment data and provide payment status feedback. The target operating and ongoing support structure was also established in phase 1. With the successful proof of concept, phase 2 is currently ongoing and is focused on onboarding four major global banks. Connectivity for all UNHCR source systems, which include CashAssist, Digital HR and the new Cloud ERP through an integration layer, is also within the scope of phase 2. The goal is to increase the number of financial service providers connected, and subsequent waves will be arranged upon the completion of phase 2 and the integration of all the source systems, including Cloud ERP. All these actions show that the project is well advanced in its implementation phase.	The Board welcomes the progress made in developing a technical support solution to improve connectivity between financial service providers and CashAssist. Assuming that the progress made to improve connectivity between financial service providers and CashAssist continues, the Board consider this recommendation to be implemented.		X		
24	2020	A/76/5/Add.6 , chap. II, para. 207	The Board recommends that UNHCR introduce an identifier that makes payment reconciliation between the enterprise resource planning system and CashAssist feasible and that UNHCR establish a monthly interface reconciliation between CashAssist and the system.	UNHCR has completed the specifications and requirements relating to a functionality that would enable the reconciliation between CashAssist and the enterprise resource planning system, namely, to introduce a voucher identification/line as a unique identifier to link the cash plan with the expense in MSRP and to validate the consistency of the amounts recorded in the two systems. UNHCR is currently going through a business transformation process and	On the recommendation of the Board, UNHCR has drafted a new administrative instruction on the financial management and related risks of cash-based interventions. UNHCR is in the last phase of reviewing and obtaining formal clearance for this draft administrative instruction. In the draft administrative instruction, in chapters B.13.2		X		

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25	2020	A/76/5/Add.6 , chap. II, para. 212	The Board recommends that UNHCR issue guidelines for the calculation of cash transfer values that give operations flexibility to define the best approach to calculating the transfer value on the basis of their operational context and with the involvement of the regional bureaux.	<p>adopting a new enterprise resource planning system. For this reason UNHCR has decided to defer the completion of development until there is clarity on the future business process, at which time the requirements would be revalidated.</p> <p>Meanwhile, UNHCR is taking measures to address this recommendation by introducing guidance to operations to perform monthly reconciliations between CashAssist, MSRP and financial service provider accounts (open item balance). This guidance is captured in the upcoming revised administrative instruction on the management of cash-based interventions (see also the response to the recommendation in para. 195 of A/76/5/Add.6, chap. II, above). Through the revised administrative instruction, UNHCR will introduce the use of a simple Excel template that facilitates the reconciliation, based on the lessons learned from one of the entity's operations.</p> <p>The revised administrative instruction on cash-based interventions is in its final stage of review and clearance and is expected to be issued in the third quarter of 2022. The advanced draft version of the revised administrative instruction has been shared with the Board.</p>	<p>to B.13.4, the payment reconciliation between CashAssist and MSRP is addressed.</p> <p>Assuming that this draft administrative instruction on the financial management and related risks of cash-based interventions will be adopted in the third quarter of 2022, the Board considers this recommendation to be implemented.</p>			X	

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						the reader to the new guidance on the calculation of cash transfer values. The Board considers the recommendation to be implemented.				
26	2020	A/76/5/Add.6, chap. II, para. 219		The Board recommends that UNHCR, as part of the review of administrative instruction UNHCR/AI/2017/15, update the instruction with regard to risk management, define that, in cases of amendments to mandatory annexes of standard operating procedures during programme implementation, the amendments must be cleared once again by headquarters and stipulate that all annexes be saved in protected format and uploaded with their version number, modification date and effective date.	In the revised administrative instruction on cash-based interventions (see also the answer to para. 195 of A/76/5/Add.6, chap. II, above), UNHCR has updated the instruction regarding risk management with a practical guide on how to identify, assess and mitigate risks and a sample list of cash-based intervention-related risks and mitigation measures. Additional clarification on the requirements related to amendments to mandatory annexes to the standard operating procedures have also been added to the revised administrative instruction, which now specifies that the validity period of the cleared standard operating procedures applies to all annexes and that any amendments to mandatory annexes must be cleared once again by headquarters. The revised administrative instruction on cash-based interventions is in the final stage of review and clearance and is expected to be issued in the third quarter of 2022.	The Board welcomes the new draft administrative instruction on the financial management and related risks of cash-based interventions. As UNHCR has updated the instruction with regard to (a) risk management, and (b) regulations in reference to annex amendments, the Board considers the recommendation addressed, provided that the changes also come into force. The Board considers this recommendation to be implemented.	X			
27	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.	The Division of Strategic Planning and Results plans to issue consolidated guidance material for the implementing partnership management processes by the end of 2022.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		

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28	2020	A/76/5/Add.6 , chap. II, para. 238	The Board recommends that UNHCR assign clear approval responsibility at the regional bureaux for granting extensions of the implementation/liquidation periods of implementing partnership agreements in the upcoming comprehensive guidance material on implementing partnership management.	<p>In its administrative instruction on the closure of UNHCR accounts for the year ending 31 December 2021, UNHCR/AI/2021/10 (paras. 4.6.10–4.6.12), UNHCR clarifies the responsibilities of country operations, regional bureaux and the Implementation Management and Assurance Service of the Division of Strategic Planning and Results with regard to the request for and approval of the extension of the liquidation and implementation period and the timelines for each stage of the process. The updates include a clarification that the approver should be a bureau/division director or a delegated officer.</p> <p>In addition, the Implementation Management and Assurance Service and the regional bureaux maintain close coordination to review and discuss cases of extension, acknowledging their exceptional nature.</p> <p>UNHCR will include this process in the comprehensive handbook on partnership management created in response to the requirements of the recommendation immediately above.</p>	The Board acknowledges that UNHCR is working on this recommendation. UNHCR confirmed that the regulations will be included in the new guidance material as well. Therefore, the Board considers the recommendation to be implemented.	X			
29	2020	A/76/5/Add.6 , chap. II, para. 248	The Board recommends that UNHCR provide further instructions and training to programme and project control staff on the mitigation of partner personnel-related financial risks in the upcoming comprehensive guidance material.	<p>UNHCR has addressed this recommendation through training and the introduction of the new Project Reporting, Oversight and Monitoring Solution (PROMS) for the management of partnership agreements.</p> <p>The Implementation Management and Assurance Service of the Division of Strategic Planning and Results, in collaboration with regional bureaux and project auditors, have provided training sessions on programme and project control to UNHCR staff and to other multifunctional team members</p>	The Board appreciates the measures taken by UNHCR to implement the recommendation. UNHCR has organized training sessions for UNHCR staff on partner personnel cost verification and fraud prevention in connection with different business areas, including human resources, procurement and cash-based interventions. The Board considers the recommendation to be implemented.	X			

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				<p>worldwide. These sessions were designed to provide clarification on partner personnel cost verification and main risks and provide opportunities for UNHCR staff members to seek clarification on any areas related to personnel costs for partners.</p> <p>The Implementation Management and Assurance Service offered various webinars to staff on partner personnel cost verification and fraud prevention topics. Partner staff also participated in the webinars on fraud, which were offered in Spanish, French, Arabic and English. The training materials developed in these languages were shared with UNHCR staff for further reference and those related to fraud training were shared with partner staff as well.</p> <p>The Division of Strategic Planning and Results acknowledges the need to continue the dialogue with the field operations to identify and address gaps whenever required. The new PROMS system will provide greater opportunities for improvement in terms of personnel costs and partnership in general.</p> <p>UNHCR will reflect the clarification provided during this process in the comprehensive handbook on partnership management (created in response to the requirements of the recommendation in para. 231 of A/76/5/Add.6, chap. II).</p>				

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30	2020	A/76/5/Add.6, chap. II, para. 256	The Board recommends that UNHCR revise its guidance and instructions on partner personnel contributions to address the shortcomings identified with regard to salary scales and to improve the mitigation of relevant risks.	<p>As noted in the response to the recommendation immediately above, during 2021, the Implementation Management and Assurance Service of the Division of Strategic Planning and Results provided training and guidance to operations, including on risk mitigation in relation to partner personnel and other project management areas. This training included verification of partner personnel costs.</p> <p>Moreover, regarding the salary scales, the Implementation Management and Assurance Service provided to field operations additional information on various options that may assist them in undertaking market research and/or surveys on partner personnel salaries. UNHCR will reflect the clarification provided through this additional guidance in the comprehensive handbook on partnership management.</p>	The Board appreciates the measures taken by UNHCR to implement the recommendation. UNHCR issued a document on options for conducting market research and/or a survey on partner personnel salaries in March 2022, which includes suggestions as to how a national salary scale can be established by the country office. However, the options given are not binding and no minimum standards are determined. Noting that the salary scale is no longer mandatory, the Board considers this recommendation as having been overtaken by events.				X
31	2020	A/76/5/Add.6, chap. II, para. 260	The Board recommends that UNHCR consider open receivables against an implementing partner in the reselection process of a former partner and in the partner retention process as mandatory information for decision-making.	<p>The Implementation Management and Assurance Service has revised the policy on the selection and retention of partners to include considerations surrounding the open items/receivables from a partner, before a decision is made to reselect that partner.</p> <p>The administrative instruction on the selection and retention of partners for partnership agreements issued in 2021 (UNHCR/AI/2021/11), includes a requirement to consider pending open receivables during the retention process. Furthermore, during a selection process, where an applicant is a previous partner, UNHCR introduced a requirement encouraging operations to assess the effects of possible pending items. In addition, the Implementation Management</p>	The appendix to administrative instruction UNHCR/AI/2021/11 sets out rules to be considered with regard to pending open receivables during the selection and retention of implementing partners. The Board assesses the rules as sufficient to meet the requirements of the recommendation and considers the recommendation to be implemented.	X			

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				and Assurance Service has updated the checklist used when assessing the quality of a partnership agreement. This checklist, in use for 2022 agreements, includes a requirement for offices to double-check open items/accounts receivable before a new agreement is signed.				
32	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.	UNHCR is working on changing job titles for affiliates, where applicable, over time and using a gradual approach. The organization acknowledges, however, that it does not expect to apply standard job titles to 100 per cent of this population. With the implementation of the new system, the job title of an affiliate will have to be set at the time of the creation of the job requisition, enabling the requisition creator to select the job title from the UNHCR job catalogue (which lists all standard job titles).	The Board noted that UNHCR is working on the recommendation. Therefore, the Board considers it to be under implementation.		X	
33	2020	A/76/5/Add.6 , chap. II, para. 272	The Board recommends that UNHCR provide its operations with an organizational chart template generated from the system in order to ensure accessible information on the UNHCR presence in an operation or region.	UNHCR has delivered the standardized organization charts as recommended. The auditing team has been given access to the UNHCR testing environment for the new human resources system where certain functionalities can display the organigramme for the user's supervisory organization. By clicking on any person's name or picture, the user may view that person's supervisory organization and trace the supervision of any person through UNHCR.	On the basis of the new organization chart functions in Digital HR, the Board considers the recommendation to be implemented.	X		
34	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	With the roll-out of the new human resources system, it will be possible to develop advanced analytics to carry out comprehensive human resources analyses. The analytics requirements for workforce planning will be developed throughout the implementation timeline, and include training the appropriate staff	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X	

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			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.	on how to produce the analyses in the new system. To define key indicators, UNHCR will source benchmarks relevant to international humanitarian organizations. It is envisaged that the analytics function will be available 18 months after the deployment of the new system.				
35	2020	A/76/5/Add.6, chap. II, para. 284	The Board recommends that UNHCR accelerate its efforts to identify the positions and functions that have a significant impact on the ability of UNHCR to achieve its objectives.	In order to identify which positions and functions have a significant impact, the Division of Human Resources has developed a critical role scorecard tool and a critical role identification process. This was piloted in 2021 to identify critical roles within the Division and in human resources in the field. The critical role identification process is part of the overall strategic workforce planning approach, and is key to determining positions and functions that are critical to UNHCR objectives (in line with its newly released "Strategic Directions and Multi-Year Strategies in the Field, Bureaux and HQ") and on which UNHCR should focus its workforce planning and integrated talent management efforts. Gender-based violence is a good example of a critical role, in line with focus areas outlined in the Strategic Directions. The Division of Human Resources is currently partnering with the Division of International Protection for the establishment of a human resources action plan in support of the upcoming gender-based violence strategy, including the identification of critical roles. The	The Board took note of the actions taken and considers the recommendation to be implemented.	X		

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							Implemented	Under implementation	Not implemented	Overtaken by events	
					critical role identification process is now embedded into the strategic workforce planning approach that will also be pursued with other divisions, operations and regions going forward.						
36	2020	A/76/5/Add.6, chap. II, para. 288		The Board recommends that UNHCR establish a workforce planning strategy, laid down in a comprehensive workforce planning framework, to improve workforce planning as a matter of priority.	In 2021, UNHCR launched its end-to-end strategic workforce planning approach that will enable divisions/functions, regional bureaux and operations to engage in strategic workforce planning. During 2022, further capacity-building and roll-outs to regional bureaux and regions will be ongoing as part of the preparations for multi-year planning. Development of human resources action plans is part of the cycle. UNHCR continues to provide guidance through workshops and short courses, with priority being given to the bureaux and the field, as well as to key functional areas of UNHCR, as mentioned in the Strategic Directions. A workforce planning guide for human resources colleagues in the field is also under development. While UNHCR acknowledges that further actions will continue to be taken, particularly related to global alignment with the UNHCR overall planning process, under the leadership of the Division of Strategic Planning and Results, UNHCR considers that the progress made so far has substantially addressed this recommendation.	The Board noted that UNHCR has not yet issued a strategic workforce planning framework in which the UNHCR strategic approach to planning its workforce is outlined. In the view of the Board, an overarching strategy for staffing requirements that can be easily adapted to the unique circumstances and staffing needs of each operational area is still missing. Therefore, the Board reiterates its recommendation in its 2021 audit report and considers the recommendation as having been overtaken by events.				X	
37	2020	A/76/5/Add.6, chap. II, para. 296		The Board recommends that UNHCR develop staffing review toolkits to support operations in reviewing their staffing needs. UNHCR should require its operations to conduct supply and demand	The development and release of a staffing review toolkit will be completed by the second quarter of 2022. Other guidance and instructions recently disseminated that are relevant to supporting the field operations in reviewing their staffing needs as part of annual and multi-year planning include	The issuance of the handbook on designing field presences and annex D to UNHCR/AI/2021/8 is one step in the right direction but does not provide guidance on how UNHCR operations can “operationalize” the concepts					X

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			analyses in order to understand how many people are needed to accomplish the work required on the basis of a reliable data management system.	the UNHCR handbook on designing field presences and the administrative instruction on planning for 2022, which contains an annex on workforce planning and position management.	of workforce planning and utilize workforce planning to create an optimal staffing structure and the skills to meet the dynamic needs of the operation. The Board holds that UNHCR should accelerate its efforts to assist its operations in determining staff requirements. Therefore, the Board reiterates its recommendation in its 2021 audit report and considers the recommendation as having been overtaken by events.				
38	2020	A/76/5/Add.6, chap. II, para. 311	The Board recommends that UNHCR take measures to ensure that operations perform regular verifications of FleetWave data with regard to the quantity and quality of data entries. The reasons for deviations must be identified, and erroneous data must be corrected. This should also apply to data recording in the vehicle logbooks until the process is superseded by an electronic solution.	UNHCR has put in place various measures to ensure the quality of data recorded in FleetWave. For example, as of January 2021, the Global Mobility and Infrastructure Service of the Division of Financial and Administrative Management provides monthly updates on FleetWave data entries to all operations through the regional bureaux, and requests the cooperation of these parties to review and report any anomalies. At the same time, the Division of Financial and Administrative Management proactively follows up with individual operations on data entries that deviate from the set standards to obtain clarification and to ensure that corrections are made as appropriate. As of 2022, a new process flow for identifying and correcting FleetWave data has been introduced and is implemented through a service provider. To eliminate faulty data recording, global fleet management will focus on: (a) The verification of inputs at the data entry point;	The Boards appreciates the first steps taken to improve FleetWave data through regular data verification performed by the Global Fleet Management Unit with the support of external consultants. The Board understands that respective administrative instructions are still created. Results from pilot projects in which partners are involved in the data capturing are being evaluated. The Board recognizes that best practices for efficient support to enhance data quality in operations still need to be identified by the Global Fleet Management Unit. Therefore, the Board considers the recommendation to be under implementation.			X	

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39	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.	<p>(b) Analyses and further adjustments to the pilot project, which offers great potential to solve the problem using the technology.</p> <p>UNHCR and the FleetWave service provider have been making considerable changes and enhancements to the tool since 2019.</p> <p>In view of the substantial actions taken to optimize the tool and address gaps with the assistance of the service provider, UNHCR considers that this recommendation is substantially addressed.</p>	The Board acknowledges the endeavours by UNHCR to optimize and customize the FleetWave tools. The Board is aware that the possibilities for improvements in the current system have been exhausted. Therefore, an integration of the FleetWave applications in an advanced way into the new enterprise resource planning system should be considered. Therefore, the Board considers this recommendation to be still under implementation.		X	
40	2020	A/76/5/Add.6 , chap. II, para. 313	The Board recommends that UNHCR clearly stipulate measurable improvements in FleetWave data quality within the global fleet strategy 2021–2025 by defining progress levels for the years ahead.	<p>In its global fleet management strategy 2021–2025, UNHCR will include milestones on the progress of data quality in FleetWave.</p> <p>Through authorizing a few partners to enter data directly into FleetWave, as part of the pilot project run in 2021, the overall quantity of data recorded in the system increased. The Global Fleet Management Unit is considering opening FleetWave for data entry to more partners in large operations in the first half of 2022, which will help to strengthen monitoring of the compliance rate and data quality. The pilot project showed an increase in data intake and quality. This activity requires close monitoring and managerial control, hence an increase of 10 per cent will be set as the target annual improvement rate.</p>	The Board could not identify definitions in the global fleet management strategy 2021–2025 regarding the progress of data quality in FleetWave. The necessity of data quality must be highlighted and improvement rates should lead to considerable improvements. Therefore, the Board has determined that a stipulated annual improvement rate of 10 per cent is not enough to overcome the current state of poor data quality in a meaningful period of time. The Board considers the recommendation to be under implementation.		X	

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41	2020	A/76/5/Add.6, chap. II, para. 334	The Board recommends that UNHCR focus on the coordinated oversight and monitoring of the programme budget and on controlling costs during the upcoming planning and implementation phases of the business transformation programme.	<p>Key recruitments have recently been completed, with others ongoing, to ensure that the Programme Management Office for the business transformation programme is well-resourced to provide effective oversight, budget monitoring and cost control for the programme. These resources include a Programme Director, a Programme Manager, Project Control Officers, a Communications Officer and a Reporting Officer. In addition, regular meetings have been established between the Programme Management Office and the project teams to ensure effective coordination and communication on cost and budget, as well as other important issues such as project interdependencies.</p> <p>In addition to the resources referred to above, a dedicated business transformation programme Finance Officer has now been recruited and is focused on the activities referred to in this recommendation, namely, supporting the Programme Management Office with coordinated oversight and monitoring of project budgets to help ensure effective cost control, complementing the project management and control capacities in the business transformation programme projects.</p> <p>An updated business transformation programme governance framework has also been approved by the Programme Executive Committee for the business transformation programme to further refine and clarify the roles and responsibilities of key entities and individuals involved, including the roles related to budget oversight and cost control.</p>	The business transformation programme framework provided by UNHCR seems to be suitable to fulfil the recommendation. It specifies who is responsible for which tasks/steps. The Board considers the recommendation to be implemented.	X		

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42	2020	A/76/5/Add.6, chap. II, para. 350	The Board recommends that UNHCR carry out a comprehensive risk assessment for the entire business transformation programme. The assessment should consider both financial and technical risks.	<p>The Programme Management Office for the business transformation programme is coordinating a consultation process with key groups of stakeholders, including Programme Executive Committee members, business owners, business coordinators, project managers and others, to assess and discuss programme-related risks, and to ensure that they are managed and mitigated effectively.</p> <p>Consultations were held with 30 individual business transformation programme stakeholders from the key groups of stakeholders, and their feedback was used as input for a comprehensive update of the programme risk register to ensure that all key programme risks have been adequately captured and are being actively managed. The majority of risks fall into the categories of: (a) governance bodies and processes; (b) inter-project dependencies; (c) business processes; (d) change management; (e) resource demand; and (f) measures of success.</p> <p>The updated risk register was endorsed by the Programme Executive Committee following a consultative process that included the Committee members and other key stakeholders, such as project managers and business coordinators.</p> <p>Discussions regarding the risk treatments and mitigation actions with the proposed owners of the updated risks are ongoing and will be completed in 2022.</p> <p>It should also be noted that this process is being implemented in consultation with the UNHCR Chief Risk Officer, and it has been agreed that the business transformation programme will record and manage these risks in the UNHCR enterprise risk management tool.</p>	UNHCR has comprehensively identified risks for the business transformation programme and mapped them accordingly in the corporate risk register. The Board considers the recommendation to be implemented.	X		

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43	2020	A/76/5/Add.6 , chap. II, para. 351	The Board recommends that UNHCR include risks for the business transformation programme expressly in the strategic risk register.	The most recent revision of the UNHCR strategic risk register has updated the description of existing risk 5 ("Inability to change the organization in a coherent and timely manner, serving our affected populations, with buy-in from all levels of staff") to make explicit reference to the business transformation programme. The mitigation actions for this strategic risk have also been updated to reflect the responsibilities of the business transformation programme's Programme Management Office and programme and project leads in managing programme- and project-level risks and interdependencies. The more detailed risk assessment for the business transformation programme, as well as relevant mitigation actions, are covered in a dedicated business transformation programme risk register (as referred to in the recommendation immediately above).	UNHCR has comprehensively identified risks for the business transformation programme and mapped them accordingly in the strategic risk register. The Board considers the recommendation to be implemented.	X			
44	2020	A/76/5/Add.6 , chap. II, para. 358	The Board recommends that UNHCR involve data protection experts, including its Data Protection Officer, in the business transformation programme at an early stage to ensure that UNHCR adequately addresses the handling of personal data in the organization.	Terms of reference for a Data Protection Officer for the business transformation programme were prepared in collaboration with the Global Data Service, which has overall responsibility at the institutional level for data protection, and a well-qualified candidate was identified to fill this role as of January 2022. As a dedicated data protection expert assigned to the business transformation programme, and integrated into the UNHCR Data Protection Office, the Data Protection Officer will ensure the integration of data protection principles across all business transformation programme projects.	UNHCR has initiated measures that indicate it is advancing data protection within the organization. In April 2022, UNHCR presented a detailed timeline for implementing data protection. The Board considers the recommendation to be implemented.	X			

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45	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.	<p>In addition, as coordinated by the Data Protection Officer, data protection impact assessments will be undertaken for selected projects with high impact and high data protection risks through an outsourced data protection provider.</p> <p>Furthermore, the development of the UNHCR “umbrella” data protection policy will formalize the extension of data protection principles and standards to all data subjects in 2022. This means that: (a) data protection will be applicable to personal data processed for staff, suppliers, partner staff, donors and so on – including the business transformation programme projects; and (b) a single Data Protection Officer will have authority over all types of personal data, including that within the scope of business transformation programme projects, and will assess compliance with the UNHCR data protection framework, including the “umbrella” data protection policy.</p>	Implementation of the recommendation will be addressed through the incorporation of the necessary functionalities into the design of the new Cloud ERP. Asset recognition will be significantly streamlined in the new enterprise resource planning system. For example, the capitalization threshold accounting will be automated by rule. The system is designed to make batch recordings of asset capitalizations from asset presentation data with a minimum of manual effort.	The Board welcomes the intended new functionalities and agrees that the recommendation remains under implementation until the design phase of the new enterprise resource planning system is completed.		X	

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46	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.	Implementation of the recommendation will be addressed through the incorporation of the necessary functionalities into the design of the new Cloud ERP. Ideas for the simplification of the methodology for the allocation of transport costs of assets have already been raised for discussion and decisions will be made during the design phase as applicable.	The Board welcomes the intended new functionalities and agrees that the recommendation remains under implementation until the design phase of the new enterprise resource planning system is completed.		X		
47	2019	A/75/5/Add.6, chap. II, para. 44	The Board recommends that UNHCR incorporate the review of property, plant and equipment for any evidence of impairment and reduction in value as a compulsory element in the year-end closure procedures.	The 2021 administrative instruction on year-end closure includes a clause (4.15) on an impairment review of assets that provides that operations will be required to complete a questionnaire to be issued from headquarters to capture any instances of significant impairments of a class of assets beyond normal wear and tear. In line with the closing instructions, the impairment review survey was circulated again for 2021, this time including the headquarters divisions that managed assets.	The Board noted that the questionnaire is restricted to devastating events of major impacts on classes of assets. In the view of the Board, it is questionable whether this approach is suitable to gather all relevant impairment information. However, the Board was informed that the early starting point of the regular depreciation of vehicles and the fact that damaged cars are repaired and sold and the resulting revenue exceeds the net book value was sufficient to reflect any reduced value of the class of property, plant and equipment. The Board considers the recommendation to be implemented.	X			
48	2019	A/75/5/Add.6, chap. II, para. 60	The Board recommends that UNHCR review its accounting process regarding inventory issuance to distributing partners and ensure that there is an overview of the items stored in the care of partners and still available for distribution.	In 2019, UNHCR disseminated, through an internal memorandum, the requirements for accounting for inventory held by partners in distribution storage points. Furthermore, UNHCR operational guidelines on the end-to-end management of non-food items (UNHCR/OG/2021/04/Rev.01) were issued in September 2021.	The operational guidelines on non-food item management (UNHCR/OG/2021/04/Rev.01) that were released set out clear and unambiguous instructions on how to administer non-food items. The operational guidelines meet the concerns of the Board. The Board considers the recommendation to be implemented.	X			

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49	2019	A/75/5/Add.6, chap. II, para. 64		The Board recommends that UNHCR improve the controls over fuel stock, for example, by treating fuel kept at operations in considerable quantities as inventory.	<p>The guidelines on non-food items include guidance in the key areas of non-food item warehousing (6.5) and distribution (6.6) and post-distribution monitoring. The guidelines include specific text relating to the handling of inventory held by partners under section 6.5, which specifically outlines that stocks stored by partners in distribution storage points should be below a maximum value of \$50,000 for any period beyond 10 working days after a distribution (otherwise, the distribution storage point should be converted into an officially recognized UNHCR warehouse in MSRP, or the excess amount of inventory should be returned to a UNHCR MSRP warehouse).</p> <p>The guidelines also include annexes on roles and responsibilities, a non-food item risk matrix, a standard operating procedure template, a non-food item distribution checklist and other templates to strengthen end-to-end management.</p>	<p>The Global Fleet Management Unit is creating a Fuel Management Unit, positioned in the field, tasked primarily with defining weaknesses in the current practices, and on the basis of these findings, proposing a systematic approach to the procurement, storage and distribution of fuel in UNHCR. It is expected that this Unit will contribute towards the strengthening of controls over fuel management across the organization and will enhance fuel monitoring mechanisms. This recommendation will also be addressed through the actions taken with regard to the recommendation in paragraph 171 of A/76/5/Add.6, chapter II.</p>	<p>The Board appreciates the creation of a Fuel Management Unit within the Global Fleet Management Unit as a first step to improving the overall fuel management processes, including the centralized oversight of fuel stocks. With the support of this specialized unit, the Board is optimistic that current issues might be resolved at the appropriate time. As the sustainable impact of this new unit has not yet been determined after such a short period of time, the Board considers the recommendation to be under implementation.</p>		X		

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50	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 already incorporated this feature into the design of the access controls and delegation of authority automated processes in the new enterprise resource planning system, which will allow for significant improvements in this area. UNHCR confirms that this critical area remains part of the design scope. The foundational design documents for the access controls and financial controls of the new enterprise resource planning system were provided to the Board.	The Board welcomes the intended new functionalities. The Board considers the recommendation to be under implementation.		X		
51	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 was addressed through the same actions taken in response to the recommendation immediately above.	The Board welcomes the intended new functionalities. The Board considers the recommendation to be under implementation.		X		
52	2019	A/75/5/Add.6 , chap. II, para. 118	The Board recommends that UNHCR use an implementation road map that includes milestones to transparently steer and guide all upcoming steps of the decentralization and regionalization process and take that as a basis for the measurement of achievements.	UNHCR created a user-friendly road map to document activities, deliverables, milestones and key actors in order to track organizational transformation in support of decentralization and regionalization. The transformation road map guided work on decentralization and regionalization during the period 2020–2021. Many elements of the road map have been overtaken by events, notably the implementation of the business transformation programme, which has a significant impact on the organization, including headquarters. Country capacity monitoring is integrated into the planning processes and the regional bureaux have a leading role in addressing this. UNHCR developed a	The Board commented on the transformation road map in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been overtaken by events.				X

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53	2019	A/75/5/Add.6, chap. II, para. 126	The Board recommends that UNHCR make the distinction between the first and the second line of defence clearer in the framework of roles, accountabilities and authorities.	transformation management framework, which was adopted in the fourth quarter of 2020. The business transformation programme is addressing systems and process issues. Significant effort has gone into updating the organization's guidance framework, including a major "retirement" exercise undertaken in 2021, which removed over a hundred obsolete guidance and instruction documents. The Senior Executive Team has endorsed a concept note explaining how the Institute of Internal Auditors' new three-lines model applies to UNHCR. Work on the paper describing the roles, accountabilities and authorities across UNHCR is nearing completion, with the roles, accountabilities and authorities of country operations and regional bureaux, and the specific roles, accountabilities and authorities for each headquarters division and entity, substantially completed. Key performance indicators are in place for decentralization and regionalization monitoring. Review of global partnerships is under way. These activities address the majority of the points set out in the original road map, which was intended to cover the period ending in December 2021.	As indicated in the response to the recommendation immediately above, a concept note explaining how the new three-lines model applies to UNHCR has been developed and has been endorsed by the Senior Executive Team. Work on the roles, accountabilities and authorities is nearing completion.	The Board commented on the roles, authorities and accountabilities in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been overtaken by events.			X

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54	2019	A/75/5/Add.6 , chap. II, para. 135	The Board recommends that UNHCR distinguish clearly the roles and responsibilities between the regional bureaux and the divisions as the second line of defence.	The actions described in the response to the recommendation immediately above will also address this recommendation. Given the update on the recommendations in paragraphs 118 and 126 of A/75/5/Add.6 , chapter II, UNHCR considers this recommendation to be addressed.	The Board commented on the roles, authorities and accountabilities in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been overtaken by events.				X
55	2019	A/75/5/Add.6 , chap. II, para. 141	The Board recommends that UNHCR define the roles and responsibilities of new functions at the regional bureaux in a clear and transparent manner.	A number of job descriptions related to the new functions within the regional bureaux have been issued or updated, reflecting the specific duties. The actions described in the organization's response to the recommendation in paragraph 126 of A/75/5/Add.6 , chapter II, also address this recommendation.	The Board took note of the actions taken and considers the recommendation to be implemented.	X			
56	2019	A/75/5/Add.6 , chap. II, para. 150	The Board recommends that UNHCR review the capacity of the country offices as the first line of defence and explore cost-efficient options to bridge possible gaps.	In the regionalized UNHCR structure, it is the role of the regional bureaux to oversee the capacity of country offices as the first line of defence. The bureaux were staffed accordingly and were allocated resources in 2021 to help them discharge that role.	The Board commented on the review of country offices capacities in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been overtaken by events.				X
57	2019	A/75/5/Add.6 , chap. II, para. 158	The Board recommends that UNHCR review the context-specific and contextualized positions and plan for an efficient use of those positions, also in view of the capacity gaps in the first line of defence.	As noted in the response to the recommendation in paragraph 74 of A/76/5/Add.6 , chapter II, as part of the decentralization and regionalization process, UNHCR has adopted a standardized approach to reflecting roles within the regulatory framework by systematically including a description of specific roles within relevant administrative instructions. This is aligned with the functions of the respective organizational entities	UNHCR mentioned that it would take further actions. Therefore, the Board considers the recommendation to be under implementation.			X	

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				throughout the organization. Furthermore, the budget planning instructions issued in 2021 for the 2022 cycle (UNHCR/2021/01/Rev.2) provide guidance to operations on developing a context-specific results framework, linked to the global results framework, as part of its strategy. Other actions stated in the responses to the recommendations in paragraphs 118, 126 and 141 of A/75/5/Add.6 , chapter II, have also contributed to addressing this recommendation.					
58	2019	A/75/5/Add.6 , chap. II, para. 168	The Board recommends that UNHCR measure, track and evaluate the intended results and the costs of decentralization and regionalization.	UNHCR has put in place a cost-tracking model that enables the measuring and tracking of resource allocation and expenditure related to decentralization and regionalization. A set of key performance indicators has been validated and automated, enabling the required monitoring. With regard to the recommendation to evaluate the results, UNHCR plans to do so in 2023 when the decentralized and regionalized approach has been in effect for a longer period of time and would thus reflect a more meaningful evaluation. As an interim stock-taking action, a management advisory from the Office of Internal Oversight Services (OIOS) was commissioned and completed by OIOS in the fourth quarter of 2021. The costing model and key performance indicators are updated regularly and used to monitor the evolution of regionalization.	The Board commented on the cost tracking and evaluating of the reforms in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been overtaken by events.				X

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59	2019	A/75/5/Add.6, chap. II, para. 194	The Board recommends that UNHCR develop an aggregate risk-based project monitoring template that summarizes and prioritizes the monitoring approach for all partnership agreements in a given country operation and in the region under the purview of a given bureau.	UNHCR is in the process of developing a system called the Project Reporting, Oversight and Monitoring Solution (PROMS). This tool will greatly reduce the organization's current dependency on paper-based tools, including the current risk-based monitoring tools. UNHCR is actively seeking to incorporate an aggregate risk-based project monitoring template into PROMS.	The Board acknowledges that UNHCR is still working on this recommendation. Therefore, the Board considers it to be under implementation.		X		
60	2019	A/75/5/Add.6, chap. II, para. 231	The Board recommends that UNHCR analyse the weaknesses in the selection and/or definition of impact indicators, outputs and performance indicators, and explore options for better supporting country operations in preparing partnership agreements.	The weaknesses in the definition of impact indicators are addressed across the organization through the adoption of a revised results-based management system. UNHCR country offices were trained to enhance the management of partnership agreements in the context of rolling out the new results-based management system (COMPASS). UNHCR continues to support operations through the roll-out of the "get results" phase in COMPASS. From September to November 2021, planning, training and (walk-in) support sessions on implementation were facilitated in three different languages. This included modules on strengthening the results framework and monitoring and evaluation plans. It also included guidance on reviewing, strengthening and revising indicators, configurations and baseline adjustments. Furthermore, the training module on implementation modalities elaborated on the use of the revised partnership agreement annexes, emphasizing aspects of alignment with the new results-based management system, with a specific focus on partners. The guidance on core indicators was updated and published on the intranet as of October 2021.	The Board concludes that the implementation of the new results-based management system COMPASS changes the circumstances of the recommendation and therefore considers the recommendation to have been overtaken by events.				X

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61	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.	<p>With regard to partners, a UNHCR implementation management partners package for 2022 was produced and made available for operations to disseminate accordingly. In December 2021, UNHCR produced and made available to all partners (through the UN Partner Portal), an interactive learning course entitled “An Introduction to UNHCR’s Results-Based Management Approach”, which provides all non-governmental organizations access to a learning environment to further understand its new results-based management approach, with a specific focus on the new results framework and indicators.</p> <p>The Division of Strategic Planning and Results, in consultation with other relevant divisions of UNHCR, is in the process of reviewing and updating policies and practices regarding multi-year agreements in the light of multi-year planning reforms that are under way as a part of the new results-based management system roll-out. Owing to the complexity of these areas, more discussions are planned to take place during 2022.</p> <p>From consultations that have taken place so far, the templates for the multi-year partnership agreements will be further updated in 2022 to take into consideration the budget cycles covered by the agreements and the requirements for monitoring and auditing. Considering the limitations related to donor funding and the need to report related expenditures annually, the multi-year agreements are being designed accordingly.</p>	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be 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
62	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.	As mentioned in response to the recommendation immediately above, the Division of Strategic Planning and Results., in consultation with other relevant divisions of UNHCR, is in the process of reviewing and updating policies and practices regarding multi-year agreements in the light of multi-year planning reforms that are under way as a part of the new results-based management system roll-out. The multi-year partnership agreement templates will be reviewed in time for the 2023 project implementation.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		
63	2019	A/75/5/Add.6 , chap. II, para. 244	The Board recommends that UNHCR expedite the roll-out of the CashAssist management tool to ensure streamlined documentation, monitoring and reconciliations in the cash assistance process.	UNHCR continues its efforts to roll-out CashAssist to as many operations implementing cash assistance programmes as feasible. The data integration channel between proGres v4 and CashAssist, whenever CashAssist is used for cash payments in the operation, has been fully operational and functional since 2017. Currently CashAssist is used in 40 country operations. An additional 20 operations have been trained and are in the process of implementing CashAssist in their daily cash-based interventions processes. Significant actions have also been taken to improve connectivity between financial service providers and CashAssist, as described in the response to the recommendation in paragraph 205 of A/76/5/Add.6 , chapter II. The actions taken in response to the recommendations in paragraphs 203 and 205 of A/76/5/Add.6 , chapter II, will also contribute to addressing this recommendation, enhancing both the	The Board defines the roll-out of CashAssist as successful when CashAssist is used for cash payments in the operation. In 2021 this was the case for 2 out of 15 reviewed country operations with cash-based intervention programmes. On the recommendation of the Board, UNHCR has drafted a new administrative instruction on the financial management of and related risks for cash-based interventions. UNHCR is in the last phase of reviewing and obtaining formal clearance for this draft administrative instruction. According to the draft administrative instruction, the use of CashAssist is mandatory for all country operations that have direct cash-based intervention programmes of a systematic nature or of a significant value.		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
					stability of the payment platform and the reconciliation between CashAssist and financial service providers.	The obligation includes some exceptions to the use of CashAssist. These exceptions can be justified by five criteria. The criteria and preconditions are not further defined in the draft administrative instruction. The Board considers it necessary to describe, at least by way of example, the conditions under which the use of CashAssist will not be mandatory in the future. Therefore, the Board considers this recommendation to be under implementation.				
64	2019	A/75/5/Add.6, chap. II, para. 257	A/75/5/Add.6,	The Board recommends that UNHCR simplify the budget process for global fleet management and comply with the instruction and global fleet central funding element according to which rental- and sales-generated revenues should be made available to the self-sustained global fleet management fund. Until this budget process has been simplified, the unallocated income from the global fleet should be explicitly and transparently identified and traced for monitoring purposes and then allocated to the global fleet budget as deemed appropriate.	The Division of Financial and Administrative Management has established a separate fund for self-financing activities, of which asset and global fleet management activities will be a part. Under the structure of the Self-Financing Activities Fund, budgets and transactions related to asset and global fleet management will be traced and reported separately to enable the clear measurement of performance and to implement a simplified process of resource allocation. The establishment of this new fund facilitates further planning and budget allocations to global fleet management activities, including the allocation of the rental- and sales-generated revenues mentioned in this recommendation. In the financial statements of 2021, global fleet management was presented separately from the Annual Programme Fund, ensuring more transparency over its activity.	UNHCR established a Self-Financing Activities Fund to administer the budgeting of global fleet management services separately, outside the Annual Programme Fund. The Self-Financing Activities Fund accounts for the expenditures and revenues as well as the assets and liabilities of the organization's self-financed activities. The fund balance is reported within the organization's equity. UNHCR plans to expand the Self-Financing Activities Fund in order to cover other self-financing activities (e.g. insurance) in the near future. The Board considers this recommendation to be 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
65	2019	A/75/5/Add.6, chap. II, para. 266	The Board recommends that UNHCR take measures to establish a meaningful overall procurement plan for light vehicles based on operations' needs assessments and disposal plans.	<p>The monthly management reports of the final few months of 2021 have presented global fleet management numbers separately to improve transparency.</p> <p>The Division of Financial and Administrative Management disseminated the requirements for fleet planning for the 2021/22 cycle to operations, informing them of the different steps to be implemented in the second half of 2021 with regard to fleet sizing and fleet planning for 2022. Furthermore, to prepare the 2022 fleet planning exercise, in 2021 the service provider conducted individual webinars with 20 large operations and one regional webinar for each bureau for operations with smaller fleets.</p> <p>As of 2022, the Global Fleet Management Unit will limit the ordering of vehicles by operations to four periods throughout the year of one week each quarter, except in cases of a new emergency. This will allow for a more structured review of incoming orders and a more targeted follow up by the Global Fleet Management Unit with those operations that did not order over several months. It is expected that this will gradually change the ordering patterns of the operations.</p> <p>The Global Fleet Management Unit uses a purchase plan (upstream pipeline) in which orders with the supplier are placed in relation to the total approved ceiling of 1,200 vehicles annually, accounting for the ratio of different models in the fleet as well as the number of vehicles that are due for disposal. The Unit and a service provider assisted country officers in determining the right size of the fleet,</p>	The Board approves the measures undertaken to further develop the process of vehicle procurement by establishing limitations for ordering periods, providing targeted support in the process of planning vehicle sizes and providing webinars and procurement reminders to strengthen overall awareness. The Board considers the recommendation to be 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>focusing on the top 20 country operations. The fleet plan contains a target fleet size that is defined through peak utilization analyses that, together with data from FleetWave, aids in the preparation of the global fleet management disposal plan.</p> <p>The Global Fleet Management Unit also arranges auctions and subsequent adjustments to the auction plan in coordination with the offices in the field.</p>				
66	2019	A/75/5/Add.6 , chap. II, para. 297	The Board recommends that UNHCR establish compliance controls to ensure that its staff enters reliable data in MSRP for reporting and monitoring.	<p>UNHCR has updated the disbursement agreement for UNOPS and has issued a comprehensive administrative instruction on the affiliated workforce. With this, it is expected that compliance with procedures for entering data in MSRP will be improved.</p> <p>In the medium term, the architecture and development of the new enterprise resource planning system replacing the current MSRP system will allow for the implementation of more optimal modalities of handling affiliated workforce data that will enable better reporting and monitoring.</p>	The new administrative instruction on the affiliated workforce outlines the procedures of managing contingent workers. UNHCR stated that the enterprise resource planning system will include more modalities on the reporting and monitoring of affiliates. The Board considers the recommendation to be implemented.	X		
67	2019	A/75/5/Add.6 , chap. II, para. 302	The Board recommends that UNHCR take measures to ensure regular monitoring and follow-up of the budget committed for UNOPS; in particular, UNHCR should review the amount of the committed budget during the year and release the remaining reserved balances once the UNOPS invoices have been settled.	The new UNOPS disbursement agreement template valid from 2021 introduced a mandatory requirement to dispatch to UNOPS the related purchase order and to include the purchase order reference number in the disbursement agreement itself, as well as on all related UNOPS invoices. The centralized year-end process for reviewing UNOPS arrangements in the business intelligence platform has been enhanced so that unused or unneeded remaining purchase order balances are highlighted and can be released on a timely basis.	The Board took note of the amendments and considers the recommendation to be 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 approach towards prefinancing UNOPS has also been adjusted (see the response to the recommendation in para. 154 of A/76/5/Add.6, chap. II), and this will contribute towards better monitoring of the budget implementation for UNOPS purchase orders.</p> <p>The closing instructions for 2021 included relevant paragraphs to remind colleagues on the correct procedures to deal with advances to UNOPS and liquidation of purchase orders (e.g. sect. 4.7.12 of UNHCR/AI/2021/10).</p>				
68	2019	A/75/5/Add.6 , chap. II, para. 306	The Board recommends that UNHCR, in consultation with UNOPS, develop procedures to improve payment through advanced funding in order to reduce the outlay and increase the benefit.	Through the actions taken in response to the recommendations in paragraphs 297 and 302 of A/75/5/Add.6 , chapter II, and paragraph 157 of A/76/5/Add.6 , chapter II, and based on discussions held with UNOPS, UNHCR expects to improve the overall management of the transactions with UNOPS, which will in turn result in more streamlined payments and the more timely reconciliation of advances, which will help to reduce the outlays of funds.	The Board took note of the actions taken and considers the recommendation to be implemented.	X		
69	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 decided to develop an administrative instruction which will be more inclusive of other policy and procedural aspects related to PRIMES. The guidance initially offered to operations in 2020 with regard to the decommissioning of proGres v3 (which had addressed the recommendation in para. 342 of A/75/5/Add.6 , chap. II), will become a discrete component of this new instruction and will refer to the	UNHCR has decided to develop an administrative instruction that will more fully incorporate other policy and procedural aspects related to PRIMES. UNHCR further states that the administrative instruction is expected to be ready in the second quarter of 2022.		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
					modalities by which the regional bureaux and headquarters will need to confirm the decommissioning. Consultation with the Records and Archives Section is under way to securely transfer backups for archiving prior to formally decommissioning proGres v3. This has extended the process for developing the administrative instructions, which is targeted for finalization in the second quarter of 2022. Meanwhile, the operations have already begun to electronically confirm that proGres v3 has been decommissioned after successful uploads of data to the data preservation platform (a long-term off-site digital platform that serves as the repository for data that should be retained indefinitely).	The recommendation remains under implementation.				
70	2019	A/75/5/Add.6, chap. II, para. 353		The Board recommends that the UNHCR data protection policy require the designation of data controllers at the global and regional levels.	The global data protection policy is at an advanced draft stage and is targeted for finalization in the second quarter of 2022. The draft envisages a clear designation of the accountability of data controllers at the headquarters, regional and country levels. This is detailed in section 8.1 of the draft policy and also in annex B to the policy. At this final stage of drafting, which follows extensive consultation, it is not anticipated that wording with regard to the designation of data controllers will change significantly. It should also be noted that current guidance for the UNHCR policy on the protection of personal data of persons of concern to UNHCR already allows for the designation of data controllers at the regional and operational levels. The implementation of the global data protection policy as proposed will solidify this.	UNHCR has initiated measures that indicate it is advancing data protection within the organization. In April 2022, UNHCR presented a detailed timeline for implementing data protection. The Board considers the recommendation to be 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
71	2019	A/75/5/Add.6, chap. II, para. 360	The Board recommends that UNHCR carry out a data protection impact assessment at an early stage to ensure that the results can be taken into account when planning and designing new information and communications (ICT) systems and enhancing major features of prevailing ICT systems and systems interoperability for the processing of personal data.	<p>Having completed the procurement process for services related to data protection impact assessments and data protection experts, UNHCR is now in the process of signing the framework agreements.</p> <p>In the meantime, a team on data protection has outsourced the two immediate data protection impact assessments that were required.</p> <p>Further ICT initiatives are being pursued to improve the process by ensuring that privacy factors are considered by default at an early stage of the design, for example, a pilot on facial recognition.</p> <p>The outsourcing of immediate/ad hoc data protection impact assessments has been implemented. Furthermore, UNHCR has a process for institutionalizing data protection impact assessments through expert services, which is complemented by internal tracking and the implementation of data protection impact assessment recommendations.</p>	The Board took note of the actions taken and considers the recommendation to be implemented.	X			
72	2018	A/74/5/Add.6, chap. II, para. 20	The Board recommends that UNHCR revise the presentation and disclosure of net assets in the financial statements, ensuring that fund accounting information is used only in so far as to supplement applicable IPSAS requirements.	UNHCR did not concur with the recommendation. It will instead consider revising the net asset presentation once the new standard on revenue recognition is revised. A suite of three new exposure drafts covering revenue recognition and transfer expenses was issued by the IPSAS Board for comment in February 2020. UNHCR is currently reviewing the implications of these exposure drafts for financial reporting.	<p>The Board welcomes the review of the financial reporting in view of the upcoming new IPSAS standards on revenue recognition. The Board maintains the position that the presentation and disclosure of net assets in the financial statements need to be revised to ensure compliance with the IPSAS nomenclature of net assets.</p> <p>The recommendation has not been implemented.</p>			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
73	2018	A/74/5/Add.6, chap. II, para. 50	The Board recommends that UNHCR establish a consistent accounting process and guidance for items that are procured for direct transfer of ownership to other entities especially for cases that do not refer to the implementation of a specific programme. UNHCR should flag these items in the MSRP system and disclose expenses resulting from such transfers separately in the notes to the financial statements.	For new requisitions issued from January 2021, the MSRP system has been enhanced to allow for the tracking of property, plant and equipment, serially tracked items, inventory, and consumable items that were procured for further transfer of ownership. However, UNHCR does not see a need to disclose the expense associated with these transfers separately in the financial statements.	The enhancement of the MSRP system to allow for the tracking of newly procured items for direct transfer meets the requirement to identify the cases. Several notes to the financial statements include information on expenses for assets transferred to partners and assets held for distribution to partners. On this basis, the Board considers the recommendation to be implemented.	X			
74	2018	A/74/5/Add.6, chap. II, para. 64	The Board recommends that UNHCR ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures. The reporting lines, accountabilities and authorities should be integrated into the current structures of UNHCR and provide for the necessary coordination and monitoring at headquarters.	See the actions mentioned in response to the recommendations in paragraphs 126, 135 and 141 of A/75/5/Add.6, chapter II, which also address this recommendation.	The Board commented on the roles, authorities and accountabilities in its 2021 audit report and issued a new recommendation that addresses the rationale of this recommendation as well. Therefore, the Board considers the recommendation as having been overtaken by events.				X
75	2018	A/74/5/Add.6, chap. II, para. 327	The Board recommends that UNHCR pay particular attention to preparing specific job descriptions that enable the responsible officials to evaluate the performance of contractors. Therefore, UNHCR should	UNHCR is recommending the use of the existing standard job descriptions whenever they are applicable. The administrative instruction on managing the affiliated workforce (UNHCR/AI/2020/7) includes, in annex II, requirements regarding the terms of reference (also known as job	UNHCR has selected a new human capital management system which has not yet been implemented. Standard job descriptions will be transferred into the system. This recommendation has been 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
			review the existing performance classification as a component of the evaluation report and consider whether the evaluation report and template could be established in the MSRP module.	descriptions) for individual contract holders. UNHCR does not, however, seek to achieve full standardization for contractors' job descriptions and titles in a similar manner to what was done for staff, as doing so would hinder the concept of flexible work arrangements when considering the broad spectrum of activities the affiliates can cover. The performance of individual contractors is assessed and evaluated against the requirements outlined in the terms of reference. Indeed, in cases when the individual contractor performs tasks similar or identical to those carried out by staff members, the UNHCR offices must use the respective UNHCR job description as a basis for the terms of reference, hence the performance of the contractor would be measured against the exact same criteria. In addition, the performance of individual contract holders will be recorded in the new human resources system (replacing the current MSPR), and in doing so will enable the Division of Human Resources to monitor and exercise oversight on the consistency of performance evaluations for individual contract holders.				
76	2018	A/74/5/Add.6, chap. II, para. 343	The Board recommends that UNHCR establish mandatory UNHCR-wide minimum information security standards in an ICT governance framework as soon as possible.	UNHCR is working on issuing an information security policy that will include requirements on the minimum information security standards. It is expected that this policy will be issued during the third quarter of 2022.	UNHCR plans to issue the information security policy in the third quarter of 2022. The Board took note of the actions taken and considers the recommendation to be 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
77	2018	A/74/5/Add.6, chap. II, para. 365	The Board recommends that UNHCR strengthen the position of the Chief Information Security Officer and increase interaction with top management. To secure the position of the Officer, the Board recommends that UNHCR redefine and describe the role and tasks of the Chief Information Security Officer in an overarching information security mandatory guideline that defines mandatory requirements, controls and responsibilities of all stakeholders. The mandatory guideline should also grant the Chief Information Security Officer a reporting line to a consultative and reporting body that includes membership by top management.	<p>UNHCR has appointed a Chief Information Security Officer within the Division of Information Systems and Telecommunication, who reports to the Chief Information Officer. The role and tasks of the Chief Information Security Officer will be described in the new information security policy. The Officer will provide information security reports to senior leadership on a regular basis and will update the Senior Management Committee semi-annually. Information security is now a semi-annual topic on the agenda of the Senior Management Committee.</p> <p>The role and tasks of the Chief Information Security Officer will be further described and reinforced in the upcoming information security policy scheduled to be issued in the third quarter of 2022.</p> <p>UNHCR assessed that most of the actions needed to address this recommendation have been taken and considers it substantially implemented.</p>	UNHCR plans to issue the information security policy in the third quarter of 2022. The Board took note of the actions taken and considers the recommendation to be under implementation.		X		
78	2018	A/74/5/Add.6, chap. II, para. 374	The Board recommends that UNHCR plan to develop an overall data protection policy to include the protection of personal data of all UNHCR personnel.	<p>UNHCR established its Global Data Service in 2020, which is now a key stakeholder in the data protection policy and is engaged in a review and update of the draft global data protection policy.</p> <p>The global data protection policy is at an advanced draft stage. The scope of the draft policy (sect. 2) covers the processing of all personal data, including the processing of personal data on behalf of UNHCR (for example by third parties, vendors or partners that process personal data under instructions from UNHCR).</p>	UNHCR has initiated measures that indicate it is advancing data protection within the organization. In April 2022, UNHCR presented a detailed timeline for implementing data protection. The Board considers the recommendation to be 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
79	2017	A/73/5/Add.6 , chap. II, para. 213	The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to "ownership" of its inventories.	<p>UNHCR recognizes that potential benefits can be achieved by managing its stock of non-food items (also known as core relief items) at the corporate level. Non-food items stocks are currently managed by the respective country operations, while decentralized management is an important element of the organizational structure.</p> <p>An operational guidance on the end-to-end management of non-food items was issued in September 2021. It includes guidance on the key areas of non-food item management and will help in achieving their systematic management throughout the programme cycle and in detailing the roles and responsibilities related to carrying out non-food item distribution.</p> <p>Further to this recommendation, within the context of the implementation of the new enterprise resource planning system and the imperative of reducing the organization's greenhouse gas emissions, the Division of Emergency, Security and Supply, in consultation with other divisions and field operations, will develop a concept note on how to organize procurement planning for and management of inventory goods. It is expected that the assessment would be completed by the end of 2021.</p>	The Board appreciates the measures taken by UNHCR to implement the recommendation. UNHCR has issued operational guidelines on non-food item management (UNHCR/OG/2021/04/Rev.01), which provides guidance on the management of non-food items throughout the entire cycle. On this basis, the Board considers the recommendation to be 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	
80	2017	A/73/5/Add.6 , chap. II, para. 214	The Board further recommends that the Division of Emergency, Security and Supply review all UNHCR inventories on a periodic basis and, if the observations from these reviews permit it, advises regional bureaux and country operations on opportunities for an efficient stockpile management at the country level.	<p>UNHCR has addressed this recommendation, together with the actions mentioned, in its response to the recommendation immediately above.</p> <p>The Supply Management Service reviews the inventory levels, including surplus, on a quarterly basis and shares its reports with the operations and bureaux by email, requesting that actions be taken correct the surpluses. The reports are also available through the Service's business intelligence dashboard.</p> <p>The operational guidance on non-food item management was issued in September 2021. It includes guidance on the key areas of non-food item management, taking into account the new organizational architecture put in place through the recent process of regionalization and decentralization. Regional bureaux now have a reinforced monitoring role and will receive technical support from headquarters.</p>	The Board appreciates the measures taken by UNHCR to implement the recommendation. UNHCR has issued operational guidelines on non-food item management (UNHCR/OG/2021/04/Rev.01), which provide guidance on the management of non-food items throughout the entire cycle. On this basis, the Board considers the recommendation to be implemented.	X				
Total						80	43	23	1	13
Percentage						100	54	29	1	16

Chapter III

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

Letter dated 31 March 2022 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.10](#)) and International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

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

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

Chapter IV

Financial report for the year ended 31 December 2021

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 2021, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations ([ST/SGB/2013/4](#)) and article 11 of the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.10](#)).
2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund (consisting of the Global Refugee Programme and the Global Stateless Programme), the Global Reintegration Projects Fund, the Global Internally Displaced Persons Projects Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan, the Working Capital and Guarantee Fund 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. 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 of 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 persons of concern, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.
5. In 2021, UNHCR operated in an increasingly complex and unpredictable environment. The year was characterized by protracted displacement and new crises, and the Office responded to 40 new emergencies in 29 countries. There were 24 million people inside Afghanistan and 5.7 million Afghans and host communities in five neighbouring countries in need of support. Conflict in northern Ethiopia sent millions fleeing for safety within their country and almost 60,000 into the Sudan. UNHCR facilitated the deployment of security personnel to numerous emergency missions, notably in the Democratic Republic of the Congo, Ethiopia, the Sudan and the Sahel region. UNHCR strengthened its emergency response capacity without losing sight of solutions, which – together with protection – remain central to its mandate. UNHCR estimates that at mid-2021 the overall figures for persons of concern surpassed 92 million.

6. Against this backdrop, the coronavirus disease (COVID-19) pandemic continued to exact a toll on the health and socioeconomic situation of refugees, internally displaced persons and stateless people, compounding the effects of existing and new crises. The pandemic affected efforts to ensure adequate health care, food security and livelihoods for persons of concern. As a result of the Office's response to COVID-19 during 2021, more than 19.7 million persons obtained access to protection services, and 9.3 million benefited from cash assistance. Nearly 9.3 million persons of concern obtained access to health services, with some 841,000 individuals receiving mental health and psychosocial support and over 1.25 million women and girls gaining access to comprehensive care. Some 980,000 children and youth were supported with online or home-based learning.

7. The global compact on refugees continued to provide the blueprint for burden- and responsibility-sharing when dealing with displacement issues. UNHCR, in cooperation with States and a broad range of stakeholders at the global, regional, national and local levels, continued to safeguard protections and drive forward solutions. The year 2021 was dedicated to stocktaking on progress towards the objectives of the global compact and the related pledges and initiatives, which were reviewed at a meeting of high-level officials in December 2021. In the lead-up to the meeting, UNHCR and partners reviewed progress on pledges and initiatives through regional, thematic and stakeholder events. As of the end of 2021, two thirds of the more than 1,600 pledges made since the Global Refugee Forum was held were reported to be in progress, and more than 160 were reported as having been implemented.

8. 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. While seeking to expand third-country solutions for refugees, including resettlement and complementary pathways, UNHCR continued to advocate for the prevention and reduction of statelessness, as well as the protection of stateless persons, by working with States to facilitate the acquisition or confirmation of nationality by stateless persons. UNHCR also continued to contribute to the objectives of the 2030 Agenda for Sustainable Development.

9. 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. Innovative remote deployment modalities resulted in the roll-out of PRIMES tools such as version 4 of the Profile Global Registration System (proGres v4) to 17 operations, eventually leading to its use by 117 operations. Because the registration of refugees was affected by restrictions related to the pandemic, UNHCR relied on remote registration and digital services in Lebanon, Malaysia, the United Arab Emirates and other operations, and made progress with regard to the scoping and testing of contactless biometrics technologies to enable the registration of people of concern. The number of individuals with records in PRIMES rose from 15 million in 2020 to 22 million in 2021.

10. UNHCR expanded its cash assistance programme to provide protection, assistance and services to persons of concern. This type of assistance helped displaced peoples meet a variety of needs, including access to food, health care and shelter. It was also used to support livelihoods and facilitate voluntary repatriation. Such interventions also directly benefited local economies and bolstered peaceful coexistence with host communities. In 2021, UNHCR delivered an amount close to \$670 million in cash assistance – mainly in the form of multipurpose cash grants – to some 9.3 million people in over 100 countries.

11. In 2021, the total estimated budgetary requirements for addressing the needs of all persons of concern amounted to \$9,247.6 million (\$9,131.3 million in 2020). The total available funds were \$5,153.3 million (\$5,403.6 million in 2020), while UNHCR implemented activities in the amount of \$4,918.0 million (\$4,837.7 million in 2020) (see table IV.3).

C. Financial analysis

12. The financial position of UNHCR at year-end and the annual financial performance since 2017 are summarized in table IV.1.

Table IV.1

Financial position and financial performance, 2017–2021

(Millions of United States dollars)

	2017	2018	2019	2020	2021
Total assets	2 973	3 305	3 376	4 004	4 594
Total liabilities	998	986	1 269	1 524	1 771
Net assets	1 975	2 319	2 107	2 480	2 823
Revenue	4 230	4 338	4 183	4 892	5 254
Expense ^a	3 851	4 083	4 258	4 337	4 790
Surplus/deficit	379	256	(75)	554	464

^a Including foreign exchange gains/losses.

13. As at 31 December 2021, total fund balances and reserves amounted to \$2,823.1 million (see statement I), representing an increase of \$343.3 million, or 13.8 per cent, compared with the balance as at 31 December 2020. This increase was a result of the performance surplus of \$464.5 million (see statement II), offset by the loss arising from the actuarial valuation of employee benefit obligations of \$121.2 million (see statement III).

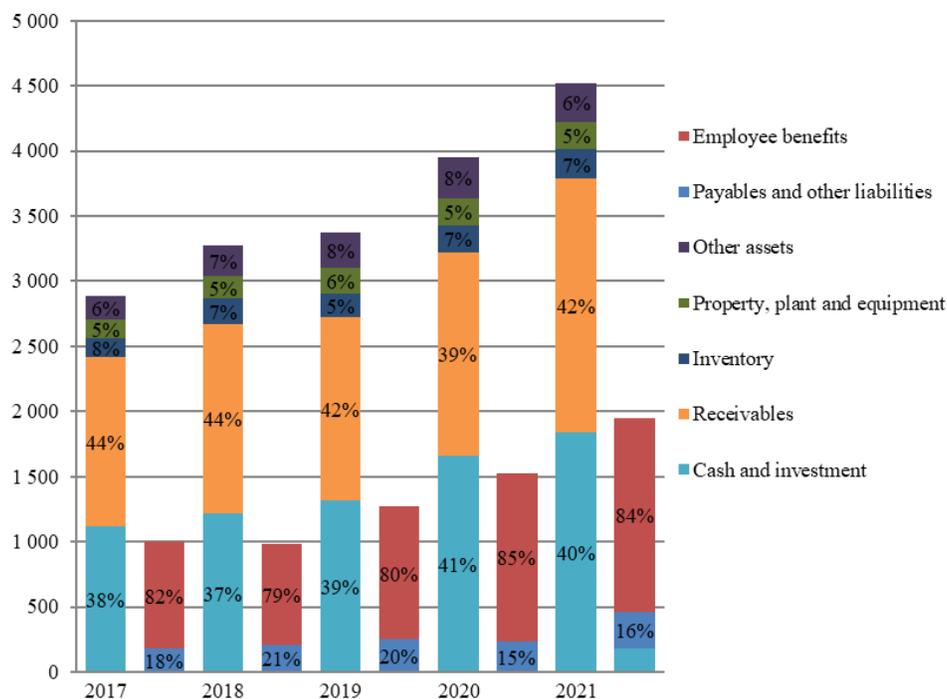
14. The fund balances and reserves comprise the accumulated fund balances and reserves (\$3,357.4 million), the Working Capital and Guarantee Fund (\$100.0 million), the Medical Insurance Plan (\$60.7 million), the Staff Benefits Fund (net deficit of \$850.8 million) and the newly established Self-Financing Activities Fund (\$155.8 million).

15. The accumulated fund balances and reserves include, in addition to the balance of the Annual Programme Fund (\$3,109.9 million), the operational reserve (\$10.0 million), the new or additional mandate-related activities reserve (\$20.0 million), the Project Funds (\$208.0 million) and the Junior Professional Officers Fund (\$9.5 million), as detailed in note 3.11.

16. The composition by main category of the assets and liabilities of UNHCR as at the year-end for the years 2017 to 2021 is depicted in figure IV.I.

Figure IV.1
Assets and liabilities, 2017–2021

(Millions of United States dollars)



17. As at 31 December 2021, financial instruments such as cash, investments and receivables accounted for 82 per cent of total assets. Employee benefit obligations accounted for 84 per cent of total liabilities, largely consisting of long-term obligations.

18. Table IV.2 provides some key financial ratios as at 31 December 2021 compared with those as at 31 December 2020.

Table IV.2
Key financial ratios as at 31 December

	2021	2020
Current assets to current liabilities	8.01	8.97
Total assets to total liabilities	2.59	2.63
Cash and cash equivalents to current liabilities	2.68	2.94

19. 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 2021, the current ratio of UNHCR was 8.01, which is relatively high and indicates that UNHCR is in a strong 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 \$992.0 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 takes place 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 (\$468 million, as reflected in table 3.14.2 in note 3.14).

20. As at 31 December 2021, the total amount of cash and short-term investments was \$1,838.9 million, an increase of \$179.6 million compared with \$1,659.3 million in 2020. Excluding the amounts pertaining to the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan, the cash and short-term investments available for operational activities amounted to \$1,063.9 million (\$992.2 million in 2020). This covers approximately 2.7 months of operational needs on the basis of average monthly expenses in 2021. At the time of the certification of the financial statements (31 March 2022), the balance of cash and investments available for operational activities had decreased to \$928.9 million, representing 2.5 months of operational needs. Timely receipt of contributions is vital to the ability of UNHCR to operate.

21. 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 2017 to 2021.

Figure IV.II

Total amount of cash and short-term investments for operational activities/months of operational needs covered, 2017–2021

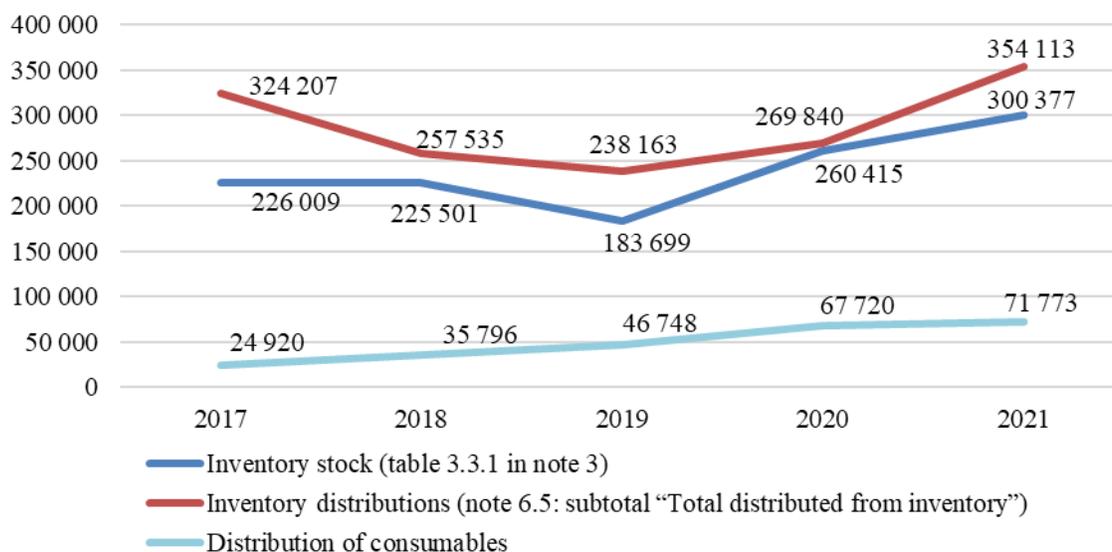
(Millions of United States dollars/number of months)



22. Figure IV.III depicts the annual inventory distribution (see note 6.5) together with the inventory on stock (see table 3.3.1 in note 3.3) at year-end over the past five years. Of the amount of \$354.1 million of inventory distributed in 2021, \$162.9 million (46.0 per cent) represents medical and hygienic supplies and apparel. The distribution of these items nearly doubled compared with 2020 (\$84.8 million) owing to COVID-19-related measures.

Figure IV.III
Inventory distribution and on stock at year-end, 2017–2021

(Thousands of United States dollars)



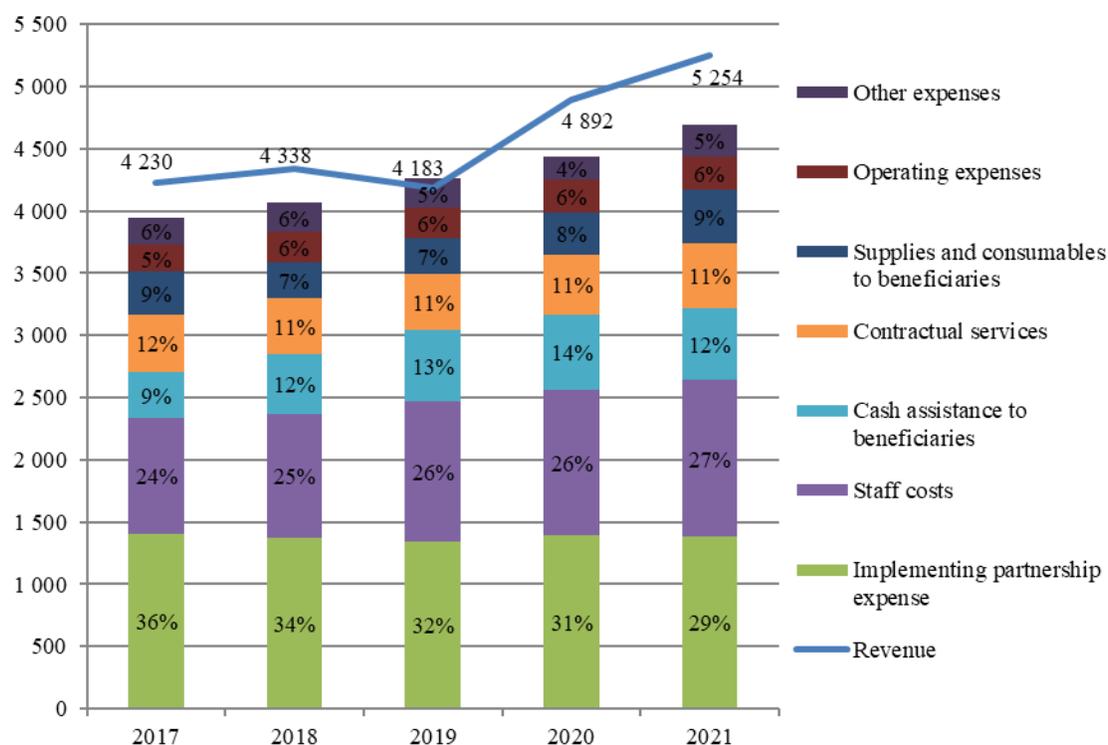
23. In terms of financial performance (see statement II), UNHCR ended the year with a surplus (revenue minus expenses, including foreign exchange gains) of \$464.5 million, compared with a surplus of \$554.4 million at the end of 2020.

24. The change in the annual result of 2021 in comparison with 2020 was driven mainly by an increase in voluntary contributions revenue of \$359.4 million, offset by an increase in total expenses of only \$259.9 million. That increase in expenses is composed of increases for supplies and consumables for beneficiaries (\$93.2 million), salaries and employee benefits (\$92.8 million), contractual services (\$43.1 million) and equipment and supplies (\$39.9 million), offset by decreases in cash assistance to beneficiaries (\$34.5 million) and implementing partner expenses (\$11.5 million). The surplus was decreased by foreign exchange losses of \$97.4 million recorded in 2021, while foreign exchange gains of \$95.2 million occurred in 2020.

25. Figure IV.IV depicts the revenue and expenses for the period from 2017 to 2021.

Figure IV.IV
Revenue and expenses, 2017–2021

(Millions of United States dollars)



26. The total revenue for 2021 was \$5,254.2 million, an increase of \$362.6 million, or 7 per cent, compared with 2020. Voluntary contributions from donors, including in-kind contributions, amounted to \$5,187.2 million (accounting for 98.7 per cent of the total revenue), of which \$1,766.2 million was intended for future years' activities (2022–2026).

27. The total expenses for the financial period amounted to \$4,692.4 million, an increase of 5.9 per cent compared with 2020 (\$4,432.5 million). Statement V presents the 2021 expenditure of \$4,918.0 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2020 in annual expenses reported in statement II for 2021 are explained in the paragraphs below.

28. Expenses pertaining to agreements signed with implementing partners, amounting to \$1,380.7 million, decreased by 0.8 per cent compared with 2020 (\$1,392.2 million). Substantial decreases occurred primarily in Greece, Lebanon and Iraq, whereas the largest increases occurred in the Syrian Arab Republic, Colombia and the Sudan. UNHCR continues its support to national partners as part of its commitment to support localization and to increase the resources entrusted to them.

29. Staff salaries and benefits, amounting to \$1,260.7 million, increased by 7.9 per cent compared with 2020 (\$1,167.9 million), reflecting an increase in the number of staff, driven by the impact of the demands of emergencies faced during the period and scheduled salary increases, as well as higher costs for after-service health insurance, offset by lower costs for unconsumed annual leave balances.

30. 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 \$573.2 million, decreased by 5.7 per cent compared with 2020 (\$607.7 million). The main decreases related to the programmes in Greece (\$67.6 million), Lebanon (\$44.1 million) and Pakistan (\$5.4 million), and the largest increases related to programmes in Afghanistan, Yemen and Egypt. The amount of cash assistance provided through partners in 2021 was \$95.3 million, which results in the total cash assistance programmes implemented by UNHCR amounting to \$668.5 million.

31. Expenses for contractual services, amounting to \$527.8 million, increased by 8.9 per cent compared with 2020 (\$484.7 million). Increases were observed in relation to professional services, data processing, construction contracts and transport, offset by small decreases in several other categories.

32. The year 2021 continued to be characterized by low interest rates in respect of the United States dollar. The organization's investment management objective is to emphasize capital preservation and liquidity over the rate of return. Interest revenue of \$2.5 million (\$5.2 million in 2020) was generated during the year. The decrease compared with 2020 is attributable to lower average interest rates with regard to the United States dollar (see table 4.1 of note 4).

33. 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 2021 amounted to \$2,823.1 million (\$2,479.8 million in 2020), including \$1,806.2 million of receivables intended for future-period activities (2022–2026), as shown in table 3.2.2 of note 3.2. Furthermore, UNHCR had legal commitments (open purchase orders) of \$654.4 million as at 31 December 2021 for goods and services to be received in 2022 and subsequent years through 2026. Accordingly, some of the revenue recognized in 2021 and previous years will only be matched by expenses to be incurred during 2022 and subsequent years.

D. Programme budget performance highlights

34. 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.

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

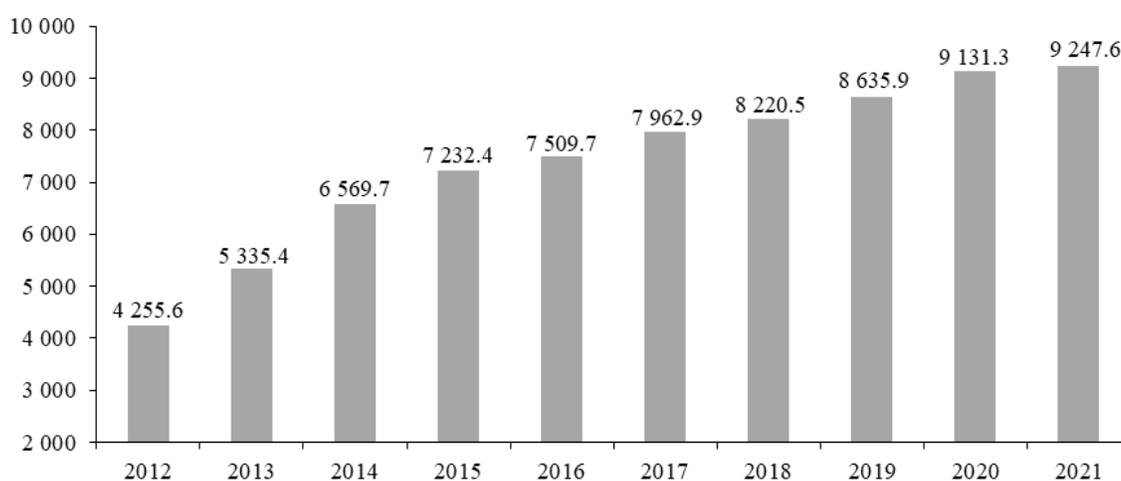
36. The programme budget of UNHCR is formulated on the basis of a global needs assessment methodology, meaning that an assessment of the needs of persons of concern to UNHCR serves as the basis for the formulation of programme budget estimates.

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

38. The original budget for 2021 approved by the Executive Committee at its seventieth session (October 2019) amounted to \$8,615.8 million. Four supplementary budgets were established during the course of 2021: \$454.9 million in support of activities to protect refugees and other persons of concern from the impact of the COVID-19 pandemic; \$96.6 million in support of the situation in Ethiopia; \$64.2 million to meet additional needs in preparedness and response with regard to the situation in Afghanistan; and \$16.0 million in support of the situation in the Bolivarian Republic of Venezuela. The total financial requirements for these supplementary budgets amounted to \$631.7 million. This led to a final budget of \$9,247.6 million.

Figure IV.V
Requirements, 2012–2021

(Millions of United States dollars)



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

40. Table IV.3 shows the breakdown of total requirements, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1, in accordance with established practice. The difference between the total requirements (global needs assessment budget) and the funds available represents the unfunded needs of persons of concern to UNHCR. In 2021, unfunded needs amounted to \$4,094.3 million, or 44.3 per cent of total requirements.

Table IV.3
Total requirements, funds available and expenditure, 2021^a

(Millions of United States dollars unless otherwise indicated)

	<i>Pillar 1^b</i>	<i>Pillar 2</i>	<i>Pillar 3</i>	<i>Pillar 4</i>	<i>Total</i>
Total requirements (global needs assessment budget)	7 026.5	78.9	653.2	1 489.0	9 247.6
Funds available	4 071.1	39.9	237.9	804.3	5 153.3
Expenditure	3 858.5	39.9	234.7	784.9	4 918.0
Carry-over	212.6	0.1	3.2	19.4	235.3
Expenditure on total requirements (percentage)	55	51	36	53	53
Expenditure on funds available (percentage)	95	100	99	98	95

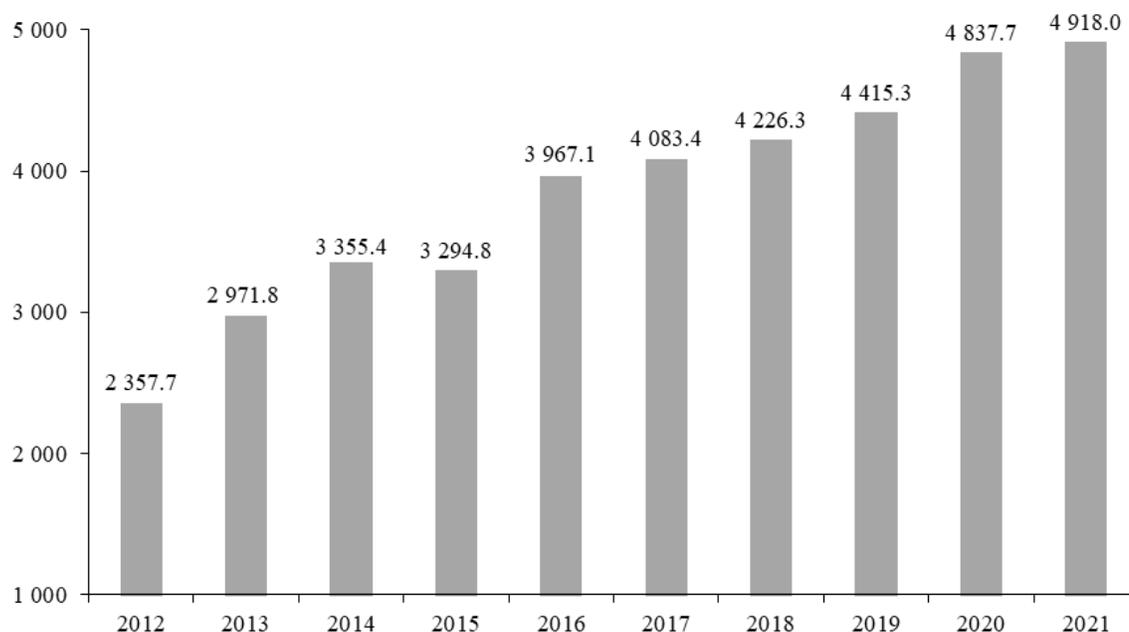
^a Totals in the table may not add up owing to rounding.

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

41. The expenditure amount of \$4,918.0 million in 2021 represents an increase of \$80.3 million, or 1.7 per cent, compared with the 2020 expenditure (\$4,837.7 million). Figure IV.VI illustrates annual expenditure over the period from 2012 to 2021.

Figure IV.VI
Expenditure, 2012–2021

(Millions of United States dollars)



42. Table IV.4 shows 2021 expenditure, broken down in terms of programme, programme support, management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2020.

Table IV.4
2021 expenditure by programme, programme support, management and administration and Junior Professional Officers Programme

(Millions of United States dollars)

	2021		2020	
	Amount	Percentage	Amount	Percentage
Programme	3 957.2	80.5	3 947.9	81.6
Programme support	755.9	15.4	710.7	14.7
Management and administration	196.5	4.0	170.1	3.5
Junior Professional Officers Programme	8.4	0.2	9.0	0.2
Total expenditure	4 918.0	100.00	4 837.7	100.0

43. 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 2012 to 2021 in values and percentages, respectively. The increase in the management and administration category of expenditure stems from investments in business transformation and information technology security. The increase in the programme support category of expenditure is related to the expansion of activities in the field.

Figure IV.VII
Evolution of expenditure, 2012–2021, by cost category

(Millions of United States dollars)

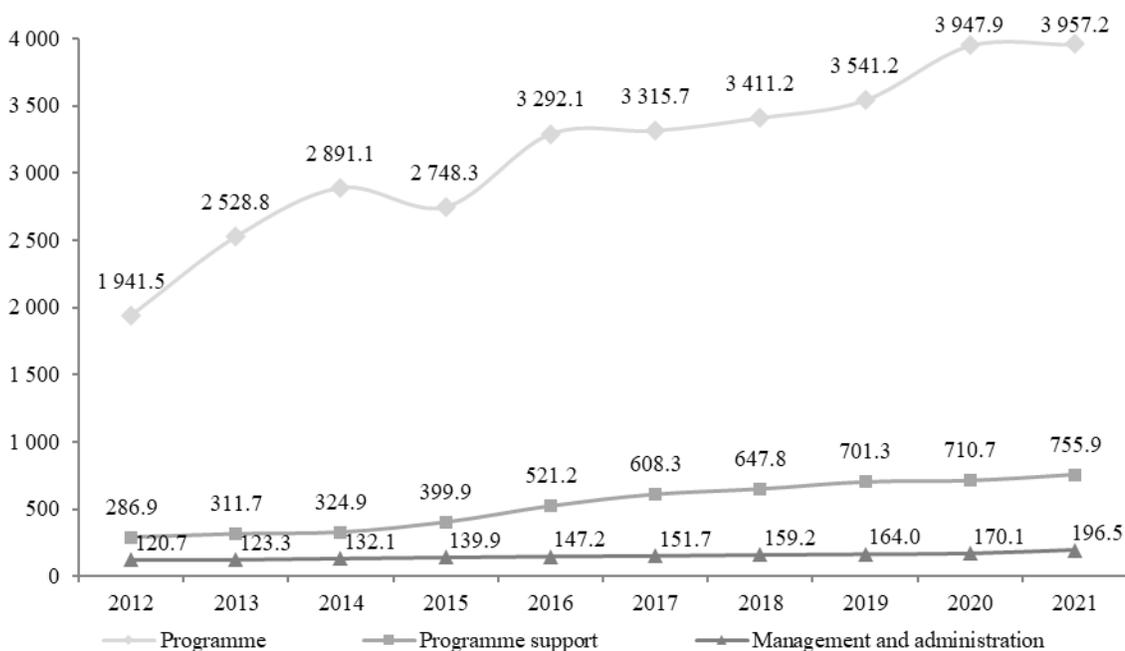
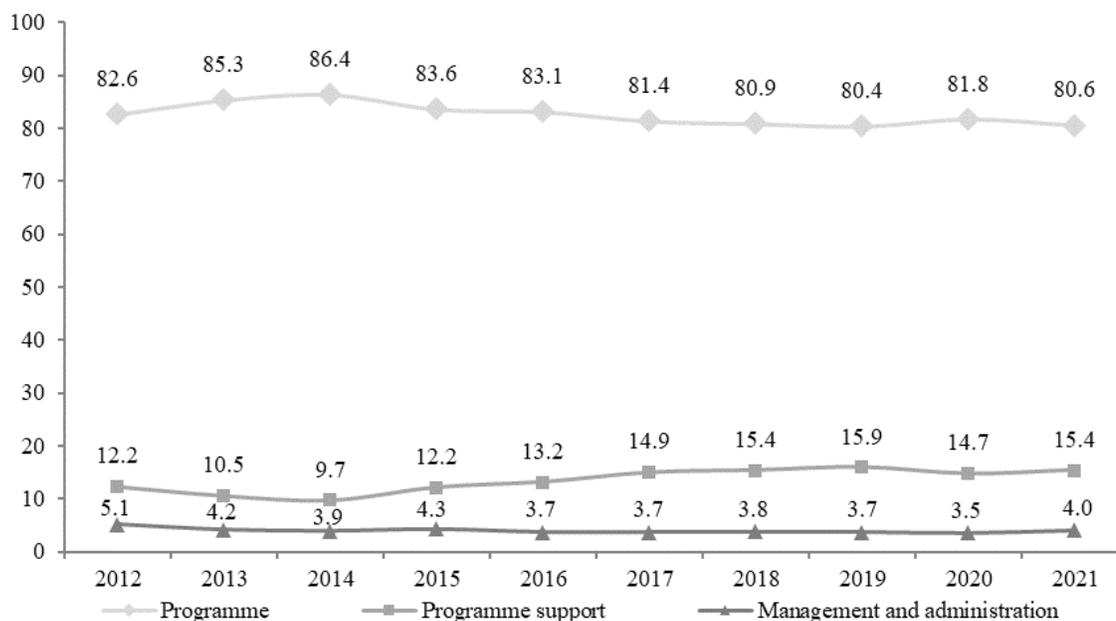


Figure IV.VIII
Evolution of expenditure, 2012–2021, by cost category

(Percentage)



E. Impact of COVID-19 on the Office's activities and financial situation in 2021

44. The COVID-19 pandemic continued to manifest itself in a variety of ways in the activities of UNHCR during 2021. Where the impact of the pandemic was evident in the financial results of the organization, that is described in the notes to the financial statements. Some of the most notable aspects are described below.

45. Revenue earmarked by donors for COVID-19-related activities amounted to \$112.3 million (\$471.0 million in 2020), including, in certain cases, the reprogramming of existing funds towards COVID-19 relief activities, as mentioned in note 5.1 of the financial statements. Other revenue earned in 2021 amounted to \$21.3 million, an increase of 14.6 per cent from \$18.6 million in 2020, but still lower than \$26.7 million in 2019. While 2021 saw some return of activities, including travel, under a COVID-19 context, restrictions were still prevalent. The increase under the category of other revenue reflects the normalization in the sale of assets and the use of guest houses, but not to pre-pandemic levels.

46. Expenses for supplies and consumables for beneficiaries amounted to \$429.5 million, representing an increase of 27.7 per cent compared with 2020 (\$336.3 million), owing in particular to the distribution of medical, hygienic and personal protective equipment during the COVID-19 pandemic.

47. Travel expenses increased by 47 per cent, from \$28.6 million in 2020 to \$42.1 million in 2021, owing to the partial easing of restrictions in the second year of the COVID-19 pandemic.

48. Following the significant increase of the annual leave liability in 2020, the 2021 liability balance increased by only 6.1 per cent, to \$117.3 million, and includes the amount of \$10.0 million (\$10.4 million in 2020) for accumulated annual leave days in excess of the usual cap on the number of leave days that can be carried forward.

The excess resulted from the temporary lifting of the cap owing to COVID-19-related travel restrictions. Full disclosure of expenses and liabilities related to salaries and employee benefits are included in notes 6.2 and 3.8, respectively.

F. Going concern

49. 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 2022, 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 revised budget requirements for 2022 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.

G. Internal control system

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

51. 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.

52. 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

53. OIOS performs internal audit services at UNHCR in accordance with UNHCR financial rule 12.1 and United Nations financial regulation 5.15. A memorandum of understanding between UNHCR and OIOS defines the arrangements for internal audit services to be provided by OIOS. The 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 2021, OIOS issued 21 reports: 7 audits of field operations, 7 audits of headquarters activities (including 2 thematic audits) and 7 advisories. The headquarters audits included the Office's response arrangements for

the health and well-being of personnel during the COVID-19 pandemic, information security at UNHCR and an audit of child protection measures. The advisories included the implementation of the regionalization and decentralization process, the Office's organizational resilience management system and the effective use of vendors and logistics partners for critical supply chain activities in UNHCR field operations during the COVID-19 pandemic.

Independent audit of projects implemented by partners

54. UNHCR carries out a high percentage of its activities through implementing partners. In 2021, UNHCR continued to collaborate with more than 1,150 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.

55. 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. The Office increased the number of external audit firms with which it has frame agreements from four to eight. The change allowed UNHCR to better mitigate some COVID-19-related challenges in relation to lockdown measures in various countries, given that, 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. Overall, with the easing of COVID-19-related lockdown measures globally, there was an increase in on-site monitoring activities, which contributed to strengthening project assurance activities conducted by UNHCR.

Independent Audit and Oversight Committee

56. 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 2021, the Committee held three sessions, during which it discussed and made observations on the organization's transformation agenda, oversight and integrity structures and the impact of the COVID-19 pandemic. The Committee also reviewed workplans and reports from internal and external audits, investigations, evaluations and strategic oversight functions. The Committee commented on enterprise risk management, financial management and fraud prevention, and ethics. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2021.

Inspector General's Office

57. 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 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

58. 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.

59. Following its first launch, in 2019, of a statement of internal control, UNHCR is now issuing the statement for 2021, set out below.

Statement of internal control, 2021

Scope of responsibility

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

Purpose of internal control

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

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

This statement covers the financial reporting period from 1 January to 31 December 2021, and up to the date of my approval of the organization's financial statements.

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

Following a process of regionalization and decentralization substantially rolled out in 2020, the new organizational architecture in place for 2021 equipped the organization with better-empowered country offices supported by capacitated regional bureaux and divisions, and required a clearer definition of the roles, accountabilities and authorities of each entity. A process to update the roles, accountabilities and authorities' frameworks developed in 2019 to accompany the roll-out of regionalization and decentralization was initiated in 2021 following feedback provided by managers and oversight providers. In parallel, a review of the 2017 three lines model started in late 2020 to ensure a model better adapted to UNHCR's organizational and operational

realities following the implementation of regionalization and decentralization. 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 players 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 according to the roles, authorities and accountabilities largely defined and described below.

Country offices are the operational actors that own and manage risks on a day-to-day basis, reaching out to bureaux and divisions for support as necessary. They identify and manage risks in line with the enterprise risk management framework, exercise internal controls to mitigate the identified risks and establish monitoring mechanisms.

Bureaux, in addition to managing their own risks, have the role of ensuring that country operations throughout the region include regular monitoring, risk identification and management and political, situational and data analysis as integral elements of the planning and implementation processes. Furthermore, bureaux facilitate quality assurance, risk management and compliance functions to help build and/or monitor the activity of the country operations.

Divisions play an essential role in overseeing the global implementation of risk management and internal controls. Divisions ensure, in close collaboration with the bureaux, the timely and effective implementation of policy and processes in their thematic areas, elevating significant or emerging risks to the attention of the senior executive team. They support the role of the bureaux by developing risk-based policies and processes that contribute to maintaining effective controls within their respective functional areas and support capacity development in these areas.

UNHCR also benefits from robust internal independent oversight and assurance functions provided by the UNHCR Audit Service of the Office of Internal Oversight Services, the Inspector General's Office and the Evaluation Service.

UNHCR's operating environment

In delivering on its primary purpose to safeguard the rights and well-being of refugees and other persons of concern, UNHCR operates in approximately 135 countries in an increasingly complex and unpredictable environment and is therefore exposed to situations with a high level of inherent risk. The year 2021 has been characterized by protracted displacement and new crises, and the Office responded to 40 new emergencies in 29 countries throughout the year. Against this backdrop, the COVID-19 pandemic continued to have a significant impact on the health and socioeconomic situation of refugees, internally displaced persons and stateless people, compounding the effect of existing and new crises and affecting our operations. These effects were particularly challenging, constantly testing the proper functioning of the core elements of our governance and operating framework. UNHCR addressed such challenges by swiftly identifying needs, reprioritizing and reallocating resources and introducing measures to increase flexibility with regard to the difficult operating environments while at the same time ensuring the safety and security of its personnel.

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.

UNHCR has made steady progress in building a stronger risk management culture across the organization. In 2021, for the first time, the risks and opportunities in the Operational Risk Register could be mapped to the specific outcomes from strategic plans on which they could have an impact. This has strengthened the link between risks and results and supports country operations, regional bureaux and headquarters divisions and entities in managing risks in the pursuit of their objectives.

UNHCR continues to invest in further strengthening its risk management culture. The organization has now endorsed a five-year strategy for risk management with the aim of bringing UNHCR's risk maturity from an established level to an advanced level by the end of 2025.

Key findings of risk reviews in 2021

A total of 16 strategic risks were captured in the Strategic Risk Register in 2021, and their evolution has been monitored on a regular basis. Strategic risks related to organizational change and climate change were assessed as increasing in 2021, while the overall level of the risk of the impact of global disruptions, such as COVID-19, was assessed as decreasing, in view of progress made with key treatments.

Risks related to UNHCR's core protection activities continued to remain a major risk area in 2021. As was the case in 2020, these risks were clearly exacerbated by COVID-19. Encouragingly, the protection environment was also 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. Emergency preparedness and response remains another significant risk area, as does COVID-19. However, compared with 2020, there has been a slight decrease in the number and level of COVID-19 risks. Addressing these risks and opportunities has been a priority for UNHCR throughout 2021 at all three levels of the organization.

Special attention has been paid throughout 2021 to prevention of fraud, diversion of aid and other integrity risks due to altered business processes and reduced presence and access in the COVID-19 context. Efforts to prevent these risks from materializing focused on adapting and enhancing business processes and their controls, reinforcing training and awareness-raising on fraud and other integrity risks, and strengthening community engagement and feedback and monitoring mechanisms.

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

Review of the effectiveness of internal control

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

My review of the effectiveness of UNHCR's system of internal control 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, submitted by all UNHCR representatives, directors of the regional bureaux and administrative support divisions, in which they confirmed their responsibility for having put in place and maintained adequate internal controls in their respective areas. The questionnaires were used to review and rate compliance of key controls in organizational governance, financial and administrative areas, operations management and emergency preparedness. The offices are requested to identify and comment on the areas that are not fully compliant and indicate actions they are taking to strengthen controls in those areas;

(b) The reports issued by OIOS following the audits conducted under the 2021 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;¹

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

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

(e) The reports and recommendations issued by the Board of Auditors, the Joint Inspection Unit and UNHCR's Independent Audit and Oversight Committee. The observations and recommendations of these oversight bodies provide objective information on compliance and control effectiveness.

Internal control issues arising during 2021

Most of the issues highlighted in our statement of internal control of the previous year continued to be noted as areas where further improvements were still necessary. Thus, in 2021, UNHCR continued its efforts to prioritize, at various organizational levels, measures designed to address such internal control matters reported in my statements of the past years. Examples of areas for improvement and measures that UNHCR is pursuing are outlined below:

(a) **Timeliness and efficiency of procurement planning was often noted as not being optimal**, and was marked by some weaknesses in the supply chain management at the country level. UNHCR is working to reinforce procurement planning in the country operations and regional bureaux. The procurement policy was issued during the year and supported by online training. The policy and supporting procedures and guidance enforce procurement planning through the consolidated procurement plan and the individual procurement strategy. This is facilitated through the introduction of standard templates and a more clear assignment of responsibilities for procurement planning across functions and geographical segments;

(b) **Capacity and performance monitoring of partners entrusted with procurement or managing UNHCR's inventory could be better ascertained**, as it was observed that decisions to delegate procurement to implementing partners were not always informed by comparative assessments. UNHCR introduced enhanced templates for the assessment of partners' capacity to conduct procurement, which included the clarification that multifunctional teams tasked with the supply function should take the lead on this process. In addition, a new procedure was introduced to analyse, on a quarterly basis, the

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

partnership-related budgets, including the figures related to procurement activities, which allows field operations to monitor for compliance with relevant policies. Initial analysis shows an improved level of compliance. Furthermore, a revised administrative instruction on the selection and retention of partners reinforced the requirements to ensure the appropriate capacity and capability of partners to conduct procurement activities on behalf of UNHCR. New risk management tools on inventory and asset management and fraud prevention have been developed and added to the risk management toolkit of the organization, aimed at addressing such high-risk areas more effectively. The risk management tool on inventory and asset management assists UNHCR supply and administration personnel, as well as partners, in mitigating risks, including those related to fleet and fuel, premises and generators. During the year, several training sessions on fraud prevention and awareness were arranged for UNHCR field and partner staff and the risks related to procurement were among the subjects covered;

(c) **Consistency of programme monitoring could be further refined.** Improving programme monitoring will continue through UNHCR's renewed approach to implementing results-based management. The new approach was already utilized for the first time in 2021 to guide the 2022 planning and budgeting process. It strengthens the multifunctional team approach and uses COMPASS – UNHCR's new tool for planning, managing and reporting on results, which allows for systematic programmatic monitoring by embedding monitoring and evaluation requirements and data sources into country strategies and enabling multi-year monitoring;

(d) **Regular updates to and better documentation of standard operating procedures related to the implementation of cash-based intervention programmes need to be further integrated into the routine of the field offices.** The organization continues its efforts to use cash-based interventions as a preferred modality of assistance to persons of concern in a simple, efficient and accountable manner. Through a recently updated policy and an upcoming revised administrative instruction on financial management for cash-based interventions, UNHCR will reinforce the requirement that country operations have in place robust standard operating procedures that reflect the most recent and contextual operational needs when delivering cash-based intervention programmes.

In addition to the above aspects, new opportunities for improvement were identified in some areas, relating broadly to:

(a) **The strengthening of the systematic use of available tools for financial tracking and reporting.** Dashboards providing daily updated information with interactive visualization and easy drill-down options to the transactional level are regularly improved. The operations are encouraged to make optimal use of such management tools to monitor financial resources and make informed decisions, paying special attention to alerts and variances;

(b) **The efficiency of vehicles master data management.** With an increasing size of fleet and complexity of fleet management, UNHCR is intensifying the efforts to enhance, through the use of automated processes and analysis tools, the quality of fleet-related operational and financial data recorded in our systems. In this regard, a revised administrative instruction on vehicle tracking systems will be issued to encourage the capturing of better operational data on all vehicles fitted with such systems;

(c) **Adherence to the policy of the continuous monitoring and analysis of emergency risks and preparedness, as well as business continuity plans.** The organization is committed to the continued monitoring and annual analysis of emergency risks and preparedness, which enables it to better cope with challenging situations. The organization is currently finalizing the revision of its policy on emergency preparedness and response, which will reinforce the requirements for country operations to undertake emergency risk analysis for new or escalated emergencies, including mainstreaming with UNHCR's risk management system.

The risk analysis for emergencies is now integrated into the regular risk review process. A new risk tool for emergencies has also been developed, guiding country operations in their emergency risk assessments and management of emergency preparedness and response risks. Identified risks are validated on a quarterly basis in dialogue with regional bureaux. The organization will also leverage delegated authorities and emergency procurement provisions to bolster regional supplies of core relief items, and cash-based interventions are encouraged during emergencies more extensively, including the use of contactless operating modalities, if and when feasible. Finally, with regard to business continuity plans, UNHCR mainstreamed lessons learned and best practices with regard to the COVID-19 situation, updating its protocols and developing tools to assist operations in reinforcing resilience in adverse circumstances.

Furthermore, with UNHCR going through an extensive business transformation programme and the adoption of new cloud-based enterprise resource planning systems to optimize processes and systems to deliver to persons of concern, there are strong opportunities to address some of the matters emphasized above by redesigning processes and embedding systematic controls in the new systems. The business transformation programme will leverage cloud-based technology that supports a range of processes, including planning, budgeting, reporting, finance and supply chain management, human resources, resource mobilization and management, external engagement and partner project management. The business transformation programme is intended to streamline processes to ensure that UNHCR is equipped to tackle emerging challenges as an agile, efficient and innovative organization. The Office will continue to refine elements of its organizational transformation to enhance its effectiveness in responding to humanitarian crises.

I am committed to addressing the internal control and risk management issues identified above as part of the continuous improvement of our internal control environment. To this end, the status of implementation of recommendations issued by the internal and external audits is continuously monitored by senior management, together with other relevant risk owners, with the aim of taking timely actions to further strengthen the system of internal controls. 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 UNHCR's senior management team and submitted periodically to UNHCR's governing bodies.

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

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR operated under an effective system of internal control and there were no material weaknesses to report for the year 2021 and up to the date of the approval of the organization's financial statements.

(Signed) Filippo Grandi
United Nations High Commissioner for Refugees

31 March 2022

Chapter V

Financial statements for the year ended 31 December 2021

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	1 183 891	1 125 255
Investments	Note 3.1	655 000	534 000
Contributions receivable	Note 3.2	1 133 262	1 241 484
Inventories	Note 3.3	300 376	260 415
Other current assets	Note 3.4	264 571	269 892
Total current assets		3 537 100	3 431 046
Non-current assets			
Contributions receivable	Note 3.2	814 170	321 471
Property, plant and equipment	Note 3.5	213 926	213 621
Intangible assets	Note 3.6	28 457	38 120
Total non-current assets		1 056 553	573 211
Total assets		4 593 653	4 004 257
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	258 746	220 488
Employee benefits	Note 3.8	160 219	148 467
Provisions	Note 3.10	5 638	5 486
Other current liabilities	Note 3.9	17 044	8 153
Total current liabilities		441 646	382 594
Non-current liabilities			
Employee benefits	Note 3.8	1 328 789	1 141 720
Provisions	Note 3.10	94	94
Total non-current liabilities		1 328 883	1 141 813
Total liabilities		1 770 529	1 524 408
Net assets		2 823 124	2 479 849
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	3 357 443	3 082 073
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	60 673	53 929
Staff Benefits Fund	Note 3.14	(850 784)	(756 153)
Self-Financing Activities Fund	Note 3.15	155 792	–
Total fund balances and reserves		2 823 124	2 479 849

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 2021

(Thousands of United States dollars)

	<i>Reference</i>	<i>2021</i>	<i>2020</i>
Revenue			
Voluntary contributions	Note 5.1	5 187 214	4 827 773
United Nations regular budget		43 177	40 093
Interest revenue		2 476	5 165
Other revenue	Note 5.2	21 339	18 618
Total revenue		5 254 206	4 891 649
Expenses			
Implementing partnership expenses	Note 6.1	1 380 667	1 392 215
Salaries and employee benefits	Note 6.2	1 260 716	1 167 879
Cash assistance to beneficiaries	Note 6.3	573 186	607 652
Contractual services	Note 6.4	527 762	484 685
Supplies and consumables for beneficiaries	Note 6.5	429 545	336 324
Operating expense	Note 6.6	269 498	258 693
Equipment and supplies	Note 6.7	132 045	92 178
Travel expense	Note 6.8	42 112	28 650
Depreciation, amortization and impairment	Note 6.9	53 586	44 105
Other expenses	Note 6.10	23 234	20 074
Total expenses		4 692 352	4 432 455
Foreign exchange (gains)/losses	Note 6.11	97 386	(95 237)
Surplus/(deficit) for the year		464 468	554 430

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 2021

(Thousands of United States dollars)

	<i>Reference</i>	<i>Accumulated fund balances and reserves</i>	<i>Working Capital and Guarantee Fund</i>	<i>Staff Benefits Fund</i>	<i>Medical Insurance Plan</i>	<i>Self- Financing Activities Fund</i>	<i>Total</i>
Net assets at 1 January 2020		2 564 444	100 000	(604 152)	46 538	–	2 106 830
Movements in fund balances and reserves in 2020							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	533 891	92 220	(79 073)	7 392	–	554 430
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(181 411)	–	–	(181 411)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(16 262)	(92 220)	108 483	–	–	–
Total movements during 2020		517 629	–	(152 001)	7 392	–	373 019
Total net assets at 31 December 2020		3 082 073	100 000	(756 153)	53 929	–	2 479 849
Movements in fund balances and reserves in 2021							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14, 3.15	595 594	(101 532)	(69 199)	6 744	32 861	464 468
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(121 193)	–	–	(121 193)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14, 3.15	(320 224)	101 532	95 762	–	122 931	–
Total movements during 2021		275 370	–	(94 631)	6 744	155 792	343 275
Total net assets at 31 December 2021		3 357 443	100 000	(850 784)	60 673	155 792	2 823 124

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 2021

(Thousands of United States dollars)

	<i>Reference</i>	2021	<i>2020 (Reclassified)</i>
Cash flows from operating activities:			
Surplus/(deficit) for the period		464 468	554 430
Depreciation and amortization	Notes 3.5, 3.6	53 586	44 105
Foreign exchange (gains)/losses on cash and cash equivalents		26 797	(608)
(Increase)/decrease in contributions receivable	Note 3.2	(384 477)	(150 690)
(Increase)/decrease in inventories	Note 3.3	(39 962)	(76 716)
(Increase)/decrease in other assets	Note 3.4	5 321	(31 879)
Increase/(decrease) in accounts payable and accruals	Note 3.7	38 257	(15 084)
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss		77 628	89 742
Increase/(decrease) in provisions	Note 3.10	152	252
Increase/(decrease) in other liabilities	Note 3.9	8 890	(969)
(Gain)/loss on disposal of property, plant and equipment, and intangibles		2 692	41
Revenue from in-kind contributions of property, plant and equipment		(133)	(123)
Net cash flows from operating activities		253 219	412 500
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(52 648)	(64 839)
Purchase of intangible assets	Note 3.6	(1 845)	(10 536)
Proceeds from sale of assets		7 707	8 059
Purchase of short-term investments		(1 316 000)	(1 119 000)
Maturities and sale of short-term investments		1 195 000	915 000
Net cash flows from investing activities		(167 786)	(271 316)
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		85 433	141 184
Effect of exchange rate changes on cash and cash equivalents		(26 797)	608
Cash and cash equivalents at beginning of the year		1 125 255	983 466
Cash and cash equivalents at end of the year		1 183 891	1 125 255

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 2021^a

(Thousands of United States dollars)

	<i>Global needs assessment budget</i>		<i>Actual on comparable basis</i>	<i>Variances: final budget and actual amounts</i>
	<i>Reference</i>	<i>Original^b</i>		
Field operations				
West and Central Africa		543 742	727 700	446 016 281 685
East Africa, Horn of Africa and Great Lakes Region		1 767 948	1 901 812	990 339 911 473
Southern Africa		333 833	389 952	211 279 178 673
Middle East and North Africa		2 647 794	2 702 244	1 286 190 1 416 054
Asia and the Pacific		755 169	896 896	543 030 353 866
Europe		709 342	697 011	359 108 337 903
Americas		473 736	730 769	415 377 315 392
Total field operations		7 231 564	8 046 384	4 251 339 3 795 045
Global programmes		518 820	522 003	415 207 106 796
Headquarters		220 652	245 090	243 041 2 049
Operational reserve and new or additional activities – mandate-related reserve		632 798	422 076	– 422 076
Junior Professional Officers Fund		12 000	12 000	8 388 3 612
Total	Note 7	8 615 835	9 247 553	4 917 975 4 329 578

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

^b The original budget for 2021 of \$8,615.8 million was approved by the Executive Committee of the Programme of the High Commissioner at its seventieth session (7–11 October 2019), as contained in [A/74/12/Add.1](#), paragraph 13.

^c At its seventy-first session (5–9 October 2020), the Executive Committee approved the revised budget for 2021 of \$9,247.6 million on the basis of updated requirements (see [A/75/12/Add.1](#), para. 12). As there were no further changes, the final budget figure represents the sum of the approved original budget of \$8,615.8 million and the final supplementary budgets of \$631.7 million established by the High Commissioner in 2021 in accordance with article 7.5 of the UNHCR financial rules ([A/AC.96/503/Rev.10](#)).

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

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

United Nations High Commissioner for Refugees

Notes to the financial statements

Note 1

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

1. The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution [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 persons of concern to the Office, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975. 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 2021, the Executive Committee consisted of 107 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 2021, UNHCR had a presence in 135 countries and/or territories, where its core work was managed from a series of regional offices, branch offices, sub-offices and field offices in the following 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.

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

Transactions and balances

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

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

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

Statement of cash flow

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

Changes in presentation

12. Statement IV has been reclassified to add foreign exchange gains/losses on cash and cash equivalents.

13. Disclosures related to financial instrument risks have been expanded in note 4 in 2021. Currency risk sensitivity information for the major categories of financial instruments, and credit risk stratifications for financial assets, have been added for cash and cash equivalents and investments (tables 3.1.3 and 3.1.4), contributions receivable (tables 3.2.5 and 3.2.6) and accounts payable and accruals (table 3.7.2).

14. Assets held for distribution are presented in table 3.5.1.

15. Inventory types in table 3.3.1 and table 6.5 are recategorized to reflect the nature of underlying inventory items and related expenses more closely.

16. A new Self-Financing Activities Fund has been established (note 3.15).

17. Where relevant and material, prior-year comparative numbers have been reclassified accordingly.

Materiality and use of judgment and estimates

18. 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 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.

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

Revenue

Non-exchange revenue

20. 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.

21. 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.

22. 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

23. 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

24. 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

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

Expenses

26. 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

27. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument for another. UNHCR financial instruments comprise cash and cash equivalents, investments, accounts receivable, accounts payable and accruals. All financial assets are currently classified as receivables. The classification is subject to annual review. When, due to the ageing, currency and risk profile of the receivables portfolio, the impact of discounting is immaterial, receivables are recorded at nominal value.

Assets

Cash and cash equivalents

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

Investments

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

Contributions and other receivables

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

Inventories

31. 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.

32. 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.

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

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

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

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

Other assets

37. Other assets are other financial claims including prepayments, receivables and advances and are recognized when UNHCR expects to receive cash or financial benefits in the future.

Property, plant and equipment

Measurement of costs at recognition

38. 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.

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

40. 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.

41. 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

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

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

43. 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.

44. No useful life revisions to major asset categories were necessary in 2021.

Intangible assets

45. 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.

46. 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.

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

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

Software as a service

48. 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.

49. 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.

50. 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

Financial liabilities

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

Accounts payable and accruals

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

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

Other liabilities

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

Employee benefits

55. 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

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

Post-employment benefits

57. 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.

58. 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

59. 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.

60. 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

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

Provisions and contingencies

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

63. 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

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

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

66. 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 the reconciliation between the actual amounts presented in statement V and the actual expense amounts presented in the statement of financial performance (statement II).

Segment reporting

67. 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.

68. UNHCR reports on the transactions of each segment during the year and on the balances held at the end of the year.

69. UNHCR historical segmental reporting classified all its activities into three reporting segments: (a) programmes; (b) projects; and (c) special funds and accounts. Programmes include the Global Refugee Programme (pillar 1), the Global Stateless Programme (pillar 2) and the activities funded by the United Nations Regular Budget Fund and the Junior Professional Officers Fund. Projects include the Global Reintegration Projects (pillar 3) and the Global Internally Displaced Persons Projects (pillar 4). As at 31 December 2021, the special funds and accounts comprised the Working Capital and Guarantee Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Self-Financing Activities Fund.

70. A formal reorganization of UNHCR operations was initiated in 2019 and was in place for the full years of 2020 and 2021. The reorganization led to the establishment of a physical presence of management teams located in seven regional hubs within the respective regions. In parallel, the structure of UNHCR internal financial reporting was reorganized into the 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.

71. As a result, these financial statements present segments on the basis of the regional management approach while continuing to report on the revenue and expense transactions of each historical pillar-based segment in note 8.

New accounting standards

72. 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. Its impact on the financial statements of UNHCR upon adoption is currently being assessed.

73. 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.

74. 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 availed of, most leases will be required to be capitalized, resulting in an increase in the amount of capitalized assets and the recording of related lease liabilities. The impact on annual financial performance is expected to be broadly neutral, as depreciation of leased assets and interest costs on the related lease liabilities will replace the currently recorded lease expenses.

75. Exposure draft 68: Improvements to IPSAS, 2019, which was initially due to become effective in 2021, was subsequently deferred to 1 January 2023 through the final pronouncement, entitled “COVID-19: Deferral of Effective Dates”, issued in 2020. It is not expected to have a significant impact on the financial statements of UNHCR upon its adoption.

76. In February 2020, the IPSAS Board issued a suite of three exposure drafts for comment: 70: Revenue with performance obligations; 71: Revenue without performance obligations; and 72: Transfer expenses. Exposure draft 70 is expected to replace IPSAS 9: Revenue from exchange transactions. Exposure draft 71 would replace IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). Exposure draft 72 is a draft of a new standard. The impact of exposure drafts 70 and 72 is currently being assessed. However, assuming these exposure drafts result in the issuance of new IPSAS standards that are substantially equivalent in scope and content to the relevant exposure drafts, the impact of exposure draft 71 on UNHCR accounting for earmarked voluntary contributions is likely to be significant. Under the current IPSAS 23, UNHCR recognizes substantially all voluntary contributions revenue upon signature of the relevant contribution agreement. Under a new standard based on exposure draft 71, UNHCR will be required to record revenue when (or as) any identified present obligations under earmarked contributions are satisfied. The change in revenue recognition approach would likely result in a shift in the timing of recognition for a substantial share of annual revenue from the year of signature of the contribution agreement to the subsequent year(s) for which the funds are actually intended. The suite of three exposure drafts is expected to be converted to published IPSAS standards before the end of 2022. New standards resulting from these exposure drafts are not expected to be mandatory before 2025.

Note 3

Assets and liabilities

3.1 Cash and cash equivalents and investments

Table 3.1.1

Summary of cash and cash equivalents

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Cash and cash equivalents		
Headquarters	287 287	443 984
Field offices	235 573	211 271
Short-term deposits	661 031	470 000
Total cash and cash equivalents	1 183 891	1 125 255

77. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts are available at short notice.

78. Table 3.1.2 shows the purposes for which cash and cash equivalents and investments were held.

Table 3.1.2
Earmarking of cash and cash equivalents and investments
(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Cash and cash equivalents		
Operational	1 020 657	981 602
Self-Financing Activities Fund	16 898	–
Junior Professional Officers Fund	9 459	10 590
Operational cash and cash equivalents	1 047 014	992 193
Staff Benefits Fund	36 943	33 247
Working Capital and Guarantee Fund	99 933	99 814
Non-operational cash and cash equivalents	136 876	133 062
Total cash and cash equivalents	1 183 891	1 125 255
Investments		
Staff Benefits Fund	577 146	480 068
Medical Insurance Plan	60 955	53 932
Self-Financing Activities Fund	16 898	–
Total investments	655 000	534 000
Of which:		
Operational	1 063 913	992 193
Non-operational	774 978	667 062
Total cash and cash equivalents and investments	1 838 891	1 659 255

79. Investments pertain to the Staff Benefits Fund, the Medical Insurance Plan and the Self-Financing Activities Fund. The investments are placed in money markets with maturities ranging between 3 and 12 months.

Table 3.1.3
Currency position of cash and cash equivalents and investments
(Thousands of United States dollars)

	<i>Position at 31 December 2021</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Holding currency			
United States dollar	1 676 641	–	–
Euro	64 645	(5 877)	6 464
United Arab Emirates dirham	11 658	(1 060)	1 166
Jordanian dinar	9 184	(835)	918
Other currencies	76 763	(6 978)	7 676
Total cash and cash equivalents and investments	1 838 891	(14 750)	16 225

80. Cash and cash equivalents and 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 2021.

Table 3.1.4

Credit ratings of cash and cash equivalents and investments

(Thousands of United States dollars)

	<i>Credit rating^a</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
Cash and cash equivalents			
Money market funds	Aaa	89 031	–
Short-term deposits	Prime-1	572 000	470 000
Cash – other		522 860	655 255
Of which:	Prime-1	397 257	541 579
	Prime-2	20 620	11 820
	Prime-3	1 380	1 042
	Unrated/unknown	103 603	100 814
Total cash and cash equivalents		1 183 891	1 125 255
Investments			
Term deposits	Prime-1	655 000	534 000
Total investments		655 000	534 000
Total cash and cash equivalents and investments		1 838 891	1 659 255

^a Long-term ratings for money market funds and short-term deposits ranged from Aa3 to A1 in 2021 and 2020. For cash – other, ratings are based on aggregated bank group ratings and long-term ratings ranging from Aa1 to Baa3 in 2021 and 2020. Issuers rated Prime-1, Prime-2 or Prime-3 have a superior, strong or an acceptable ability to repay short-term debt obligations, respectively, based on Moody's short-term rating definitions.

81. Credit risk for cash and cash equivalents and investments is mitigated by the fact that balances are held with a significant number of counterparties.

3.2 Contributions receivable

82. The following tables summarize the composition of contributions receivable by donor type (table 3.2.1) and year due (table 3.2.2).

Table 3.2.1
Analysis of net contributions receivable by donor class
(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Current contributions receivable		
Governments	773 145	805 997
United Nations system organizations and funds	18 384	15 763
Other intergovernmental organizations	254 309	348 470
Private donors	95 143	82 329
Current contributions receivable before allowance	1 140 982	1 252 559
Allowance for doubtful accounts	(7 720)	(11 075)
Total current contributions receivable	1 133 262	1 241 484
Non-current contributions receivable		
Governments	776 844	212 054
United Nations system organizations and funds	2 154	3 408
Other intergovernmental organizations	28 239	100 313
Private donors	6 934	5 696
Total non-current contributions receivable	814 170	321 471
Net contributions receivable	1 947 432	1 562 955

Table 3.2.2
Summary of contributions receivable by year due
(Thousands of United States dollars)

<i>Year due</i>	<i>31 December 2021</i>	<i>Percentage</i>	<i>Year due</i>	<i>31 December 2020</i>	<i>Percentage</i>
2020 and before	3 873	0.2	2019 and before	4 662	0.3
2021	137 373	7.1	2020	129 715	8.3
2022	992 017	50.9	2021	1 107 107	70.8
Total current contributions receivable	1 133 262	58.2		1 241 484	79.4
2023	284 519	14.6	2022	262 521	16.8
2024	200 625	10.3	2023	41 941	2.7
2025	251 187	12.9	2024	16 569	1.1
2026	77 839	4.0	2025	440	–
Total non-current contributions receivable	814 170	41.8		321 471	20.6
Total contributions receivable	1 947 432	100.0		1 562 955	100.0

83. The movement of the allowance for doubtful accounts during 2021 was as follows:

Table 3.2.3
Change in allowance for doubtful accounts

(Thousands of United States dollars)

	31 December 2020	Write-offs	Increase	(Decrease)	31 December 2021
Allowance for doubtful accounts	11 075	(1 202)	4 399	(6 553)	7 720

84. Contributions receivable are shown net of allowances for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized on the basis of donor-specific historical collection experience and evidence indicating that the collection of particular receivables is in doubt.

Table 3.2.4
Ageing of net contributions receivable

(Thousands of United States dollars)

Contributions receivable	Gross nominal amount	Allowances (impairment)	Net nominal amount
Not overdue as at 31 December 2021	1 806 666	(479)	1 806 187
Less than 12 months overdue	142 643	(5 271)	137 372
More than 12 months overdue	5 843	(1 970)	3 873
Total	1 955 152	(7 720)	1 947 432

Table 3.2.5
Total contributions receivable by currency risk

(Thousands of United States dollars)

Contributions receivable by currency	31 December 2021	Strengthening of United States dollar by 10 per cent	Weakening of United States dollar by 10 per cent
United States dollar	379 523	–	–
Euro	622 993	(56 636)	62 299
Swedish krona	414 805	(37 710)	41 480
Danish krone	402 386	(36 581)	40 239
Other currencies	127 726	(11 611)	12 773
Total	1 947 432	(142 537)	156 791

85. Contributions receivable are denominated largely in United States dollars, euros Swedish kronor and Danish kroner. Table 3.2.6 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 2021.

Table 3.2.6
Total contributions receivable by credit risk exposure
(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Government ratings^a		
Aaa–Aa3	1 489 247	943 646
A1–A3	39 823	41 888
Baa1–Baa3	16 743	28 678
Ba1–B3	2 600	2 750
Caa–Ca	531	–
Unrated	1 044	1 092
Total governments contributions receivable	1 549 989	1 018 054
Intergovernmental organizations	303 086	467 955
Private donors	102 077	88 020
Contributions receivable before allowance	1 955 153	1 574 030
Allowance for doubtful accounts	(7 720)	(11 075)
Total contributions receivable	1 947 432	1 562 955

^a Moody's ratings.

86. 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

87. UNHCR holds inventory items to be distributed to its beneficiaries in 203 warehouses (178 warehouses in 2020) worldwide and 8 global central warehouses. These are in Accra, Amman, Copenhagen, Douala (Cameroon), Dubai (United Arab Emirates) (two locations), Nairobi and Panama City. During 2021, the value of inventory items distributed totalled \$354.1 million (\$269.8 million in 2020) and is recorded as an expense in the statement of financial performance (see note 6.5).

88. 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 2021</i>	<i>31 December 2020 (reclassified)</i>
Medical and hygienic supplies and apparel	128 489	75 775
Tents	58 281	50 201
Household items	51 041	52 315
Construction materials and related equipment	41 236	55 846
Bedding materials	31 182	31 546
Basic food	702	612
Other supplies and equipment	1 948	1 524
Assets held for distribution	575	–
Subtotal	313 453	267 819
<i>Less: inventory valuation allowance</i>	<i>(13 077)</i>	<i>(7 404)</i>
Total inventory	300 376	260 415

89. During 2021, the classification of certain inventory items under the inventory types reflected in table 3.3.1 was modified. As a result, the 2020 comparative amounts have been reclassified for consistency.

90. Assets held for distribution to partners were 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>	<i>2021</i>	<i>2020</i>
Opening inventory as at 1 January	260 415	183 699
Cost of goods acquired ^a	392 660	338 364
Cost of goods distributed	(354 113)	(269 840)
Other adjustments	7 088	9 447
Change in inventory valuation allowance	(5 672)	(1 255)
Closing inventory as at 31 December	300 376	260 415

^a Including in-kind contributions

91. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary.

Table 3.3.3
Change in inventory valuation allowance

(Thousands of United States dollars)

	31 December 2020	Increase/(decrease)	31 December 2021
Inventory valuation allowance	7 404	5 672	13 077

92. The inventory valuation allowance as at 31 December 2021 reflects value adjustments for inventory items beyond their shelf lives (\$5.8 million), overdue from suppliers (\$2.7 million) and in transit between warehouses for extended periods (\$4.5 million).

93. At year-end, UNHCR held inventory items with a total value of \$300.4 million net of valuation allowances. This is equivalent to approximately eight months' distribution made in 2021 (approximately nine months in 2020).

3.4 Other current assets

Table 3.4
Summary of other current assets

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Prepayments	167 658	172 845
Implementing partner receivables	50 662	58 341
Value added tax receivables	39 306	35 338
Staff advances	17 159	15 266
Deposits with suppliers	6 801	7 896
Other assets	6 675	7 407
Subtotal	288 262	297 093
<i>Less: allowance for other current assets</i>	<i>(23 690)</i>	<i>(27 201)</i>
Total other current assets	264 571	269 892

94. Prepayments are payments made in advance of the period to which the expense relates and include implementing partnership agreements, advances of cash assistance to financial service providers and rent. Prepayments for implementing partnership agreements of \$87.3 million (2020: \$110.3 million) include \$40.0 million for 107 projects where the delivery of services is extended into 2022 (2020: \$44.7 million for 113 extended projects) and \$47.3 million of first instalments for 116 projects due for implementation in 2022 (2020: \$65.6 million against 131 new projects). 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 \$41.3 million. Other prepayments of \$39.0 million relate largely to commercial vendors.

95. Implementing partner receivables represents payments to implementing partners for activities during the reporting period or an earlier period. Reporting to UNHCR on payments to implementing partners related to these activities in the amount of \$143.3 million (2020: \$182.1 million) is still pending (see note 6.1). Based on past experience, the pending reports are expected to confirm implementing partner expenses in 2021 of approximately \$138.3 million (2020: \$161.8 million).

The remaining \$5.0 million of pending reports (2020: \$20.3 million) are expected refunds due to ineligibility and underspending and thus represent estimated implementing partner receivables. The remaining receivables of \$45.7 million (2020: \$38.0 million) represent confirmed refunds due from implementing partners for ineligible and underspent implementing partner funding of \$10.1 million (2020: \$14.3 million) and estimated refunds of \$35.6 million (2020: \$23.7 million). Thus, a total of \$40.6 million (2020: \$44.0 million) is the portion of implementing partner receivables that represents estimates rather than confirmed balances.

96. Staff advances consist primarily of education grants, rental subsidies, travel, medical expenses, salary and other staff entitlements.

97. 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

98. 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.

99. Assets held at 31 December 2021 for distribution to partners were recategorized to inventory (see table 3.3.1).

Table 3.5.1
Property, plant and equipment, 2021

(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 2021	8 647	12 833	320 189	40 717	19 174	24 132	425 692
Additions – purchased	–	5 533	38 237	3 702	2 547	3 205	53 223
Additions – contributions in kind	–	–	–	–	133	–	133
Assets held for distribution	–	–	(625)	(68)	(15)	(52)	(761)
Disposals ^a	–	–	(24 844)	(1 385)	(951)	(4 048)	(31 228)
Closing balance at 31 December 2021	8 647	18 366	332 956	42 966	20 887	23 237	447 058
Accumulated depreciation							
Opening balance at 1 January 2021	(4 313)	(4 929)	(143 123)	(30 105)	(15 351)	(14 249)	(212 071)
Assets held for distribution	–	–	133	14	6	33	186
Disposals ^a	–	–	18 543	939	683	664	20 829
Depreciation charge for the year	(405)	(620)	(31 838)	(4 318)	(1 392)	(2 704)	(41 277)
Impairment	–	(801)	–	–	–	–	(801)
Closing balance at 31 December 2021	(4 718)	(6 349)	(156 285)	(33 470)	(16 055)	(16 255)	(233 133)
Net book value							
Opening balance at 1 January 2021	4 333	7 904	177 066	10 612	3 823	9 883	213 621
Closing balance at 31 December 2021	3 928	12 017	176 671	9 496	4 833	6 981	213 926

^a Disposals included assets transferred to partners with a net book value of \$5.3 million.

Table 3.5.2
Property, plant and equipment, 2020

(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 2020	8 647	7 604	309 515	38 242	20 660	15 627	400 295
Additions – purchased	–	6 373	44 421	3 902	1 169	8 974	64 839
Additions – contributions in kind	–	–	–	–	123	–	123
Disposals	–	(1 144)	(33 748)	(1 427)	(2 778)	(469)	(39 566)
Closing balance at 31 December 2020	8 647	12 833	320 189	40 717	19 174	24 132	425 692
Accumulated depreciation							
Opening balance at 1 January 2020	(3 909)	(5 550)	(143 859)	(26 660)	(16 772)	(10 117)	(206 866)
Disposals	–	1 144	26 571	894	2 721	136	31 466
Depreciation charge for the year	(405)	(523)	(25 835)	(4 339)	(1 300)	(4 269)	(36 671)
Closing balance at 31 December 2020	(4 313)	(4 929)	(143 123)	(30 105)	(15 351)	(14 249)	(212 071)
Net book value							
Opening balance at 1 January 2020	4 738	2 054	165 656	11 582	3 888	5 510	193 429
Closing balance at 31 December 2020	4 333	7 904	177 066	10 612	3 823	9 883	213 621

3.6 Intangible assets

Table 3.6.1
Movements in intangible assets, 2021

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2021</i>
Cost			
Opening balance 1 January 2021	624	60 030	60 654
Additions – purchased	4 558	61	4 619
Disposals	–	(3 024)	(3 024)
Other adjustments	–	(2 774)	(2 774)
Transfers into service	(5 181)	5 181	–
Closing balance 31 December 2021	–	59 475	59 475
Accumulated amortization			
Opening balance 1 January 2021	–	(22 534)	(22 534)
Disposals	–	3 024	3 024
Amortization charge for the year	–	(11 508)	(11 508)
Closing balance 31 December 2021	–	(31 018)	(31 018)
Net book value			
Opening balance 1 January 2021	624	37 496	38 120
Closing balance 31 December 2021	–	28 457	28 457

Table 3.6.2
Movements in intangible assets, 2020

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2020</i>
Cost			
Opening balance 1 January 2020	8 947	42 109	51 056
Additions – purchased	11 803	–	11 803
Disposals	(1 267)	(938)	(2 205)
Transfers into service	(18 859)	18 859	–
Closing balance 31 December 2020	624	60 030	60 654
Accumulated amortization			
Opening balance 1 January 2020	–	(16 041)	(16 041)
Disposals	–	938	938
Amortization charge for the year	–	(7 431)	(7 431)
Closing balance 31 December 2020	–	(22 534)	(22 534)
Net book value			
Opening balance 1 January 2020	8 947	26 068	35 015
Closing balance 31 December 2020	624	37 496	38 120

100. Licences, software and other primarily represents software licences acquired and development costs incurred for software already in use. The cost of acquired licences and software is amortized over the licence or rights period or three years, whichever is shorter. The cost of internally developed software is amortized over five years from the date of deployment. During 2021, a total of \$5.2 million was transferred into service and capitalized for internally developed software projects completed during the year. These are: the Population Registration and Identity Management EcoSystem (PRIMES), the electronic submission tool for procurement and CashAssist.

3.7 Accounts payable and accruals

Table 3.7.1

Analysis of accounts payable and accruals

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Accounts payable		
Commercial and other suppliers	77 079	69 487
Implementing partners	56 124	44 803
United Nations entities	5 157	4 296
Total accounts payable	138 361	118 586
Accruals	120 385	101 902
Total accounts payable and accruals	258 746	220 488

101. Accounts payable to commercial and other suppliers relate primarily to amounts due for goods and services for which invoices have been received.

102. Accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

103. Substantially all accruals represent liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

Table 3.7.2

Currency position of accounts payable and accruals

(Thousands of United States dollars)

	Position at 31 December 2021	Strengthening of United States dollar by 10 per cent	Weakening of United States dollar by 10 per cent
United States dollar	159 107	–	–
Jordanian dinar	26 671	(2 425)	2 667
Euro	17 051	(1 550)	1 705
Iraqi dinar	5 793	(527)	579
Other currencies	50 123	(4 557)	5 012
Total accounts payable and accruals	258 746	(9 058)	9 964

104. 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 2021.

3.8 Employee benefits liabilities

Table 3.8.1

Analysis of employee benefits liabilities

(Thousands of United States dollars)

	2021	2020
Employee benefits liabilities		
After-service health insurance	1 200 464	1 021 858
Repatriation benefits	144 640	134 810
Annual leave	117 332	110 551
Salaries and other staff benefits	24 135	20 718
Other separation benefits	2 437	2 250
Total employee benefits liabilities	1 489 008	1 290 187
Composition		
Current	160 219	148 467
Non-current	1 328 789	1 141 720
Total employee benefits liabilities	1 489 008	1 290 187

105. 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.

106. 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. However, at year-end 2021, the level of annual leave balances eligible to be carried forward for subsequent consumption was temporarily higher to alleviate the impact on staff of COVID-19-related travel restrictions. The unconsumed annual leave liability attributable to the temporary relaxation of carry forward entitlements is \$10.0 million (2020 \$10.4 million). The standard limitation on entitlement carry forward is expected to be reimposed during 2022, when any remaining liability for balances above the reimposed standard threshold will be extinguished (see also note 9.4).

107. 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. The liability for home leave (\$13.8 million) at the end of 2021 includes \$2.2 million (2020: \$0.5 million) resulting from the temporary lifting of a limit on the balance of unconsumed entitlements that may be carried forward. The cap is expected to be reimposed during 2022 when any remaining liability for balances above the reimposed threshold will be extinguished (see also note 9.4).

Actuarial valuation of post-employment liabilities

108. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. Actuarial assumptions are summarized as follows:

<i>Assumptions used in valuation of after-service health insurance obligations</i>	
Discount rate	1.61% (2020: 1.31%) – 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.
Health-care cost inflation	1.79% (2020: 1.45%) – 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	\$4,745 (2020: \$4,641) – 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. 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.
Impact of COVID-19 on health-care cost age factors	Average historical levels of medical cost claims are used to estimate future after-service health insurance obligations. The influence of COVID-19 on claim levels, including on health-care access and other pandemic-related factors in 2021 was not clearly identifiable. As such, any potential for long-term trend implications of the COVID-19 factor is not reflected in the actuarial assumptions used to calculate the after-service health insurance liability at this time.
Discount rate	2.41% (2020: 1.85%) – The entitlements to repatriation benefits are determined in United States dollars. Each year's projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value.
Expected rate of salary increase	2.50% (2020: 2.20%)

After-service health insurance liability

Table 3.8.2

Comparison of gross and net after-service health insurance liability

(Thousands of United States dollars)

	2021		2020	
	Present value of future benefits	Accrued liability	Present value of future benefits	Accrued liability
Gross liability	2 048 443	1 755 862	1 749 604	1 500 471
Offset from retiree contributions	(641 057)	(555 397)	(553 655)	(478 613)
Net liability as at 31 December	1 407 386	1 200 464	1 195 949	1 021 858

109. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and to active staff from the date of expected retirement. The accrued liability represents the already earned portion of the present value of benefits that has accrued from the staff member's date of entry on duty into qualifying service until the valuation date. The total period of qualifying service may include non-continuous prior periods. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula.

110. 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)

After-service health insurance	2021	2020
Defined benefit obligation at 1 January	1 021 858	798 877
Service cost for year	54 223	38 357
Interest cost for year	13 735	14 262
Benefits paid (net of participant contributions)	(6 171)	(6 241)
Actuarial (gain)/loss	116 820	176 603
Defined benefit obligation at 31 December	1 200 464	1 021 858

111. Service and interest costs are recognized as an expense in the statement of financial performance (statement II). The expense recognized in 2021 is \$68.0 million (\$52.6 million in 2020), as detailed in note 6.2.

112. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$116.8 million in 2021 is attributable primarily to higher inflation rate assumptions (\$101.6) and claims cost experience (\$64.4), as well as currency exchange rate changes (\$7.4 million), offset by actuarial gains attributable to discount rate changes since 2020 (\$60.3 million). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and liability.

113. 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 under the United Nations Staff Mutual Insurance Society health-care plan) and for current-year costs (service and interest). The total amount funded as at 31 December 2021 is \$468.3 million (\$377.5 million in 2020). 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 2021</i>	<i>31 December 2020</i>
Defined benefit obligations	1 200 464	1 021 858
Funded	(468 300)	(377 510)
Unfunded defined benefit obligations	732 165	644 348

114. The contribution of UNHCR in 2022 for after-service health insurance is estimated at \$107.4 million.

Sensitivity analysis

115. 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 2021; and (b) the accumulated post-employment benefit obligation as at 31 December 2021 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	(14 603)	(274 684)
One percentage point decrease	39 333	389 981
Net periodic post-employment medical costs:		
One percentage point increase	34 409	371 991
One percentage point decrease	(23 364)	(267 490)
Age factor:		
One per cent increase per year after age 65	13 218	165 411
One per cent decrease per year after age 65	(13 337)	(195 798)

Repatriation benefits

116. 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 2021 was \$144.6 million (\$134.8 million in 2020), as shown in table 3.8.6.

Table 3.8.6
Repatriation liability by type

(Thousands of United States dollars)

	31 December 2021		31 December 2020	
	Present value of future benefits	Accrued liability	Present value of future benefits	Accrued liability
Repatriation grant	122 470	80 073	120 663	77 050
Travel and shipment	64 567	64 567	57 760	57 760
Net liability	187 037	144 640	178 423	134 810

117. The accrued liability represents the already earned portion of the present value of repatriation benefits. The present value of future benefits is the discounted value of all expected benefits to be paid in the future, including the portion expected to be earned until the maximum entitlement is vested.

118. 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>	2021	2020
Net obligation at 1 January	134 810	125 739
Service cost for the year	7 097	5 989
Interest cost for the year	2 396	3 310
Benefits paid	(4 036)	(5 036)
Actuarial (gain)/loss	4 374	4 808
Total obligation at 31 December	144 640	134 810

119. The aggregate of the current-year service and interest costs is recognized as an expense in the statement of financial performance (statement II). For 2021, the expense recognized was \$9.5 million (\$9.3 million in 2020). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and the liability.

120. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$4.4 million in 2021 is attributable primarily to an increase in travel and shipment entitlements for families (\$7.3 million) and experience (\$5.0 million), offset by actuarial gains attributable to discount rate changes since 2020 (\$7.9 million).

Table 3.8.8
Funding status of repatriation liability

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
Total obligations	144 640	134 810
Funded	(26 021)	(23 005)
Unfunded obligations	118 619	111 805

121. The contribution by UNHCR in 2022 for repatriation benefits is estimated at \$3.0 million.

Sensitivity analysis

122. 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 2021; and (b) the accumulated post-employment benefit obligation as at 31 December 2021 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	1 207	7 473
One percentage point decrease	(1 023)	(6 540)
Discount rates:		
One percentage point increase	159	(12 438)
One percentage point decrease	(211)	14 677

United Nations Joint Staff Pension Fund

123. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

124. The financial obligation of UNHCR to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments on the basis of 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.

125. The latest actuarial valuation for the Pension Fund was completed as at 31 December 2019, and the valuation as at 31 December 2021 is currently being performed. A roll forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

126. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.

127. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

128. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to \$7,993.15 million, of which 5.1 per cent was contributed by UNHCR.

129. During 2021, UNHCR contributions paid to the Pension Fund amounted to \$160.1 million (\$147.6 million in 2020). Expected contributions due in 2022 are approximately \$176.5 million.

130. Membership in the Pension Fund may be terminated by a decision of the General Assembly upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination are to be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board 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 are included in the amount.

131. The Board of Auditors carries out an annual audit of the Pension Fund and reports on the audit to the Pension Board and the General Assembly every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

132. 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)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Other payables	16 671	6 838
Contributions pending agreement	373	1 315
Total other current liabilities	17 044	8 153

3.10 Provisions

Table 3.10
Provisions
(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Type of provision		
Provisions for refunds of contributions	214	62
Legal claims	5 424	5 424
Other	94	94
Total provisions	5 731	5 579
Of which:		
Current	5 638	5 486
Non-current	94	94
Total provisions	5 731	5 579

133. 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 with regard to 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>Closing balance</i> <i>31 December</i> <i>2020</i>	<i>Surplus/(deficit)</i>	<i>Transfer in/(out)</i>	<i>Closing balance</i> <i>31 December</i> <i>2021</i>
Annual Programme Fund				
Annual Programme Fund net of reserves	2 855 733	586 143	(332 018)	3 109 858
Operational reserve	10 000	–	–	10 000
New or additional activities – mandate-related reserve	20 000	–	–	20 000
Total Annual Programme Fund	2 885 733	586 143	(332 018)	3 139 858
United Nations Regular Budget Fund	–	22	–	22
Junior Professional Officers Fund	10 671	(1 132)	–	9 539
Projects Fund	185 668	10 561	11 794	208 024
Total accumulated fund balances and reserves	3 082 073	595 594	(320 224)	3 357 443

134. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization.

135. Transactions for pillar 1: Global Refugee Programme, and pillar 2: Global Stateless Programme, are recorded in:

- (a) The Annual Programme Fund;
- (b) The Regular Budget Fund;
- (c) The Junior Professional Officers Fund.

Transactions for pillar 3: Global Reintegration Projects, and pillar 4: Global Internally Displaced Persons Projects, are recorded in the Projects Fund.

136. The operational reserve is utilized to provide assistance to refugees, returnees and displaced persons for which there is no provision in the programmes and projects approved by the Executive Committee. The reserve is maintained at not less than \$10 million by replenishments from the Working Capital and Guarantee Fund.

137. The new or additional activities – mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at \$50.0 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For 2021, the Executive Committee had previously approved \$20.0 million as the new or additional activities – mandate-related reserve. However, in 2021, the Executive Committee determined that from 2022, this reserve would no longer be required. Thus, the balance will be transferred back to the annual programme fund in 2022.

3.12 Working Capital and Guarantee Fund

138. The Working Capital and Guarantee Fund is maintained by revenue from interest on invested funds, savings from prior-year programmes, voluntary contributions and other miscellaneous revenue. It is utilized to replenish the operational reserve and to meet essential payments and guarantee obligations pending receipt of pledged contributions.

Table 3.12

Working Capital and Guarantee Fund

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2021</i>
Working Capital and Guarantee Fund	100 000	(101 532)	101 532	100 000

3.13 Medical Insurance Plan

Table 3.13

Changes in Medical Insurance Plan

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2021</i>
Medical Insurance Plan	53 929	6 744	–	60 673

139. 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 2020</i>	<i>Surplus/ (deficit)</i>	<i>Actuarial gain/(loss)</i>	<i>Transfer in/(out)</i>	<i>31 December 2021</i>
Staff Benefits Fund	(756 153)	(69 199)	(121 193)	95 762	(850 784)

Table 3.14.2
Analysis of Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2021			31 December 2020		
	<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	(1 200 464)	468 300	(732 165)	(1 021 858)	377 510	(644 348)
Repatriation	(144 640)	26 021	(118 619)	(134 810)	23 005	(111 805)
Annual leave	(117 332)	117 332	–	(110 551)	110 551	–
Other separation benefits	(2 437)	2 437	–	(2 250)	2 250	–
Total	(1 464 873)	614 089	(850 784)	(1 269 469)	513 316	(756 153)

140. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits.

141. UNHCR charges the current-year cost of after-service health insurance (service and interest) to the annual budget for staff costs as well as a catch up amount of 3 per cent of the net base salary of all Professional and relevant General Service staff. The amount funded as at 31 December 2021 is \$468.3 million (\$377.5 million in 2020) (see also para. 113 above).

142. In addition, in accordance with the decision of the Standing Committee, UNHCR has reserved funding for repatriation since 2012.

143. 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.

3.15 Self-Financing Activities Fund

144. 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. 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)

	31 December 2020	Surplus/ (deficit)	Transfer in/(out)	31 December 2021
Self-Financing Activities Fund	–	32 861	122 931	155 792

Note 4**Risk analysis****Credit risk**

145. 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

146. UNHCR risk management policies limit the amount of cash and investment holdings with any bank. In the identification and maintenance of the list of approved custodians, the risks of loss of principal in the event of counterparty default are mitigated through the application of risk management evaluations and bank risk rating grades. Surplus funds are placed with financial institutions worldwide with the greatest financial strength as measured by adequacy of capital and reserves. Geographical distribution and specific threshold limits by counterparty are practiced. All surplus funds placements are made with financial institutions that are accorded the strongest credit ratings by the primary rating agencies.

147. 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 2021, UNHCR had money market funds amounting to \$89.0 million, which had the highest fund rating of Aaa. As at 31 December 2021, UNHCR had short-term deposits of \$495.0 million and term deposits for investments in the amount of \$655.0 million, which were all rated in the highest short-term rating category of Prime-1.

148. 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.

149. Credit risk for cash and investments is summarized in table 3.1.4.

Receivables

150. 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

151. UNHCR total cash and cash equivalent holdings amounted to \$1,183.9 million as at 31 December 2021, compared with \$1,125.3 million as at 31 December 2020.

152. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of \$1,047.0 million and encumbered non-operational cash holdings amounting to \$136.9 million (see note 3.1).

153. The average balance of unencumbered operational cash holdings during 2021 represents a coverage of 2.7 months of expenses (2020: 2.7 months).

154. 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. As at 31 December 2021, the cash balance included \$551.8 million and accounts receivable included an additional \$847.6 million in respect of contributions that are earmarked for specific purposes in 2021 and beyond. Similarly, short term future charges on net assets include the obligation to liquidate commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered by 31 December (see note 9.2). Typically, approximately 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

155. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of the UNHCR programme and budget is not directly dependent on interest earnings.

156. During the period from 1 January to 31 December 2021, deposits were held primarily in United States dollars. The average rate of return on United States dollar deposits was 0.08 per cent, compared with 0.52 per cent in 2020, which followed the declining interest rate trends in this short-term investment segment.

Table 4.1

Deposit trend analysis

	2021	2020
Term deposits		
Average balance (millions of United States dollars)	1 035.9	949.1
Average interest rate (percentage)	0.08	0.52
Average duration (days)	38	25

Foreign exchange risk

157. 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 104 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 2021, swap transactions amounted to €301 million. In addition, UNHCR conducts a limited number of forward contracts for known Swiss franc payroll requirements. In 2021, SwF 59.5 million was traded for this purpose. There are no open forward contracts at year-end.

158. 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.

159. 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.

160. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 130 countries.

Sensitivity analysis

161. 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 2021 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.

162. 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 2021</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Iraqi dinar	28 022	(2 547)	2 802
Ugandan shilling	6 840	(622)	684
Kenyan shilling	5 861	(533)	586
New Zealand dollar	5 236	(476)	524
Other currencies	34 665	(3 151)	3 467
Total	80 624	(7 329)	8 062

163. 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.

164. 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 \$155.6 million (5.5 per cent) if the United States dollar strengthens by 10 per cent, and to increase fund balances by \$171.1 million (6.1 per cent) if the United States dollar weakens by 10 per cent, compared with the exchange rates in effect as at 31 December 2021, 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 United States dollar are higher at year-end than typical average levels applicable during the financial year.

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 2021</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	481 963	–	–
Euro	621 528	(56 503)	62 153
Swedish krona	415 551	(37 777)	41 555
Danish krone	409 183	(37 198)	40 918
Norwegian krone	54 250	(4 932)	5 425
Canadian dollar	27 893	(2 536)	2 789
Iraqi dinar	25 825	(2 348)	2 582
Australian dollar	25 558	(2 323)	2 556
Other currencies	131 356	(11 941)	13 136
Total	2 193 107	(155 559)	171 114

165. The largest overall exposures netting off monetary assets against monetary liabilities by currency are summarized in table 4.3.

Note 5 **Revenue**

5.1 Voluntary contributions

Table 5.1.1
Analysis of voluntary contributions
(Thousands of United States dollars)

	<i>2021</i>	<i>2020</i>
Monetary contributions		
Government	4 189 861	3 410 369
Other intergovernmental organizations	208 127	710 991
Private donors	543 357	478 580
United Nations system organizations and funds	107 321	145 265
Subtotal monetary contributions	5 048 665	4 745 205
Refunds to donors and other reductions in prior-year revenue	(1 654)	(12 417)
Total monetary contributions	5 047 011	4 732 788
In-kind contributions		
Government	29 964	25 585
Other intergovernmental organizations	–	390
Private donors	110 239	68 505
United Nations system organizations and funds	–	505
Total in-kind contributions	140 203	94 985
Total voluntary contributions	5 187 214	4 827 773

166. 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.

167. 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 2021 comprised \$103.8 million for goods (\$69.9 million in 2020) and \$36.4 million for services (\$25.1 million in 2020). In-kind goods consisted primarily of clothing and footwear (\$88.1 million).

168. The total monetary contributions (before adjustments) of \$5,048.7 million recorded in 2021 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>2021</i>	<i>Year funded</i>	<i>2020</i>
2021 and earlier	3 282 437	2020 and earlier	3 699 965
Future years		Future years	
2022	952 719	2021	863 457
2023	277 327	2022	138 769
2024	199 166	2023	42 250
2025	259 755	2024	406
2026	77 261	2025	358
Subtotal, future years	1 766 228		1 045 240
Total monetary contributions (before adjustments)	5 048 665		4 745 205

Table 5.1.3

Monetary contributions by type of earmarking

(Thousands of United States dollars)

	<i>2021</i>	<i>2020</i>
Unearmarked	1 068 309	532 139
Softly earmarked	952 887	718 965
Earmarked	2 250 048	2 237 292
Tightly earmarked	777 421	1 256 809
Total monetary contributions (before adjustments)	5 048 665	4 745 205

169. Unearmarked contributions are fully flexible in how they can be used. Contributions are softly earmarked if they can be used for a specific geographical region or strategic objective only. Earmarked contributions are those that are directed to a specific country operation or subobjective. Tightly earmarked contributions can only be used for a specific project or are restricted both geographically and thematically. As most contributions pending an earmarking decision by the donor are ultimately restricted to a specific country, these contributions are reflected as earmarked.

170. Monetary contributions earmarked by donors for COVID-19-related activities amounted to \$112.3 million (\$471.0 million in 2020), including, in certain cases, reprogramming of existing funds towards COVID-19 relief activities.

5.2 Other revenue

Table 5.2

Other revenue

(Thousands of United States dollars)

	2021	2020
Sale of assets	7 704	8 032
Medical premiums from Medical Insurance Plan participants	3 921	3 556
Use of guest-house accommodation	3 750	3 110
Use of office space and parking	608	647
Miscellaneous revenue	5 357	3 272
Total other revenue	21 339	18 618

Note 6

Expenses

6.1 Implementing partnership expense

171. The total implementing partners' expense incurred during the financial period amounted to \$1,380.7 million (2020: \$1,392.2 million). The analysis is presented by type of implementing partner and by region.

Table 6.1

Implementing partnership expense

(Thousands of United States dollars)

Region	Government	International non-governmental organizations	Local non-governmental organizations	United Nations system organizations	Total expenses	
					2021	2020
West and Central Africa	13 257	64 576	37 222	635	115 689	134 318
East Africa, Horn of Africa and Great Lakes Region	51 973	183 169	47 578	3 152	285 872	272 867
Southern Africa	7 739	26 914	18 478	288	53 419	62 451
Middle East and North Africa	18 074	160 008	135 215	5 052	318 348	274 841
Asia and the Pacific	16 614	38 727	74 450	1 071	130 863	132 238
Europe	7 796	9 553	68 752	278	86 378	155 442
The Americas	3 490	51 739	77 191	978	133 398	99 844

Region	Government	International non-governmental organizations	Local non-governmental organizations	United Nations system organizations	Total expenses	
					2021	2020
Headquarters/global programmes	1 082	24 920	76 452	415	102 869	89 400
Expenses reported by implementing partners against current-year agreements	120 024	559 606	535 336	11 871	1 226 836	1 221 401
Report pending receipt or processing	27 535	52 830	53 529	9 433	143 326	182 139
Prior-year agreement adjustments ^a	(138)	5 788	4 190	665	10 505	(11 324)
Total expense	147 421	618 223	593 054	21 969	1 380 667	1 392 215

^a The prior-year agreement adjustments amount of \$10.5 million (2020: -\$11.3 million) includes refundable unspent balances of \$40.0 million (2020: \$38.0 million) and recoveries resulting from partner audits of \$1.3 million (2020: \$1.4 million), which are offset by partner expenses in the current year against previously recorded prepayments of \$50.6 million (2020: \$28.1 million) and partner receivable write-off expenses of \$1.2 million (2020:\$0.0 million) net of reversal of related allowances and other expenses.

172. The amount of \$1,380.7 million reported as implementing partner expenses (2020: \$1,392.2 million) includes \$143.3 million (2020: \$182.1 million) paid to implementing partners in 2021 in respect of which reporting is pending receipt or final processing by UNHCR. The estimated refunds to UNHCR for underspending are recorded within implementing partner receivables and advances (see note 3.4).

173. The total amount of funds recovered from implementing partners in 2021 for unjustified expenses was \$1.3 million (\$1.4 million in 2020). These were determined through UNHCR review of audit reports of activities implemented by partners.

174. Interest and miscellaneous revenue amounting to \$3.4 million (\$2.1 million in 2020) were received from implementing partners for the year.

6.2 Salaries and employee benefits

Table 6.2

Salaries and employee benefits

(Thousands of United States dollars)

	2021	2020
Salary	689 252	637 546
Staff allowances and entitlements	203 582	187 746
Pension	160 086	147 604
After-service health insurance	67 958	52 619
Temporary assistance	66 538	53 012
Medical insurance – current	39 151	33 814
Termination	7 315	5 366
Annual leave	6 402	33 911
Reimbursement of income tax	6 366	5 011
Evacuation	3 635	3 641
Other personnel costs	10 432	7 610
Total salaries and employee benefits	1 260 716	1 167 879

175. Annual leave of \$6.4 million (2020: \$33.9 million) represents the increase in annual leave entitlements accrued by staff during the period (see also para. 106 above).

176. Other personnel costs are offset by the capitalization of internal staff costs of \$3.4 million (2020: \$3.6 million) incurred in the development of intangible assets.

6.3 Cash assistance to beneficiaries

177. Cash assistance is a means of delivering protection, assistance and services providing recipients with choice in meeting their needs.

178. Cash assistance of \$573.2 million (2020: \$607.7 million) excludes cash assistance provided through partners of \$95.3 million (2020: \$87.4 million), which is included in implementing partner expense in note 6.1.

6.4 Contractual services

Table 6.4

Contractual services

(Thousands of United States dollars)

	2021	2020
Affiliated workforce and individual contractors	165 808	166 334
Construction contracts	64 688	55 499
Advertising, marketing and public information	49 324	45 749
Direct services for beneficiaries	45 615	42 410
Data processing	45 073	33 727
Transport, cargo handling and warehouse management	44 035	37 820
Professional services	35 548	23 895
Individual consultants	9 516	8 270
Translation, printing and publication	7 584	6 855
Other services	60 571	64 128
Total contractual services	527 762	484 685

179. 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.

180. Direct services for beneficiaries includes the provision of medical care, transportation, accommodation and other services where UNHCR contracts with service providers on behalf of persons of concern in lieu of cash assistance to beneficiaries.

181. Data processing services includes costs of service providers incurred in the implementation of cloud-based software as a service solution for human resources (\$5.3 million), finance and supply chain management (\$3.0 million) and results-based management (\$2.7 million), 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 accounted for as prepayments (see table 3.4).

182. Other services includes various specialized services of a technical, analytical and operational nature provided through contractual arrangements.

6.5 Supplies and consumables for beneficiaries

Table 6.5

Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2021	2020 (reclassified)
Distributed from inventory		
Medical and hygienic supplies and apparel	162 926	84 804
Household items	64 166	53 062
Construction materials and related equipment	48 772	47 186
Bedding materials	42 278	43 925
Tents	26 344	35 241
Basic food	4 208	2 432
Other supplies and equipment	5 420	3 190
Total distributed from inventory	354 113	269 840
Other costs of supplies and distributions		
Other supplies and consumables distributed	71 773	67 720
Other changes in inventory (not yet distributed)	3 659	(1 236)
Total supplies and consumables for beneficiaries	429 545	336 324

183. Other supplies and consumables distributed includes expenses pertaining to consumable items that are not considered inventory. These include \$36.3 million of medical items (2020: \$30.0 million) and \$22.2 million of household items (2020: \$16.4 million).

184. The increase from 2020 to 2021 in medical and hygienic supplies and apparel (\$78.1 million) is attributable mainly to the impact of the COVID-19 pandemic.

185. 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.

186. In 2021, the classification of certain inventory items under the inventory types reflected in table 3.3.1 was modified. As a result, the 2020 comparative amounts distributed from inventory have also been reclassified for consistency.

6.6 Operating expenses

Table 6.6

Operating expenses

(Thousands of United States dollars)

	2021	2020
Rental and maintenance of premises	83 324	75 756
Security	50 322	47 337
Communications	37 676	41 133
Fuel and lubricants	32 588	27 555
Bank charges	17 180	16 443
Utilities	12 021	10 717
Guest houses	9 218	7 815
Rental and maintenance of vehicles and equipment	8 426	9 537
Insurance	4 298	3 838
Other operating expenses	14 444	18 561
Total operating expenses	269 498	258 693

187. 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)

	2021	2020
Equipment and related supplies	79 498	49 006
General office supplies	12 599	14 701
Software and licences	11 036	2 723
Vehicles and workshop supplies	9 958	3 898
Furniture and fixtures	8 095	7 890
Property, plant and equipment transferred	7 497	8 755
Buildings (non-capitalizable)	2 695	4 287
Alterations and improvements	666	917
Total equipment and supplies	132 045	92 178

188. Expenses recognized under equipment and related supplies include the purchase of items such as computers and other equipment below their respective capitalization thresholds.

6.8 Travel expenses

189. Travel expenses increased to \$42.1 million in 2021 from 28.7 million in 2020 owing to the partial easing of restrictions in the second year of the COVID-19 pandemic.

6.9 Depreciation, amortization and impairment

Table 6.9

Depreciation, amortization and impairment

(Thousands of United States dollars)

	2021	2020
Depreciation of property, plant and equipment	41 277	36 674
Impairment of property, plant and equipment	801	–
Amortization of intangible assets	11 508	7 431
Total depreciation and amortization	53 586	44 105

6.10 Other expenses

Table 6.10

Other expenses

(Thousands of United States dollars)

	2021	2020
Seminars and workshops	8 419	6 646
Bad debt expense	6 571	5 326
Training	6 192	4 755
Miscellaneous expenses	2 051	3 347
Total other expenses	23 234	20 074

6.11 Foreign exchange gains and losses

Table 6.11.1

Foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2021</i>	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2020</i>
Accounts payable	(3 382)	1 374	(2 008)	574	(1 688)	(1 113)
Contributions receivable	(29 691)	107 811	78 120	(9 582)	(73 889)	(83 471)
Cash and investments	(15 599)	26 793	11 194	(15 285)	(608)	(15 893)
Other	11 276	(1 194)	10 081	2 881	2 359	5 240
Total foreign exchange (gains) and losses	(37 397)	134 783	97 386	(21 412)	(73 825)	(95 237)

Table 6.11.2
Realized foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2021</i>	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2020</i>
Accounts payable	(26 388)	23 006	(3 382)	(4 778)	5 352	574
Contributions receivable	(44 675)	14 984	(29 691)	(30 219)	20 637	(9 582)
Cash and investments	(76 709)	61 109	(15 599)	(34 300)	19 015	(15 285)
Other	(5 803)	17 079	11 276	(4 176)	7 057	2 881
Total realized foreign exchange (gains) and losses	(153 574)	116 178	(37 397)	(73 473)	52 062	(21 412)

Table 6.11.3
Unrealized foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2021</i>	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2020</i>
Accounts payable	(1 147)	2 520	1 374	(2 762)	1 075	(1 688)
Contributions receivable	(411 152)	518 963	107 811	(442 990)	369 102	(73 889)
Cash and investments	(34 027)	60 821	26 793	(110 340)	109 731	(608)
Other	(21 191)	19 997	(1 194)	(17 836)	20 195	2 359
Total unrealized foreign exchange (gains) and losses	(467 518)	602 301	134 783	(573 928)	500 103	(73 825)

190. In 2021, the unrealized exchange losses of \$134.8 million resulted primarily from the impact of the strengthening of the United States dollar against those currencies in which UNHCR held accounts receivable and bank balances as at 31 December 2021 (primarily the euro, Swedish krona, the Danish krone and the Swiss franc). Items denominated in euros accounted for 44 per cent of the realized losses.

Note 7

Statement of comparison of budget and actual amounts

191. 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 and Guarantee Fund, 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).

192. 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 2021 is presented below.

Table 7

Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	2021
Actual amount on a comparable basis (statement V)	4 917 975
Basis differences	
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(142 114)
Employee benefits funding	(91 162)
Elimination of inter-segment expenses	(65 171)
Property, plant and equipment, and intangible assets	(33 742)
Depreciation and amortization of property, plant and equipment, and intangible assets	30 869
Implementing partner expenditure current year	(28 978)
Implementing partnership refunds and adjustments for prior-year projects	(688)
Inventory	(8 779)
Inventory obsolescence	3 659
Bad debt expense	4 479
Other	(5 978)
Total basis differences	(337 603)
Entity differences	
Staff Benefits Fund	69 486
Medical Insurance Plan	10 843
Working Capital and Guarantee Fund	5 157
Self-Financing Activities Fund	26 494
Total entity differences	111 980
Total expenses	4 692 352

193. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Note 8 Segment reporting

8.1 Statement of financial position by segment as at 31 December 2021

Table 8.1.1

Statement of financial position by geographic segment as at 31 December 2021

(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	15 311	57 798	8 710	51 606	53 074	14 745	14 027	968 621	1 183 891
Investment	—	—	—	—	—	—	—	655 000	655 000
Contributions receivable	—	—	—	—	—	—	—	1 133 262	1 133 262
Inventories	20 583	81 322	8 261	83 926	28 205	12 612	11 572	53 895	300 376
Other current assets	19 498	33 191	7 514	83 400	13 505	10 594	11 839	85 031	264 571
Total current assets	55 393	172 310	24 484	218 932	94 784	37 951	37 438	2 895 809	3 537 100
Non-current assets									
Contributions receivable	—	—	—	—	—	—	—	814 170	814 170
Property, plant and equipment	10 481	33 484	6 915	16 077	6 086	1 841	2 237	136 804	213 926
Intangible assets	—	—	—	50	—	—	—	28 407	28 457
Total non-current assets	10 481	33 484	6 915	16 127	6 086	1 841	2 237	979 381	1 056 553
Total assets	65 874	205 794	31 399	235 059	100 870	39 793	39 675	3 875 190	4 593 653
Liabilities									
Current liabilities									
Accounts payable and accruals	8 654	29 711	4 586	80 921	26 350	9 437	10 122	88 965	258 746
Employee benefits	—	—	—	—	—	—	—	160 219	160 219
Other current liabilities	—	—	—	—	—	—	—	17 044	17 044
Provisions	—	—	—	—	—	—	—	5 638	5 638
Total current liabilities	8 654	29 711	4 586	80 921	26 350	9 437	10 122	271 866	441 646

	<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>
Non-current liabilities									
Employee benefits	—	—	—	—	—	—	—	1 328 789	1 328 789
Provisions	—	—	—	—	—	—	—	94	94
Total non-current liabilities	—	—	—	—	—	—	—	1 328 883	1 328 883
Total liabilities	8 654	29 711	4 586	80 921	26 350	9 437	10 122	1 600 748	1 770 529
Net assets	57 219	176 083	26 814	154 138	74 520	30 355	29 553	2 274 442	2 823 124

Table 8.1.2
Statement of financial position by geographic segment as at 31 December 2020

(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	34 408	46 297	5 824	65 647	28 944	11 239	11 367	921 528	1 125 255
Investment	—	—	—	—	—	—	—	534 000	534 000
Contributions receivable	—	—	—	—	—	—	—	1 241 484	1 241 484
Inventories	14 613	47 687	15 058	87 279	23 103	16 094	10 449	46 131	260 415
Other current assets	17 906	51 595	6 121	82 192	17 438	27 785	17 703	49 151	269 892
Total current assets	66 927	145 579	27 003	235 119	69 485	55 118	39 519	2 792 295	3 431 046
Non-current assets									
Contributions receivable	—	—	—	—	—	—	—	321 471	321 471
Property, plant and equipment	7 170	34 049	6 365	18 998	5 836	1 886	1 093	138 225	213 621
Intangible assets	—	—	—	—	—	—	—	38 120	38 120
Total non-current assets	7 170	34 049	6 365	18 998	5 836	1 886	1 093	497 816	573 211
Total assets	74 097	179 628	33 368	254 117	75 321	57 004	40 612	3 290 111	4 004 257

	<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>
Liabilities									
Current liabilities									
Accounts payable and accruals	11 892	25 632	5 021	85 066	13 729	24 510	3 826	50 813	220 488
Employee benefits	–	–	–	–	–	–	–	148 467	148 467
Other current liabilities	–	–	–	–	–	–	–	8 153	8 153
Provisions	–	–	–	–	–	–	–	5 486	5 486
Total current liabilities	11 892	25 632	5 021	85 066	13 729	24 510	3 826	212 919	382 594
Non-current liabilities									
Employee benefits	–	–	–	–	–	–	–	1 141 720	1 141 720
Provisions	–	–	–	–	–	–	–	94	94
Total non-current liabilities	–	–	–	–	–	–	–	1 141 813	1 141 813
Total liabilities	11 892	25 632	5 021	85 066	13 729	24 510	3 826	1 354 733	1 524 408
Net assets	62 205	153 995	28 347	169 051	61 592	32 494	36 785	1 935 378	2 479 849

8.2 Statement of financial performance by segment for the year ended 31 December 2021

Table 8.2.1

Statement of financial performance by geographic segment as at 31 December 2021

(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>
Revenue									
Voluntary contributions	238 290	602 875	114 043	989 532	532 561	207 192	282 990	2 219 730	5 187 214
United Nations regular budget	–	–	–	–	–	–	–	43 177	43 177
Interest revenue	100	351	56	67	708	115	141	939	2 476
Other revenue	3 942	9 770	1 750	4 236	3 024	1 320	1 257	(3 961)	21 339
Total revenue	242 332	612 996	115 849	993 835	536 293	208 627	284 388	2 259 885	5 254 206
Expenses									
Implementing partner expenses	148 055	316 519	62 928	349 051	158 858	84 901	153 018	107 337	1 380 667
Salaries and employee benefits	137 099	245 858	76 636	207 700	115 851	102 137	97 510	277 926	1 260 716
Cash assistance to beneficiaries	9 093	33 054	3 544	393 426	35 406	74 700	20 719	3 244	573 186
Contractual services	22 588	75 189	17 025	103 819	49 247	32 599	52 422	174 872	527 762
Supplies and consumables for beneficiaries	74 940	139 707	20 631	142 109	67 089	12 301	27 000	(54 232)	429 545
Operating expenses	38 926	79 467	16 928	63 051	23 039	24 589	15 195	8 303	269 498
Equipment and supplies	14 867	26 897	7 023	25 417	18 476	9 907	18 507	10 951	132 045
Travel expenses	7 180	10 225	5 184	4 467	2 805	2 547	6 258	3 445	42 112
Depreciation, amortization and impairment	1 836	6 699	1 315	4 560	1 101	366	385	37 325	53 586
Other expenses	1 921	974	822	5 396	1 583	1 944	1 856	8 739	23 234
Total expenses	456 505	934 588	212 036	1 298 997	473 455	345 991	392 870	577 910	4 692 352
Foreign exchange (gains)/losses	2 250	3 552	(128)	3 606	6 996	3 867	1 006	76 238	97 386
Surplus/(deficit) for the year	(216 423)	(325 144)	(96 059)	(308 768)	55 842	(141 230)	(109 488)	1 605 737	464 468

Table 8.2.2
Statement of financial performance by geographic segment as at 31 December 2020

(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>
Revenue									
Voluntary contributions	314 703	701 650	110 778	1 210 443	348 260	524 824	292 279	1 324 835	4 827 773
United Nations regular budget	–	–	–	–	–	–	–	40 093	40 093
Interest revenue	90	357	42	144	667	171	78	3 616	5 165
Other revenue	4 434	11 149	3 090	4 257	3 864	1 368	1 047	(10 592)	18 618
Total revenue	319 227	713 157	113 910	1 214 844	352 791	526 363	293 404	1 357 952	4 891 649
Expenses									
Implementing partner expenses	150 742	298 378	69 074	362 248	152 723	154 663	112 723	91 664	1 392 215
Salaries and employee benefits	114 439	217 204	67 047	192 536	103 800	98 404	84 479	289 970	1 167 879
Cash assistance to beneficiaries	10 843	23 843	3 336	395 603	14 541	140 208	15 258	4 020	607 652
Contractual services	25 194	59 828	13 190	102 622	31 128	45 553	38 812	168 357	484 685
Supplies and consumables for beneficiaries	28 235	70 352	13 564	127 272	60 059	13 395	19 232	4 216	336 324
Operating expenses	25 855	56 647	12 754	57 914	21 852	25 395	13 445	44 830	258 693
Equipment and supplies	8 853	17 340	6 124	14 153	14 407	5 945	13 365	11 991	92 178
Travel expenses	5 130	5 232	3 803	4 185	1 606	1 869	3 257	3 566	28 650
Depreciation, amortization and impairment	1 979	6 160	1 188	3 354	971	505	338	29 609	44 105
Other expenses	815	3 301	993	2 218	2 802	2 405	1 426	6 113	20 074
Total expenses	372 084	758 286	191 073	1 262 106	403 890	488 343	302 334	654 338	4 432 455
Foreign exchange (gains)/losses	(2 514)	(236)	363	671	952	243	1 535	(96 250)	(95 237)
Surplus/(deficit) for the year	(50 343)	(44 893)	(77 526)	(47 933)	(52 051)	37 777	(10 466)	799 864	554 430

194. 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.

195. 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 2021 of \$13.6 million. Inter-fund charges and revenue in respect of the newly created Self-Financing Activities Fund amounted to \$50.9 million in 2021. They are included under the Headquarters/global programmes/other column in tables 8.2.1 and 8.2.2 and as a separate column in table 8.2.3.

Table 8.2.3

Statement of financial performance by historical segment as at 31 December 2021

(Thousands of United States dollars)

	<i>Programmes</i>	<i>Projects</i>	<i>Special funds and accounts</i>	<i>Inter-segment</i>	<i>Total</i>
Revenue					
Voluntary contributions	4 890 051	297 163	–	–	5 187 214
United Nations regular budget	43 177	–	–	–	43 177
Transfers	(702 882)	702 882	–	–	–
Interest revenue	1 178	(6)	1 305	–	2 476
Other revenue	9 562	19	76 929	(65 171)	21 339
Total revenue	4 241 086	1 000 057	78 234	(65 171)	5 254 206
Expenses					
Implementing partner expenses	1 081 944	298 723	–	–	1 380 667
Salaries and employee benefits	1 001 719	189 877	82 749	(13 629)	1 260 716
Cash assistance to beneficiaries	438 335	134 851	–	–	573 186
Contractual services	465 732	62 912	4 298	(5 180)	527 762
Supplies and consumables for beneficiaries	217 679	211 021	200	644	429 545
Operating expenses	253 270	48 175	6 521	(38 468)	269 498
Equipment and supplies	118 353	26 771	(5 211)	(7 868)	132 045
Travel expenses	33 163	8 824	125	–	42 112
Depreciation and amortization	25 651	5 218	22 716	–	53 586
Other expenses	20 202	3 121	581	(670)	23 234
Total expenses	3 656 048	989 495	111 980	(65 171)	4 692 352
Foreign exchange (gains)/losses	6	1	97 379	–	97 386
Surplus/(deficit) for the year	585 033	10 561	(131 126)	–	464 468

196. Earmarked contributions are recorded to the applicable fund/pillar upon receipt. Unearmarked and softly earmarked contributions are initially recorded under pillar 1 (Global Refugee Programme) and are subsequently transferred to other pillars, as needed, to cover budgetary requirements. Accumulated fund balances under programmes, projects and special accounts represent the unexpended portion of contributions that are carried forward to be utilized for future operational requirements.

197. Programmes include the Global Refugee Programme (pillar 1), the Global Stateless Programme (pillar 2) and the activities funded by the United Nations Regular Budget Fund and the Junior Professional Officers Fund. The Global Refugee Programme relates to the UNHCR mandate regarding refugees and covers protection, assistance and durable solutions in countries of asylum (including all activities to facilitate the voluntary repatriation of refugees), together with capacity-building, advocacy and resource mobilization activities. The Global Stateless Programme relates to the UNHCR mandate regarding statelessness and covers all programmes addressing stateless persons, including populations with undetermined nationality. The Junior Professional Officers Fund covers activities relating to the recruitment, training and development of young professionals sponsored by various Governments.

198. Projects include the Global Reintegration Projects (pillar 3) and the Global Internally Displaced Persons Projects (pillar 4). Global Reintegration Projects relate to an area where UNHCR has joint responsibilities with other United Nations system organizations covering longer-term activities to reintegrate returning refugees into their country of origin or to locally integrate refugees into their country of asylum. Global Internally Displaced Persons Projects cover operations for internally displaced persons where UNHCR is operating within the inter-agency cluster approach.

199. As at 31 December 2021, the special funds and accounts comprised the Working Capital and Guarantee Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Self-Financing Activities Fund.

8.3 Long-lived asset additions by segment

Table 8.3

Long-lived asset additions by geographic segment

(Thousands of United States dollars)

	<i>Property, plant and equipment</i>	<i>Intangible assets</i>	<i>Total 2021</i>	<i>Property, plant and equipment</i>	<i>Intangible assets</i>	<i>Total 2020</i>
West and Central Africa	4 340	—	4 340	1 393	—	1 393
East Africa, Horn of Africa and Great Lakes Region	5 655	—	5 655	10 175	—	10 175
Southern Africa	1 613	—	1 613	1 030	—	1 030
Middle East and North Africa	5 534	61	5 596	7 024	—	7 024
Asia and the Pacific	1 729	—	1 729	2 385	—	2 385
Europe	537	—	537	98	—	98
The Americas	2 159	—	2 159	1 018	—	1 018
Headquarters/global programmes/other	31 027	1 784	32 811	41 839	10 536	52 375
Total	52 595	1 845	54 440	64 963	10 536	75 498

Note 9
Commitments and contingencies

9.1 Leases

Table 9.1
Obligations for operating leases

(Thousands of United States dollars)

	<i>2021</i>	<i>2020</i>
Under 1 year	36 045	35 276
1–5 years	50 796	46 491
Beyond 5 years	9 500	8 679
Total obligations for operating leases	96 342	90 445

200. 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.

201. As at 31 December 2021, UNHCR did not have any finance leases. Operating leases included \$9.8 million of lease obligations without a diplomatic clause.

9.2 Commitments

202. As at 31 December 2021, 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)

	<i>2021</i>	<i>2020</i>
Assets and supplies	349 064	320 873
Services	175 344	162 179
Instalments due against partnership agreements	73 153	87 094
Operating expenses	47 845	39 201
Consultants	3 164	2 086
Other commitments	5 875	3 875
Total open commitments	654 447	615 308

203. The increase in 2021 of total open commitments is attributable primarily to the procurement of medical supplies, equipment, construction contracts and transportation and cargo handling for COVID-19-related needs.

204. Multi-year commitments through 2026 of \$19.2 million to secure information technology services are reflected in table 9.2.

9.3 Legal or contingent liabilities

205. 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.

206. As at 31 December 2021, there were 27 outstanding cases relating to various claims from staff members or former staff members pending United Nations Dispute Tribunal judgments against UNHCR, with a total potential financial compensation amounting to approximately \$1.7 million.

207. There are 51 unresolved third-party claims against UNHCR. The main third-party claims relate to ongoing commercial disputes with a small number of suppliers regarding the prices and quantities charged. These disputes are subject to negotiation, and some may be settled through arbitration, with uncertain outcome. While the best estimate of additional costs to settle the agreements in arbitration have been accounted for as accruals and legal provisions and disclosed in note 3.10, there are additional third-party claims of approximately \$28.6 million.

208. A former contractor has filed a court claim, which is expected to be heard in 2022, for all entitlements that would have been received under national law as a subordinate employee in the country of the claim. The claim is potentially an undeclared class action lawsuit as, depending on the outcome, other former contractors may file similar lawsuits in the same legal jurisdiction. The outcome of the original claim, the number of individuals who might make similar claims, the periods which these additional claims may cover and thus the potential total level of such monetary claims cannot be reliably estimated. The number of individuals in a similar position who could lodge a similar claim is less than 300 and the maximum possible claim value for all potential claimants is estimated at approximately \$5.0 million.

9.4 Contingent assets

209. Employee benefits liabilities include \$10.0 million for staff annual leave and \$2.2 million for home leave arising from the temporary lifting of caps on the entitlement balances that staff may carry forward as a result of COVID-19. Upon reintroduction of the caps, these staff entitlements and related liabilities are expected to revert to levels reflecting the respective caps.

Note 10

Losses, ex gratia payments and write-offs

210. UNHCR financial rule 10.5 provides that ex gratia payments may be approved when such payments are considered desirable in the interest of the organization. For 2021, 8 ex gratia payments were approved (2020: 19), totalling \$216,035 (2020: \$44,835).

211. In 2021, write-offs amounted to \$9.4 million (2020: \$5.4 million), consisting primarily of donation reductions (\$5.6 million) and aged implementing partner receivables (\$2.8 million) that had previously been subject to full allowances. Write-off expenses on implementing partner receivables are reported under implementing partner expenses.

212. In 2021, there were 66 substantiated or presumptive fraud cases (31 cases in 2020), with a total estimated amount of \$1.3 million (\$0.11 million in 2020), including misappropriation of the organization’s funds, misuse of assets, abuse of authority and procurement fraud by staff and affiliate workforce or implementing partners, as well as falsification of documents, solicitation and receipt of bribes and submission of fraudulent claims by personnel for various entitlements. As at the end of 2021, there were also 31 open fraud allegation cases (71 cases in 2020) concerning staff, affiliate workforce or partners. Investigations into these cases were ongoing, and their outcome will be reported, as appropriate, once the determination is concluded.

Note 11
Related party disclosures

213. 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 11
Related party disclosures

(Thousands of United States dollars)

	<i>Compensation and post adjustments</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration</i>	<i>Outstanding advances against entitlements</i>	<i>Outstanding loans</i>
Key management personnel, 2021	1 257	69	294	1 621	44	–

214. 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.

215. 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.

216. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 12
Events after the reporting date

217. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year. Events after 31 December 2021 related to the situation in Ukraine call into question the control exercised over certain assets – primarily vehicles – located in the conflict area. The extent of the impact is not immediately determinable, but the maximum book value of assets subject to a potential loss of control is estimated at \$3.2 million. At the date of signing these financial statements, 31 March 2022, other than as referred to above, no material events, favourable or unfavourable, have occurred that would have impacted the present statements.

218. The financial statements were approved on 31 March 2022 and submitted to the Board of Auditors for opinion. No one other than UNHCR has the authority to amend these financial statements.

